mensch maschine

CAD as CAD can

Annual report 2012

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2008	2009		2010		2011		2012	
Revenue	223.1	163.3	-27%	195.6	+20%	191.72	-2.0%	118.80	-38%
Germany	57.3	39.9	24.4%	48.8	24.9%	55.96	29.2%	60.60	51.0%
International	165.8	123.4	75.6%	146.8	75.1%	135.76	70.8%	58.20	49.0%
Revenue per share in EUR	16.44	11.20	-32%	13.45	+20%	13.21	-1.8%	7.93	-40%
Gross margin	55.9	51.0	-8.7%	66.2	+30%	70.01	+5.8%	62.97	-10%
Distribution	32.2	18.4	36.1%	19.9	30.0%	15.81	22.6%		
M+M Software	22.9	19.2	37.6%	23.0	34.7%	26.41	37.7%	30.63	48.6%
VAR Business	0.8	13.4	26.3%	23.3	35.3%	27.79	39.7%	32.34	51.4%
Operating result EBITDA	13.0	1.4	-89%	6.1	+340%	15.66*	+158%	9.97	-36%
EBITDA return from revenue	5.8%	0.8%		3.1%		8.2%		8.4%	
Net result	5.8	-4.8		-0.5		6.81*		3.62	-47%
Net return from revenue	2.6%	-2.9%		-0.2%		3.5%		3.0%	
Net result per share in EUR	0.42	-0.34		-0.03		0.47*		0.24	
Dividend in EUR	0.20	0.00		0.10		0.20		0.20	
Total assets	85.0	101.1	+19%	105.1	+4%	104.95	-0%	94.56	-10%
Shareholders' equity	26.4	24.2	-8%	27.77	+15%	33.76	+22%	35.86	+6%
Equity ratio	31.1%	23.9%		26.4%		32.2%		37.9%	
Number of shares in million	13.570	13.970	+3%	14.542	+4%	14.514	-0.2%	14.972	+3.2%
Number of employees	388	504	+30%	607	+20%	639	+5%	659	+3%

* 2011 purely operating, excluding non-recurring effects from Distribution sale:
EBITDA approx. EUR 9.1 mln / Net result approx. EUR 2.4 mln / 16.5 Cents/share

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Dear reader,
For Mensch und Maschine Software SE (M+M), 2012 was a successful year, in spite of the economy slowdown in Europe and some burden from the business model transition. New records were reached for sales, gross margin, operating and net profit in the continued Software and VAR segments.

M+M's own Software achieved a purely organic increase of 15% for sales and 26% for EBITDA, while the VAR segment, with new help from Europe, continued its race to success, with above 26% sales increase and more than a doubling of the EBITDA.

Due to the concentration on the high margin segments Software and VAR, after the sale of the Distribution business in the previous year, the group gross yield increased to 53% and the proprietary part of the added value grew significantly. While the contribution of M+M Software and service to group gross margin had been less than 50% until 2008, it was already around 75% in 2012.

In the meantime, the sale of Distribution was digested in the balance sheet. With lower total assets and higher equity, the equity ratio is approaching the 40% mark. The only drop of bitterness in 2012 was the fact that the business model transition caused negative operating cash flows, because the (desired) reduction of the trading business led to a non-recurring shift from trade accounts payable to bank debt.

Therefore the management will propose to the annual shareholders' meeting at May 16, 2013 an unchanged 20 Cents dividend and postpone a dividend increase until it can be financed from the free cash flow.

Our central target for the coming years is to swiftly develop the VAR business in Europe, in order to drive EPS beyond the old 47 Cents record level by 2015, and then to attack the One-Euro-barrier for EPS by 2017/18.
This should allow the M+M share to exceed the 5 Euro hurdle, and make way for a dividend increase, both as soon as possible.

Wessling, March 2013
The Managing Directors

2012 at a glance

- All in all a successful year in spite of economy slowdown and some burden from the business model transition
- Previous year comparison according to IFRS5 (continued segments Software / VAR):
- Sales: EUR 118.80 mln / +22%
  - M+M Software: EUR 33.62 mln / +15%
  - VAR Business: EUR 85.18 mln / +26%
- Gross margin: EUR 62.97 mln / +16%
  - Software +16% / VAR Business +16%
  - Gross yield 53.0% (PY: 36.5%)
- EBITDA: EUR 9.97 mln / +57%
  - Software +26% / VAR Business +125%
  - Operating margin: 8.4% (PY: 4.7%)
- Net profit: EUR 3.62 mln / +166%
  - EPS: 24 Cents (PY: 9.5)
- Op. cash flows: EUR -6.48 mln (PY: +6.37)
- Dividend proposal: 20 Cents (PY: 20)
  - Tax free payout (§27 KStG)
- Group headcount: 659 (PY: 639)

Adi Drotleff
CEO

Michael Endres
COO

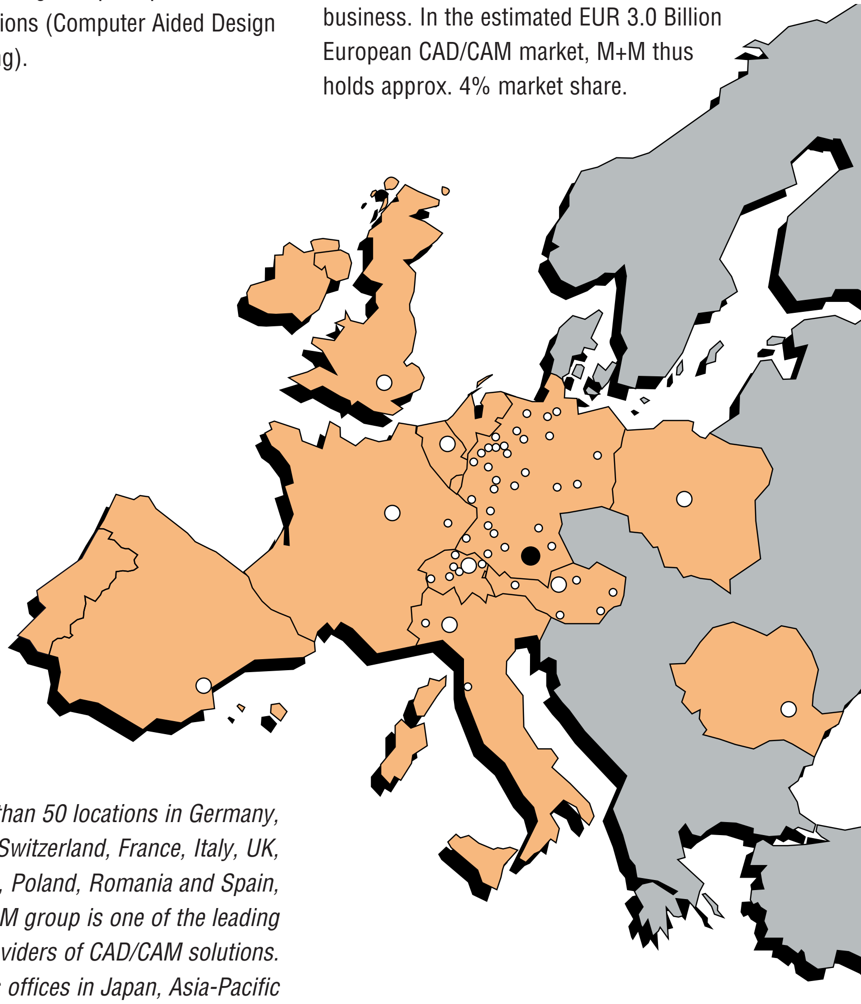
Peter Schützenberger
CFO

Management report 2012

Enterprise and market position

Mensch und Maschine Software SE (M+M) is one of the leading European providers of CAD/CAM solutions (Computer Aided Design & Manufacturing).

51% of 2012 group sales amounting to EUR 118.8 mln was achieved inside Germany, 49% came from international business. In the estimated EUR 3.0 Billion European CAD/CAM market, M+M thus holds approx. 4% market share.



With more than 50 locations in Germany, Austria, Switzerland, France, Italy, UK, Belgium, Poland, Romania and Spain, the M+M group is one of the leading European providers of CAD/CAM solutions. Additional sales offices in Japan, Asia-Pacific and in the USA provide global presence for M+M's self-developed CAD/CAM Software.

Good sector balance

In respect of industry sectors, the M+M business is split about half into mechanical engineering and half into the sectors of architecture and the construction industry including building services (approx. 25%), infrastructure / gardening & landscaping (approx. 15%) and electrical engineering (approx. 10%).
This breakdown is quite similar to the global CAD market, where about 50% of the total market volume is attributed to mechanical. This broad sector base allows M+M increasingly to offer interdisciplinary solutions such as PDM/PLM (Product Data / Lifecycle Management), industrial design / visualization, plant or factory design.

Large customer and installation base

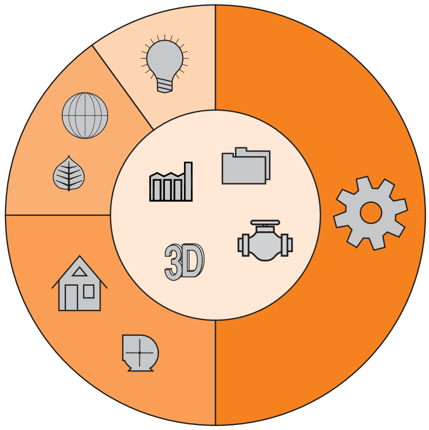
In respect of customers and orders, the distribution of business is even wider. M+M sells software solutions for several ten thousand CAD/CAM seats per year. Altogether, Mensch und Maschine has built up an installed base of over 500,000 CAD/CAM seats at more than 50,000 end customer sites of all size categories - from small engineer's or architect's offices up to international large-scale enterprises.

Wide price/performance range

The M+M product portfolio covers a wide price/performance range from rather simple drawing software for approx. 1,000 Euros through midprice 2D/3D design solutions in the 5,000 Euro range up to high end systems for manufacturing and production control with software investment levels from 10,000 to 100,000 Euros and more per seat. The majority of CAD sales is generated in the low to midprice range, while the self-developed CAM solutions are sold in the high end range.

70% new business, 30% recurring revenue

About 70% of the business is new sales of software seats or subscription/maintenance contracts and services, approx. 30% is recurring, such as subscription or maintenance renewals and software updates.



The M+M group's business divides into four industry segments: One half of the business is achieved with mechanical engineering solutions. The other half consists of architecture / construction industry including building services (approx. 25%), infrastructure / gardening & landscaping (approx. 15%) and the electrical engineering segment contributing approx. 10 percent. In addition, there is a number of interdisciplinary solutions such as PDM/PLM *(Product Data/Lifecycle Management), industrial design / visualization, plant and factory design, which cannot be allocated into one of the industry segments.*

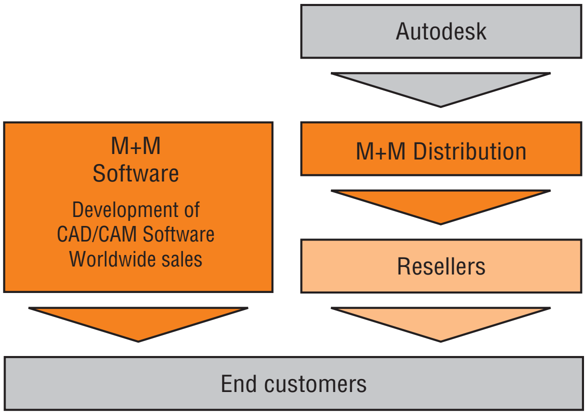
M+M business model in transition
The M+M business model is based on a mix, composed of self developed software and the reselling of solutions from Autodesk, the global CAD market leader. Since 2009 it has been in a transition process, strengthening M+M's proprietary part on the one hand and reducing the trading component on the other.

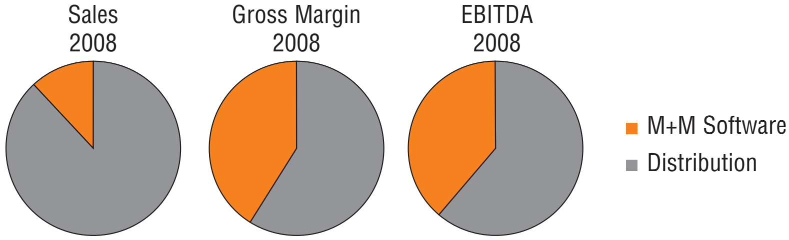
Until 2008: Software and Distribution
Since 1984, the year of foundation, M+M acted as a Value Added Distributor (VAD) for Autodesk software, while continuously increasing the development of our own CAD/CAM solutions, in order to build up an individual market profile and to be clearly distinguishable from competition.

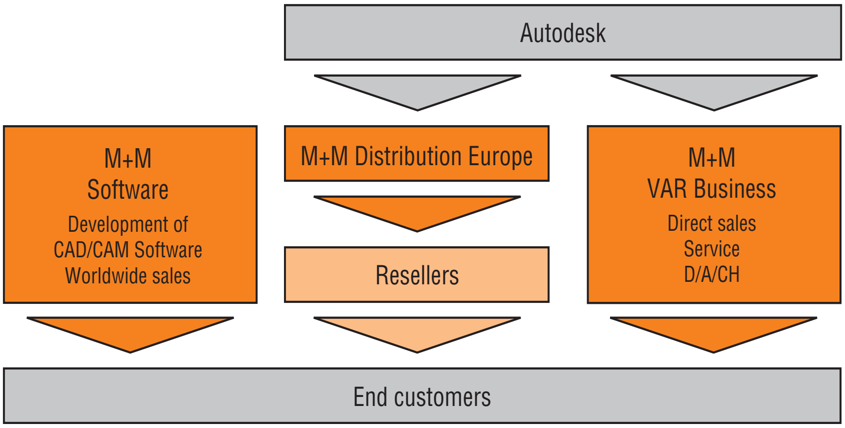
In this two-segment model, the Distribution volume business naturally dominated group sales, while in the year 2008, the high margin Software segment already contributed nearly half of gross margin and EBITDA, with 210 of the 388 group employees.

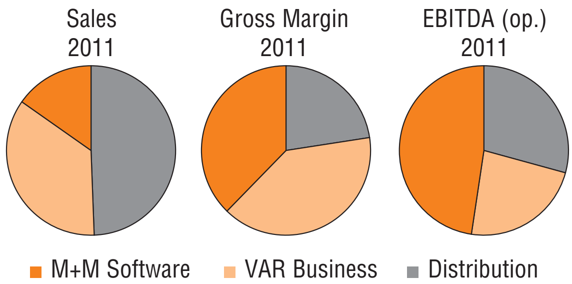
In 2008 group gross yield was 25%, EBITDA margin had reached 5.8%, and M+M was in a constant head-to-head race with the Tech Data Group for the title of largest Autodesk Distributor in Europe.

The M+M business model until 2008: Distribution was dominating sales, while M+M Software contributed nearly half to gross margin and EBITDA.









The M+M business model from 2009 to 2011: For 2011 group gross margin and EBITDA (operating) the lion's share was already contributed by the value segments Software and VAR Business.

2009: VAD to VAR transition in D/A/CH
In 2009, a third segment 'VAR Business' (Value Added Reselling) was formed.
In the course of the 'Market Offensive', the M+M subsidiaries in Germany, Austria and Switzerland were transitioned from indirect business to direct selling to end customers, and more than a dozen former reselling partners were acquired.

2011, in the third year after the start, the VAR segment contributed nearly 40% to group gross margin and achieved - after two years with slight ramp up losses - a positive operating result EBITDA.

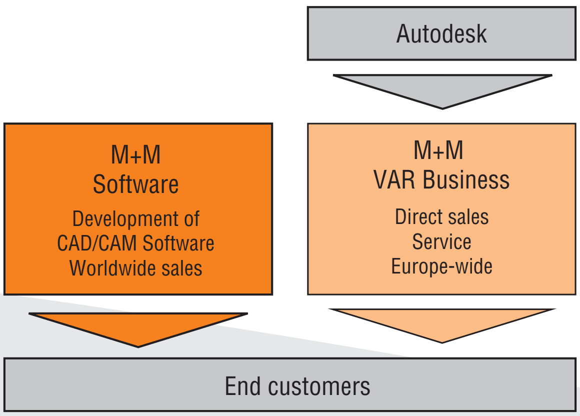
Thus the stage was set for completing the VAD/VAR transition groupwide. As a first step, the European Distribution business was sold to the Tech Data Group by the end of October 2011, while M+M has kept the subsidiaries in France, Italy, UK, Belgium, Poland and Romania with approx. 70 of the 113 employees.

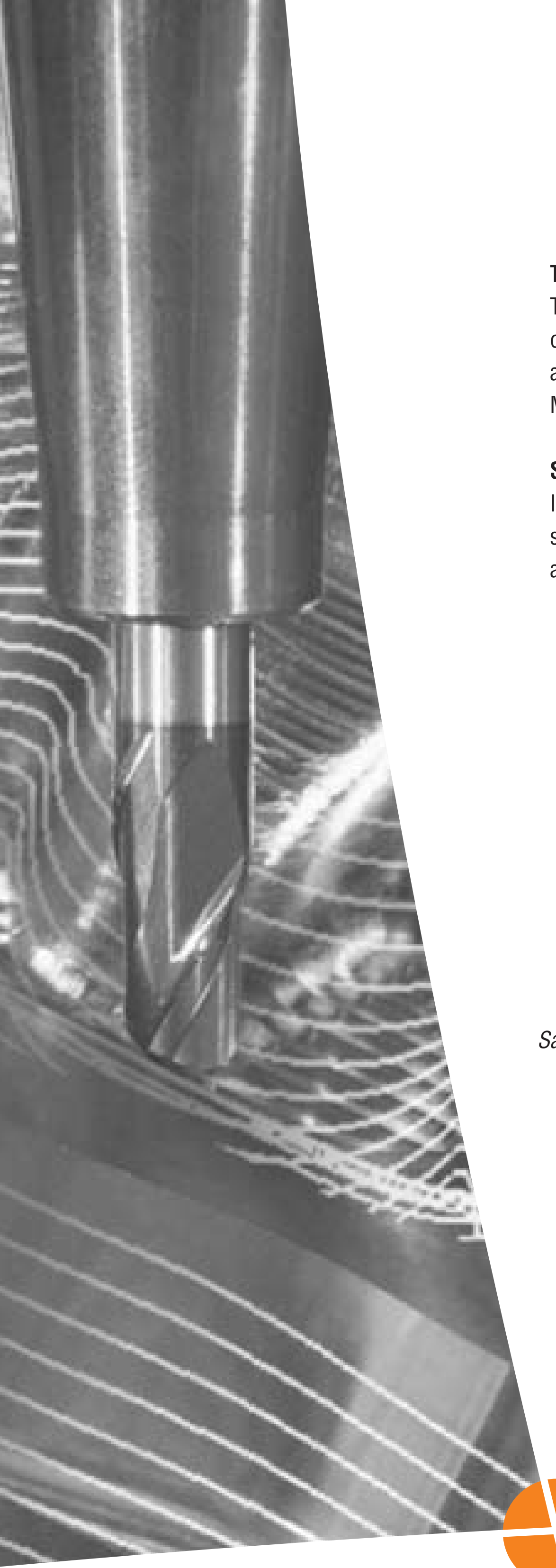
2012: VAD to VAR transition in Europe
On this foundation the former Distribution business was restructured to VAR Business, accompanied by selected reselling partner acquisitions like in the German speaking countries ('Market offensive II').

Gross yield increased to >50%, more than 10% EBITDA margin achievable
Due to the concentration on the high margin segments Software and VAR, and without the Distribution business, the group gross yield increased to 53%, which represents more than a doubling compared to 2008.
The new business model, in the mid term, makes EBITDA margins above 10% achievable.

After only one year, there is a nearly perfect balance between both segments on gross margin and EBITDA. In addition, the proprietary part of gross margin grew significantly. While the contribution of M+M Software and service had been less than 50% until 2008, it was already around 75% in 2012.

The actual M+M business model since the beginning of 2012: With the new and simpler structure, a nearly perfect balance between both segments on gross margin and EBITDA was achieved in the very first year.



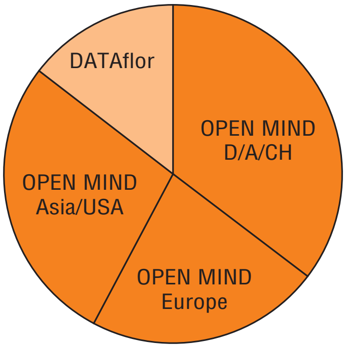


The M+M segments in detail

The following chapters give a detailed overview across the segments Software and VAR Business forming the actual M+M business model.

Segment M+M Software

In 2012, approx. 85% of M+M Software sales came from OPEN MIND AG, while around 15% was contributed by DATAflor AG.

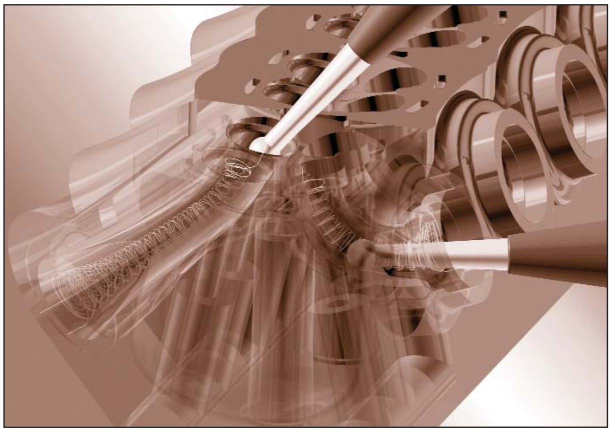


Sales breakdown 2012 in the Software segment

Software solutions from OPEN MIND are used for the process control of milling, drilling and turning in various industries such as mechanical engineering, tool, mold and die making, automotive and aerospace industry, medical technology, toy industry, as well as watch, clock and jewellery manufacturing.

The M+M group belongs to the first tier of vendors in the important niche market of CAM solutions. In 2012 approx. 41% of sales came from the German speaking area, while approx. 26% was contributed by other European markets (mainly Italy, UK and France). Meanwhile, around one third of the business is achieved through our own sales offices in Japan, Singapore, China, Taiwan, India and the USA.

Innovative CAM strategies enable high savings for the design cycle and machining time: Cavity milling using hyperMILL



Particularly in the highly complex 5-axis milling process, the hyperMILL product line from OPEN MIND, has a technologically leading position and allows the customers quick payback of their high machine tool investments.

OPEN MIND offers a variety of innovative applications for specific products like tyre molds, turbine blades and impellers, in order to enable and simplify the programming of complex handling, as well as to lower handling time and improve finished quality.

The *hyper*MILL *mill*TURN module enables the use of modern combined milling/turning machine tools. The complete handling, including turning and milling on the same machine, reduces manufacturing and machining times. It minimises set-up times by means of less clamping, rechuck and unload operations and results in higher machining precision.

The comprehensive selection of handling strategies covered by *hyper*MILL satisfies the request for flexibility in manufacturing. Parts from a wide variety of materials and geometries can be handled efficiently. This is one of the reasons why CAM solutions from OPEN MIND are used for prototype manufacturing by some famous automotive companies, several engine tuners and Formula 1 race teams.

DATAflor

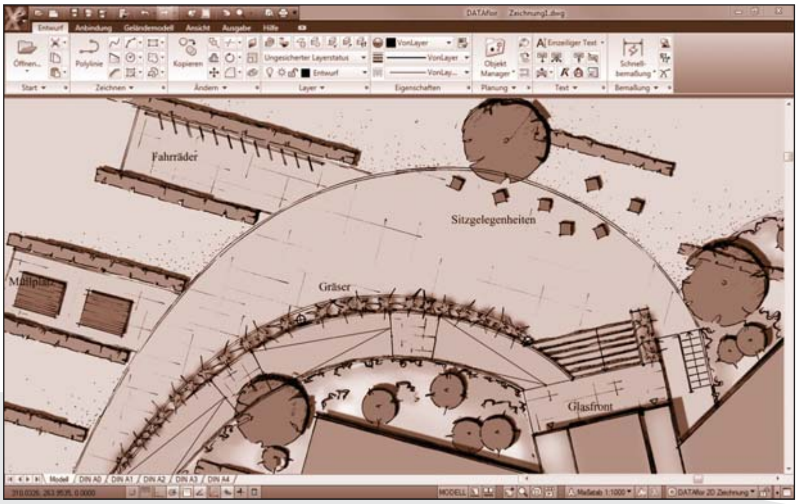
DATAflor has a strong position in the German-speaking gardening and landscaping market. The proffered solutions not only contain a graphical planning section but also tools for complete financial calculation and billing of such projects.

DATAflor was founded in 1982 and maintains evolved customer relationships which are carefully nurtured. This has allowed, in spite of difficult market economies in past years, further enhancement of their already high market share in this niche market.

Small volume, high margin
Economically, the Software segment is a standard software developer with 33.6 Million Euro sales (2012), over 90% gross yield and over 16% EBITDA margin. As a result, the segment pulls a relatively high added value from its only 28.3% share in group sales. In fiscal year 2012, 48.6% of group gross margin was achieved by self developed software technology.

High development investment
M+M in 2012 spent approx. EUR 11.3 mln on maintenance and development of the OPEN MIND and DATAflor software products. Back in 2009, development costs amounted to EUR 5.7 mln, representing nearly a doubling within three years.

DATAflor software specializes on the organic forms, the special structures and the core competencies of landscape architects' offices as well as gardening and landscaping enterprises. Any functionality is focussed on the plants and the landscaping. DATAflor programs connect the graphical planning with the commercial view of all 'green' planning and construction processes.



Segment VAR Business
With more than 40 locations in Germany, Austria and Switzerland, Autodesk Platinum Partner M+M provides full area coverage and can serve the customers interdisciplinary solutions with the highest quality.
Since the beginning of 2012, approx. 10 locations in Italy, France, UK, Benelux, Poland and Romania were added by the transition of the European subsidiaries to VAR (Value Added Reseller) business.
The total M+M VAR segment with more than 50 locations, employing approx. 430 people (Status Feb 28, 2013) today is by far the largest European Autodesk VAR.

Dynamic growth
In 2009, more than EUR 35 mln sales and 38% gross yield had been achieved from scratch. In the following three years the segment continued to grow dynamically, achieving EUR 85.2 mln sales and a similar gross yield level in 2012.

The gross margin in the VAR business is made up about half from service business (e.g. training, installation, support contracts and customizing) and half from software sales (with higher margin than in Distribution). EBITDA margin, which in 2009 had been at -2.9% due to the economic crisis and the startup conditions, improved to -0.9% in 2010 and became clearly positive at +2.9% in 2011, was increased to 5.3% in 2012.

Acquisitions accompanied the transition
This enormous development was not just achieved by transitioning the M+M locations in Germany, Austria and Switzerland (2009) and in the other European countries (2012) from Distributor to VAR, but also a number of former key reselling partner companies were acquired and integrated into the Group.

Partner acquisitions 2009:

Germany:
- MuM Haberzettl GmbH, Nuremberg / Hockenheim
- MuM LeyCAD GmbH, Reichshof (Cologne)
- MuM At Work GmbH, Osnabrueck
- MuM Dressler GmbH, Friedrichshafen
- MuM benCon 3D GmbH, Neu Wulmstorf
- MuM Integra GmbH, Limburg
- customX GmbH, Limburg

Austria:
- MuM IT Consulting GmbH
- MuM Personalbereitstellungs GmbH both Grosswilfersdorf near Graz

Switzerland:
- MuM CAD-LAN AG, Suhr
- MuM CADiWare AG, Basle/Steinach/Kiesen

Partner acquisitions 2010:
- MuM Zuberbuehler AG, Aesch, Switzerland
- MuM CAD-praxis GmbH, Dueren, Germany
- MuM Scholle GmbH, Velbert, Germany

Partner acquisitions 2011:
- MuM acadGraph GmbH, Germany

Partner acquisitions 2012:
- MaxCAD, Bucharest, Romania
- Synergy, Milan/Torino, Italy

Partner acquisitions Q1/2013:
- MuM Tedikon GmbH, Ulm, Germany
- Visiograph-GDS, Paris, France

Share swap with multi-year valuation period

The acquisitions were mainly performed via share swaps, transitioning the founders and managing directors to Co-entrepreneurs in the M+M group and avoid taxation as long as they do not sell their M+M shares.
A two step acquisition scheme over a period of two to four years was applied, allowing for a fair final valuation using the earnings development during this period. In the meantime, the second step has been closed in most cases.

Liquidity saving method

The larger part of the M+M shares for the share swap were taken from a contribution in kind capital increase, with a smaller part being taken from treasury stock. Due to this method the net cash requirement, which was mainly needed for paying out non managing shareholders, for whom share swaps would not make sense, was reduced. As for the acquisitions in other European countries, a share swap has no tax advantage, so these takeovers were paid in cash.

Optimizing efficiency and customer benefit

Our long experience in Distribution enabled us to quickly reach a good balance between the close proximity to our customer base on the one hand and the use of synergistic benefits from the pooling of central services such as marketing, administration and logistics on the other.
Further optimizations like clustering hotline functions throughout the group or sharing service and training capacity are in constant progress, in order to increase both efficiency and customer benefit.

A new, fully integrated IT system was introduced in the German speaking countries during 2011/12. It covers marketing, address and prospect database, proposals, all commercial and logistic processes as well as management of the installed CAD software base at customer sites.

The M+M VAR segment can serve their customers in more than 40 locations in Germany, Austria and Switzerland with full area coverage. In 2012, approx. 10 locations in other European countries were added, so M+M today is by far the largest European Autodesk VAR.

Distribution sale financing
VAR transition in Europe

For the sale of the Distribution business in October 2011, a fixed amount of EUR 18 mln was agreed, of which EUR 6 mln were accrued for restructuring the European M+M subsidiaries from Distribution to VAR business. Backed by this accrual, the majority of the operating startup loss in the year 2012 could be compensated, leaving a remaining accrual amount of EUR 1 mln at Dec 31, 2012, for restructuring in 2013.

In addition to the fixed amount another three variable installments, depending on the development of the buyer's business in 2012, 2013 and 2014, were agreed. As the first rate amounting to EUR 4 Mio was fully booked, the European VAR business in total contributed significantly positive to the segment EBITDA 2012 in spite of the startup loss, which was kept within expectations.

This resulted in a doubling of segment EBITDA, though the business in the German speaking market was partly slower than expected and the introduction of the new IT system negatively impacted the result.

The variable installments for the years 2013 and 2014, each amounting up to EUR 3 mln, should further compensate the startup loss in the scheduled course of the transition, until the European VAR business can achieve positive EBITDA margin from its own force.

In the year 2013, though, this will probably just compensate, but not be enough for a positive contribution to segment EBITDA like in 2012, while in 2014 the operating business should be close enough to the break-even point to get a positive EBITDA contribution from Europe.

Group headcount only slightly increased
The group employed 659 people on average during fiscal year 2012 (PY: 639 / +3%), therof 246 (37%) in the Software segment and 413 (63%) in the VAR segment. Headcount does not include the current 11 trainees, nor part time employees working up to 20 hours per week, nor freelancers.

Employees are co-entrepreneurs
Traditionally, there is a very high focus on good corporate culture at M+M. During the 29 years since the foundation of the company in 1984, the employees were always seen as 'Co-Entrepreneurs' and fully integrated in the decision making process. Whenever acquiring companies in and outside Germany in the course of the intensive expansion since IPO in 1997, M+M always cared for and respected the specific culture of the companies acquired and encouraged them to adopt the M+M corporate culture very gently. This is also, and especially, applied to the integration of the newly acquired VAR companies.

The decision making structures in the M+M group are as decentralised as possible. The individual entities have a high degree of autonomy in order to be able to optimally meet the customers' requirements and to achieve the best possible results in the individual markets.

The M+M headquarters in Wessling near Munich is responsible for logistics and other services for the business in many European countries

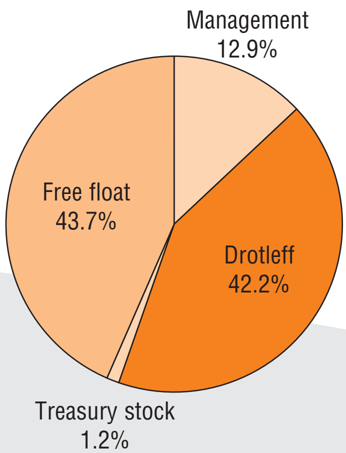
Experienced management team
This corporate culture generates a high degree of continuity. Staff turnover in the M+M group is very low, which even during the hype phases of the IT industry prevented a drain of qualified specialists from which other similar companies in IT suffered. As a result, M+M has an experienced management team down to the second and third management level, with team members mostly looking back on an employment period of more than 15 years.

Trading under 'European SE'
In 2006, Mensch und Maschine Software AG was converted to a 'Societas Europaea' SE. In parallel, a pure holding structure was realized, with the parent company Mensch und Maschine Software SE acting as a finance holding.
Central management and service functions for the group are executed by the subsidiary Mensch und Maschine Management AG, while all operating business is performed by German and international subsidiaries.

The step to the SE was combined with a streamlining of the management structure to a 'monistic' board system. The founder and main shareholder Adi Drotleff serves as chairman to the Administrative Board ('Verwaltungsrat'), together with two members of the former Advisory Board, Norbert Kopp (Deputy Chairman) and Thomas Becker. The Administrative Board combines the functions of the Advisory Board of an AG with those of an administrative body ('Organ'). The Board of Managing Directors ('Geschäftsführende Direktoren'), equalling the 'Vorstand' of a German AG without being a legal body ('Organ'), consists of Adi Drotleff (CEO), Michael Endres (COO) and Peter Schützenberger (CFO).

Public and private company
Though M+M shares have been listed on the stock market for 16 years, a large portion of the shares are still in the hands of the management. Adi Drotleff, the founder, CEO and Chairman of the Board, holds more than 6.54 Million shares or 42.2% of the approx. 15.505 Million shares outstanding on Dec 31, 2012. The founders and Managing Directors of the VAR companies, which were integrated with the M+M group through share swaps in the course of the 'Market Offensive', together are holding around 2.0 Million M+M shares (approx. 12.9%), which formally belong to free float, as nobody holds a package of 3% or more.

A package of over 188.000 shares (approx. 1.2%) was held by MuM SE in treasury stock at Dec 31, 2012. It was bought through the stock repurchase program started by the Administrative Board on Oct 9, 2008. Until Dec 31, 2012, more than 1.18 Million shares at an average price of 4.27 EUR have been repurchased, of which approx. one Million shares were re-issued in the course of VAR business acquisitions.



'Pure' free float at Dec 31, 2012, contained about 6.78 Million shares or 43.7%. A certain portion thereof was held in smaller packages by other members of the management. M+M thus can be seen as a public and a private company in one.

Listed in Entry Standard and m:access
Since March 31, 2010, the M+M share has been listed in the m:access trading segment of Munich stock exchange, since Jan 2, 2012, additionally in the Entry Standard segment of Frankfurt Stock exchange. Both segments prescribe, for admission, consequential duties above and beyond legal requirements, guaranteeing a high degree of transparency. In M+M's view, they are ideal market segments for achieving a reasonable cost-benefit ratio of a stock exchange listing in relation to the market capitalisation, protecting the legitimate interests in transparency of the shareholders. Due to the requirements for disclosure and transparency these market segments represent fully operational markets with protective mechanisms that are very close to that of the regulated market and that guarantee the marketability of the shares including the tradability through Xetra.

In addition, M+M is highly overfulfilling the Entry Standard and m:access rules by publishing full quarterly reports and German/English IFRS reporting.

Risks and Opportunities

The operations and activities of the M+M group are subject to various risks.

In our risk management system, sources of uncertainty are systematically identified, documented, evaluated and as far as possible controlled. In all business units there are so called risk owners, responsible for the description, evaluation and control of risks in their fields. All units' risks are documented in a risk inventory together with the initiated counteractions, and the remaining risk is evaluated. The evaluation takes into account the likelihood of occurence and the impact on the group. The risk inventory with its documentation of counteractions, together with the monitoring of various early indicators, allows control of the development of a risk. The reduced risk impacts and likelihoods of occurence after successful counteractions, are duly monitored and reported to the Managing Directors. The remaining risks, particularly, are taken into account in business planning.

The accounting is integrated into the risk management, which allows identification and evaluation of risks which are in conflict with the compliance of the group financial statement. Such risks are actually not visible.

The whole accounting is subject to efficient control mechanisms. These particularly include extensive monthly reporting and liquidity planning, which are controlled in detail. Additionally, there is a regular review concerning specific items. In addition, the financial transactions are supervised continuously. Within finance and accounting, there is additional protection by the principle of dual control. Systematic limit controls (e.g. for open sales orders or for capital expenditure invoices) supplement the control mechanisms.

In detail, the following risk categories exist:

Credit risks:
Bad debt risks are counteracted with customer credit insurance, individual bad debt provisions, and streamlined receivables management.
Also favourable in this respect, is the fact that sales are divided among many individual customers each of which carries less than 1% of the total group revenue.

Warehouse and transport risks:
These risks are generally covered by corresponding insurance contracts.
A risk of loss in value during warehousing can be considered virtually non-existent since the suppliers' software product contracts always include a price, update and stock rotation clause.

Sales and market risks:
As with every other supplier of standard software, M+M is subject to software market and product cycles, especially those of the CAD/CAM market. Such risks are generally counteracted, as far as possible, by the vertical and regional division of the M+M Group and by the spread across several product lines, but risk may not always be fully compensated by these actions.

Personnel risks:
As an enterprise in the software industry, M+M is, in principle, dependent on individuals with special skills.
M+M's distinctive corporate culture, so far, has been instrumental in keeping employee turnover exceptionally low.
The risk of dependence upon key top management people has been counteracted by appointing several Managing Directors and by strengthening the secondary management level.

Supplier risks:
Concentration on the main supplier Autodesk represents a certain risk through dependency on this supplier's product development, market competence and operational policy.

Losses at subsidiaries and shareholdings:
In all shareholding or subsidiary relationships, it is recognised that there is a risk that, contrary to positive expectations, a negative development may occur possibly proceeding to total loss. This would not only cause an appropriate impairment of goodwill or investment value but also lead to a corresponding writedown of deferred tax assets (if capitalized) in case of fully consolidated subsidiaries with loss carryovers.

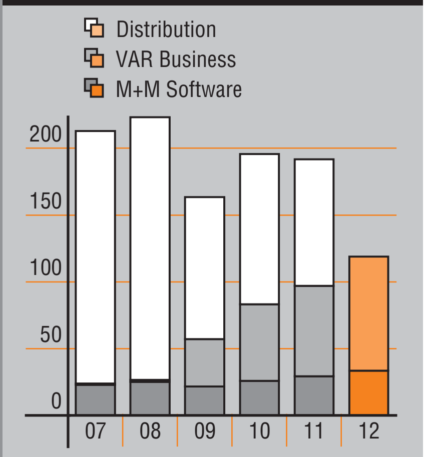
Financing and liquidity risk:
As in any business model not exclusively financed by equity, there is a dependency risk for the debt financed part due to the refinancing capabilities of the financial market. This risk is counteracted by distribution of credit lines at several banks inside and outside Germany. It cannot be excluded, however, that the refinancing interest rate payable by M+M may develop negatively or the refinancing by debt may fail in parts or in total. In this respect, internal as well as external influences play a roll. Internal influences are mainly the earnings and financial status impacting the M+M market rating, as well as the management's ability in handling relationships with existing and potential creditors. External influences are for example the general interest rate level on the market, the credit policy of banks and other creditors, as well as the legal framework conditions.

Opportunities result from the successful execution of our general strategic concept. These are detailed in the 'Outlook' chapter.

Course of business 2012 and situation of the group

For Mensch und Maschine, 2012 was a successful year, in spite of the economy slowdown in Europe and some burden from the business model transition.
New historical records were reached for sales, gross margin, operating and net profit in the continued Software and VAR segments.

Group revenue (in million EUR)



Software and VAR Business with double digit sales increases

Sales in the continued segments Software and VAR Business rose by 15% / 26% to EUR 33.62 mln (PY: 29.26) / EUR 85.18 mln (PY: 67.74). Group sales at EUR 118.80 mln were 22% higher than the previous year's EUR 96.99 mln in the continued segments, and 38% lower than the EUR 191.72 mln total group sales in 2011 including the discontinued Distribution segment.

Gross margin rose from 36.5% to 53.0%

After dropping the low margin Distribution, gross yield jumped from 36.5% to 53.0%. Group gross margin was at EUR 62.97 mln, a 16% increase compared to previous year's EUR 54.20 mln gross margin in the continued segments, and just a 10% reduction compared to previous year's EUR 70.01 mln total gross margin including Distribution.

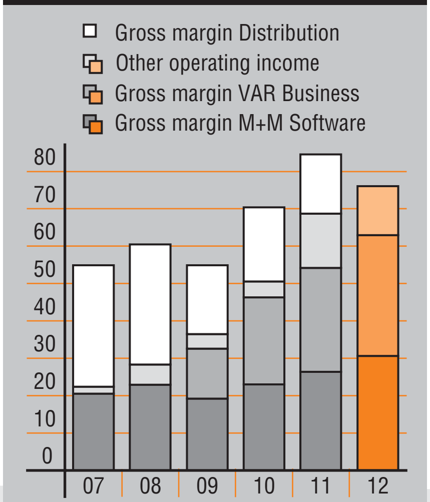
Segment contribution from Software and VAR Business to group gross margin was EUR 30.63 mln (PY: 26.41 / +16%) and EUR 32.34 mln (PY: 27.79 / +16%), with a nearly balanced 48.6% to 51.4% ratio.

Other operating income in the amount of EUR 13.11 mln (PY: continued 3.30 / group total 14.51) was significantly dominated by the use of restructuring accruals and the variable rate from the Distribution sale.

Total added value significantly more than 60% from revenue

Total added value, defined as gross margin plus other operating income, amounted to EUR 76.08 mln or 64.0% from revenue.
In the previous year, total added value in the continued segments was EUR 57.51 mln or 59.3% from revenue, and EUR 84.52 mln or 44.1% from revenue in the entire group including Distribution.

Group added value (in million EUR)



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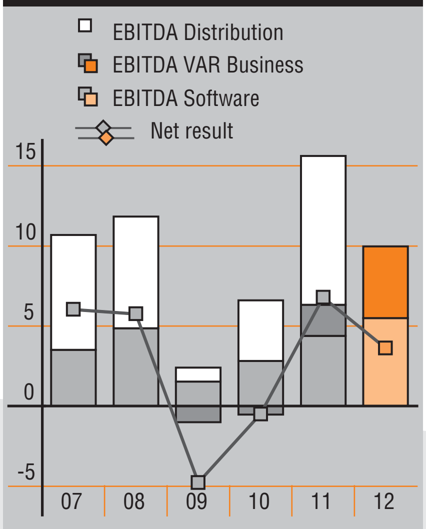
Expense development

Personnel expenses rose to EUR 17.37 mln (PY: 15.65 / +11%) in the Software segment and EUR 29.28 Mio (PY: 22.37 / +31%) in the VAR segment. Personnel expenses in the group thus amounted to EUR 46.64 mln (PY: continued 37.99 / +23% // group total 44.52 / +4.8%).
The other operating expenses increased to EUR 8.52 mln (PY: 7.13 / +19%) in the Software segment and to EUR 10.95 mln (PY: 6.03 / +82%) in the VAR segment. In the group it amounted to EUR 19.47 mln (PY: continued 13.16 / +48% // group total 24.34 / -20%).

Operating profit EBITDA increased by 57%

Operating profit EBITDA before depreciation, amortization, interest and taxes in the continued segments Software and VAR Business climbed to EUR 5.49 mln (PY: 4.37 / +26%) and EUR 4.48 mln (PY: 1.99 / +125%). Group EBITDA 2012 at EUR 9.97 mln was 57% above the 2011 level of the continued segments amounting to EUR 6.39 Mio.

Earnings (in million EUR)



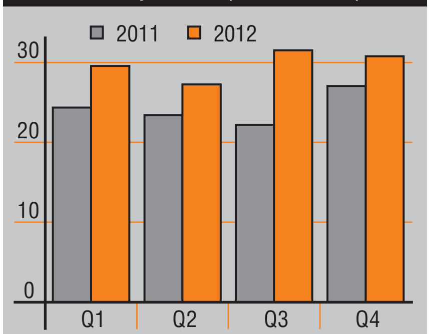
Even compared to the previous year's EUR 9.1 mln operating EBITDA including the Distribution business which was sold at the end of October 2011, a small increase was achieved. Only the EUR 15.66 mln total 2011 group EBITDA level including the non-recurring effects from the sale of Distribution was not reached, as expected.

(Nearly) normal seasonality

Quarterly seasonality in 2012 principally met the pattern typical for M+M, with strong starting and ending quarters and slightly slower mid of year business.
A positive exception was Q3, mainly driven by a high demand for Autodesk software subscription renewals in the VAR business before a price increase.

Table of quarterly sales (compared to the continued segments in the previous year):
Q1: EUR 29.54 mln (PY: 24.36 / +21%)
Q2: EUR 27.24 mln (PY: 23.42 / +16%)
Q3: EUR 31.52 mln (PY: 22.17 / +42%)
Q4: EUR 30.50 mln (PY: 27.04 / +13%)

Quarterly revenue (in million EUR)



Quarterly EBITDA (operating, in million EUR)

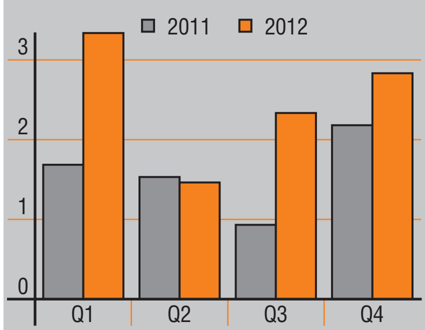


Table of quarterly EBITDA:
Q1: EUR 3.34 mln (PY: 1.69 / +98%)
Q2: EUR 1.47 mln (PY: 1.53 / -4%)
Q3: EUR 2.33 mln (PY: 0.93 / +151%)
Q4: EUR 2.83 mln (PY: 2.21 / +28%)

Depreciation and amortization

Depreciation on fixed assets amounted to EUR 1.91 mln (PY: continued 1.24 / group total 1.68), amortisation of non-tangible assets from acquisitions was EUR 1.88 mln (PY: continued 1.70 / group total 2.05).

EBIT nearly doubled

Operating profit EBIT before interest and taxes amounting to EUR 6.18 mln has nearly doubled in the continued segments (PY: 3.42 / group total including non-recurring effects from Distribution sale: 11.93).

Financial result dominated by currency exchange effects

The financial result was EUR -1.07 mln (PY: continued -0.64 / group total -1.02), with currency exchange effects amounting to EUR -0.28 mln (PY: +0.31) having a strongly negative impact, while the pure interest result developed positively.

Pretax profit amounted to EUR 5.11 mln (PY: continued 2.78 / group total 10.91), nearly doubled compared to the previous year in the continued segments.

Tax rate profits from loss carryovers

Total tax load amounted to EUR -1.22 mln (PY: continued -1.11 / group total -3.81), resulting in a 23.9% group tax rate (PY: group total 34.9%). For the first time in several years, M+M profited from the existing tax loss carryovers, while in the previous years this was structurally not possible due to the ongoing transitions.

Net profit nearly tripled

Net profit after tax and minority shares amounting to EUR 3.62 mln (PY: continued 1.38 / group total 6.81) nearly tripled in the continued segments compared to the previous year.
Earnings per share amounted to (undiluted) 24 Cents (PY: continued 9.5 / group total 47) or (diluted) 23 Cents (PY: continued 9 / group total 45).

Dividend proposal 20 Cents

Management will propose to the annual shareholders' meeting on May 16, 2013 to pay 20 Cents (PY: 20) dividend per share. The payout amounting to max. EUR 3.10 mln (the exact amount depends on the then actual number of shares in treasury stock) is taken from 'steuerliche Einlagenkonto' (§27 KStG) as in previous years and does not count as taxable income, but as repayment of capital reserve.

One-time negative operating cash flows due to business model transition

Operating cash flows were negative at EUR -6.48 mln (PY: +6.37). This is a non-recurring adaptive reaction to the changed business model. Due to the material reduction of the trading business the accounts payable decreased significantly relative to the accounts receivable.
This transition is now largely digested, from 2013 onwards we expect to go back to positive operating cash flows, which due to relatively high depreciation and amortization should be significantly above net profit as seen in the previous years.

Investing activities
As in the M+M business model the main future investment is in the area of software development, the expenses for which are mostly not capitalized, there is only relatively small capital expenditure necessary to keep the fixed assets on an actual status.
In 2012, EUR 3.98 mln (PY: 3.73) was invested, mainly in IT infrastructure and software.

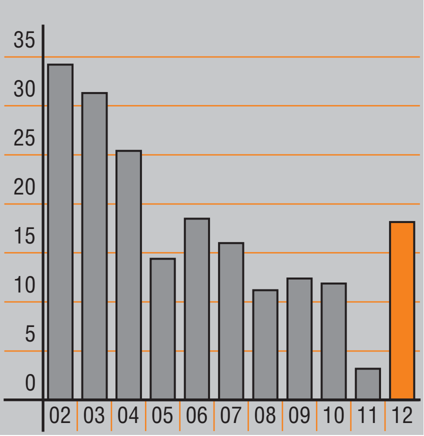
In addition, there were financial investments amounting to EUR 4.37 mln (PY: 4.00) primarily for the cash components in the acquisitions of VAR businesses.

EUR 1.77 mln (PY: 12.28) cash flows were achieved from the sale of other fixed assets.

In total, EUR 6.59 mln were used in investing activities (PY: 4.55 achieved).

Net bank debt generating leverage effect
M+M had reduced net bank debt by more than EUR 30 Million since its all-time-high in 2002 in the ten years till 2011.
In the course of the business model transition and the resulting exchange from accounts receivable to bank debt it rose back to EUR 18.33 mln as of Dec 31, 2012.

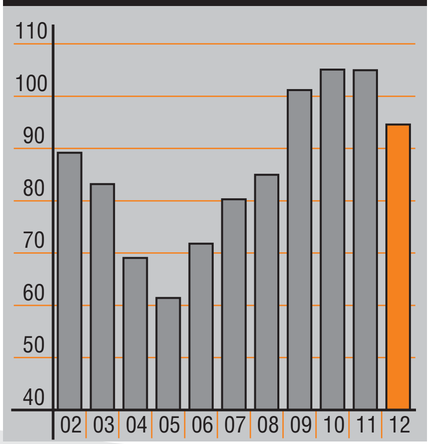
Net bank debt (in million EUR)



Due to the actual low interest rate level on the financial markets, and in relation to EBITDA (Factor 1.8), this amount is not critical at all and results in a leverage effect, as can be seen from the improved interest result.

Total assets decreased as expected
Total assets decreased after removing the Distribution segment to EUR 94.56 mln (PY: 104.95 / -10%), as expected.

Total assets (in million EUR)



Accrual worked down as scheduled
The current accruals, which had jumped to EUR 12.99 mln in the previous year due to a EUR 6 Mio restructuring accrual (taken from the fixed part of the Distribution sale price) for the segment transition from Distribution to VAR business in Europe, are normalized to an amount of EUR 8.77 mln, as this accrual was largely used up.

Shareholders' equity further increased
Shareholders' equity as of Dec 31, 2012, further increased to EUR 35.86 mln (PY: 33.76 / +6%), with capital ratio jumping to 37.9% (Vj 32.2%).

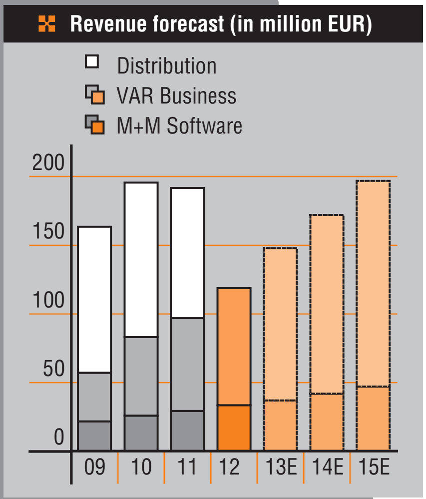
Due to the IFRS 3 rules minority shares amounting to EUR 1.5 mln from the acquisitions of VAR businesses were not booked as such in shareholders' equity, but partly in current and partly in non-current liabilities, though they can be settled via share swap with M+M shares and require no cash. Adjusted by this dept-to-equity swap effect, shareholders' equity increases to approx. EUR 37.4 mln, capital ratio to 39.5 percent.

Outlook

The central mid-term target for the M+M Management is to drive earnings per share (EPS) beyond the old 47 Cents record level by 2015, and then to attack the One-Euro-barrier for EPS by 2017/18.

Our planning for the coming years is based on - purely organic - 10-15% annual sales increases for the Software segment, accompanied by an EBITDA margin steadily rising from 16.3% (2012) to 20% and more. The VAR business is expected to show higher mid-term sales growth (2013 partly driven by acquisitions), while segment profit will remain burdened by the transition in Europe for some years to come.

Even though the variable rates from the sale of Distribution business will probably compensate the (decreasing) startup losses, until the European VAR business achieves positive operating profit from its own force, the transition will burden segment EBITDA likely until 2015. The strongest burden will come in fiscal year 2013, although we expect gross margin to increase by more than 20% to over EUR 76 mln (2012: 62.97), the total Added Value will 'only' rise by just under 10% to approx. EUR 82 mln (2012: 76.08) due to the fact that other operating income will be approx. EUR 5 mln lower.

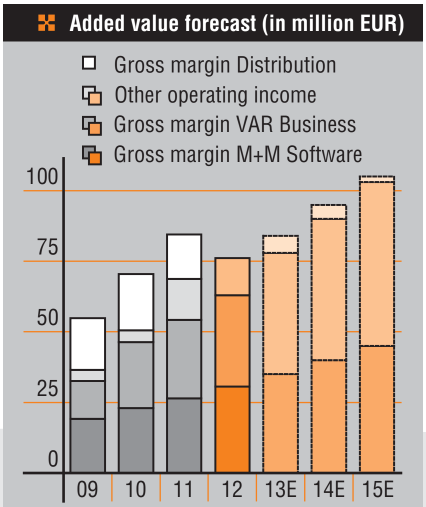


In this forecast scenario, we expect sales to increase from EUR 118.80 mln (2012) to the EUR 200 mln level in the three years until 2015, while total added value then should exceed the EUR 100 mln (2012: 76.08) level.

On the earnings side, we expect EBITDA to grow until 2015 by more than 50% to the order of magnitude of EUR 15 mln (2012: 9.97), while in 2013 we would be quite happy to achieve EUR 11 mln due to the effect described above.

For net earnings, we target by 2015 to double to approx. EUR 7.5 mln (2012: 3.62) or approx. 50 Cents per share (2012: 24).

In 2016, amortization will drop by more than EUR 1.5 mln, because the seven year amortization from the 2009 acquisitions will be written off. This has a 1:1 impact on group net profit, which together with the margin potential in the VAR segment can climb to the EUR 15 mln level by 2017 or latest 2018, and exceed one Euro in EPS.



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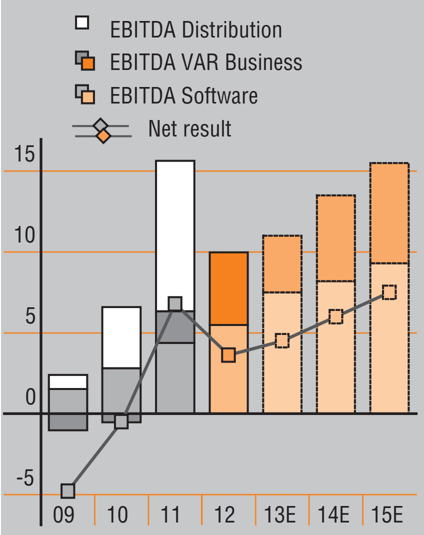
Earnings forecast (in million EUR)



Dividend policy

We plan to leave the dividend unchanged at 20 Cents until an increase can be financed from free cash flows. In the current forecast scenario, this will probably be the case in fiscal year 2014 or 2015.

All estimates subject to error

All forward looking statements and targets mentioned herein are subject to market conditions occuring in line with estimations in the planning models set up by the management. Therefore no guarantee can be undertaken for meeting the estimates.

Expression of thanks

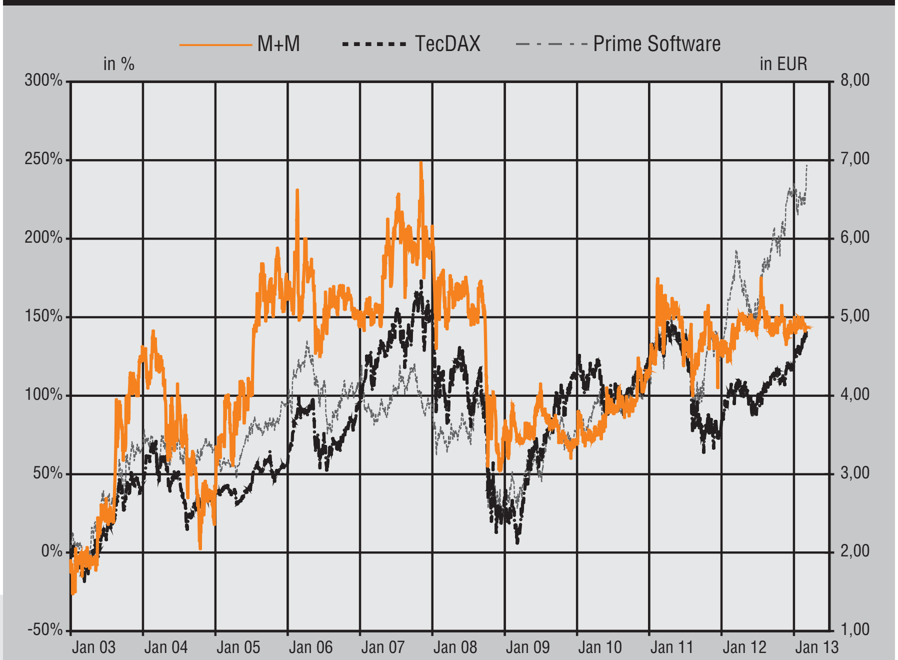
We would like to take the opportunity to thank all employees for their enormous engagement during the past fiscal year, which helped M+M to achieve a very good result and to actively drive the business model transition.

In addition, we would like to express our thanks to our customers, suppliers and shareholders for their continued loyalty to M+M. We will do our very best to keep deserving this loyalty in the future.

Wessling, March 2013
Mensch und Maschine Software SE
The Managing Directors

Since its all-time low at the beginning of 2003, the M+M share mostly outperformed the TecDAX. The Prime Software Index recently was significantly running ahead, clearly showing potential for the M+M share. For a fair index comparison, though, the 95 Cents dividends paid since 2003 should be added to the M+M share price: Then it performed significantly better than the TecDAX and is not far away from the Prime Software Index performance.

Development of the M+M share



Statement of income

Amounts in KEUR	Note*	2012		△%	2011	
Revenues		**118,803**	**100%**	**-38%**	**191,720**	**100%**
Cost of materials	1	-55,831	-47.0%	-54%	-121,710	-63.5%
Gross margin		**62,972**	**53,0%**	**-10%**	**70,010**	**36.5%**
Personnel expenses	2	-46,645	-39.3%	+4.8%	-44,523	-23.2%
Other operating expenses	3	-19,471	-16.4%	-20%	-24,342	-12.7%
Other operating income	5	13,113	11.0%	-9.6%	14,513	7.6%
Operating result EBITDA		**9,969**	**8.4%**	**-36%**	**15,658**	**8.2%**
Depreciation	4	-1,843	-1.6%	+16%	-1,584	-0.8%
Impairment	4	-70	-0.1%	-30%	-100	-0.1%
Amortisation	4	-1,878	-1.6%	-8.3%	-2,048	-1.1%
Operating result EBIT		**6,178**	**5.2%**	**-48%**	**11,926**	**6.2%**
Financial result	6	-1,068	-0.9%	+5.1%	-1,016	-0.5%
Result before taxes		**5,110**	**4.3%**	**-53%**	**10,910**	**5.7%**
Taxes on income	7	-1,222	-1.0%	-68%	-3,811	-2.0%
Net result after taxes		3,888	3.3%	-45%	7,099	3.7%
thereof attributable to M+M shareholders		**3,620**	**3.0%**	**-47%**	**6,809**	**3.5%**
thereof attributable to minority shareholders		268	0.2%	-7.6%	290	0.2%
Net income per share (basic)	8	0.2418		-49%	0.4691	
Net income per share (diluted)	8	0.2328		-48%	0.4464	
Weighted average shares outstanding in million (basic)	8	14.972		+3.2%	14.514	
Weightes average shares outstanding in million (diluted)	8	15.548		+1.9%	15.254	

* see notes on pages 47 to 49

Consolidated statement of comprehensive income

Amounts in KEUR	2012	2011
Net result after taxes	3,888	7,099
thereof attributable to M+M shareholders	**3,620**	**6,809**
thereof attributable to minority shareholders	268	290
Currency conversion difference	424	-316
Acturial gains / losses on pension obligations	-715	-30
Deferred taxes thereof	214	9
Total comprehensive income	3,811	6.762
thereof attributable to M+M shareholders	**3,543**	**6,472**
thereof attributable to minority shareholders	268	290

Statement of income according to IFRS 5

Amounts in KEUR	2012		△%	2011	
Revenues	**118,803**	**100%**	**+22%**	**96,993**	**100%**
Cost of materials	-55,831	-47.0%	+30%	-42,789	-44.1%
Gross margin	**62,972**	**53.0%**	**+16%**	**54,204**	**55.9%**
Personnel expenses	-46,645	-39.3%	+23%	-37,990	-39.2%
Other operating expenses	-19,471	-16.4%	+48%	-13,158	-13.6%
Other operating income	13,113	11.0%	+297%	3,305	3.4%
Operating result EBITDA	**9,969**	**8.4%**	**+57%**	**6,361**	**6.6%**
Depreciation	-1,843	-1.6%	+61%	-1,145	-1.2%
Impairment	-70	-0.1%	-30%	-100	-0.1%
Amortisation	-1,878	-1.6%	+11%	-1,698	-1.8%
Operating result EBIT	**6,178**	**5.2%**	**+81%**	**3,418**	**3.5%**
Financial result	-1,068	-0.9%	+68%	-637	-0.7%
Result before taxes	**5,110**	**4.3%**	**+84%**	**2,781**	**2.9%**
Taxes on income	-1,222	-1.0%	+10%	-1,109	-1.1%
Result from continuing operations after taxes	3,888	3.3%	+133%	1,672	1.7%
thereof attributable to M+M shareholders	**3,620**	**3.0%**	**+162%**	**1,382**	**1.4%**
thereof attributable to minority shareholders	268	0.2%	-7.6%	290	0.3%
Discontinued Distribution operations (net of tax)	**0**		**-100%**	**5,427**	**5.6%**
Net result after taxes	3,888	3.3%	-45%	7,099	7.3%
thereof attributable to M+M shareholders	**3,620**	**3.0%**	**-47%**	**6,809**	**7.0%**
thereof attributable to minority shareholders	268	0.2%	-7.6%	290	0.3%
Net income per share from continuing operations (basic)	0.2418		+154%	0.0952	
Net income per share from continuing operations (diluted)	0.2328		+157%	0.0906	
Net income per share from discontinued operations (basic)	0			0.3739	
Net income per share from discontinued operations (diluted)	0			0.3558	
Weighted average shares outstanding in million (basic)	14.972		+3.2%	14.514	
Weighted average shares outstanding in million (diluted)	15.548		+1.9%	15.254	

Page 20: Previous year comparison to entire group including Distribution segment

This Page: Representation according to IFRS 5 with previous year comparison excluding Distribution segment.
All effects from the Distribution segment are shown net of tax in one line as ‘discontinued operations’.
See also notes on page 50.

Balance sheet

Amounts in KEUR	Note*	Dec 31, 2012		Δ%	Dec 31, 2011	
Cash and cash equivalents		6,421		-64%	17,960	
Trade accounts receivable	9	20,543		+0%	20,488	
Inventories	10	2,213		-24%	2,908	
Prepaid expenses and other current assets	11	10,454		+6%	9,869	
Total current assets		**39,631**	**41.9%**	**-23%**	**51,225**	**48.8%**
Property, plant and equipment		5,146		+2%	5,059	
Intangible assets		11,539		+11%	10,352	
Goodwill	12	33,286		+3%	32,193	
Other investments	13	1,054		-42%	1,816	
Deferred taxes	7	3,901		-9%	4,301	
Total non current assets		**54,926**	**58.1%**	**+2%**	**53,721**	**51.2%**
Total assets		**94,557**	**100%**	**-10%**	**104,946**	**100%**
Short term debt and current portion of long term debt	14	2,210		-89%	19,607	
Trade accounts payable		10,228		-44%	18,249	
Accrued expenses	15	8,773		-32%	12,987	
Deferred revenues		1,146		-6%	1,215	
Income tax payable		516		-78%	2,330	
Other current liabilities	16	5,067		-18%	6,190	
Total current liabilities		**27,940**	**29.5%**	**-54%**	**60,578**	**57.5%**
Long term debt, less current portion	17	22,537		>999%	1,532	
Shareholders' loan	18	3,294		-25%	4,404	
Deferred taxes	7	1,656		-25%	2,209	
Pension accruals	19	1,041		+217%	328	
Other accruals	15	755		+11%	678	
Other non current liabilites	20	1,473		+1%	1,460	
Total non current liabilities		**30,756**	**32.6%**	**+190%**	**10,611**	**10.1%**
Share capital	21	15,505		+4%	14,877	
Capital reserve	22	18,068		+16%	15,641	
Other reserves		221		0%	221	
Treasury stock	23	-893		+65%	-540	
Retained earnings / accumulated deficit		1,233		+65%	749	
Other comprehensive income / loss		-606		+477%	-105	
Equity attributable to non-controlling (minority) interest	24	2,266		-31%	3,271	
Currency conversion		67			-357	
Total shareholders' equity		**35,861**	**37.9%**	**+6%**	**33,757**	**32.2%**
Total liabilities and shareholders' equity		**94,557**	**100%**	**-10%**	**104,946**	**100%**

* see notes on pages 48/49, 51 to 57

Statement of cash flows

Amounts in KEUR	2012	2011
Net result	**3,888**	**7,099**
Depreciation and amortization	3,791	3,732
Other non cash income / expenses	-243	-876
Increase/decrease in provisions and accruals	-3,424	6,878
Losses/gains on the disposal of fixed assets	-780	-6,740
Change in net working capital	-9,715	-3,726
Net cash provided by (used in) operating activities	**-6,483**	**6,367**
Purchase of subsidiaries, net of cash	-4,373	-4,005
Purchase of other fixed assets	-3,984	-3,730
Sale of other fixed assets	1,770	12,282
Net cash provided by (used in) investing activities	**-6,587**	**4,547**
Proceeds from issuance of share capital	2,636	0
Purchase of own shares	-353	-253
Dividend payment to M+M shareholders	-2,902	-1,451
Dividend payment to minority shareholders	-382	-491
Proceeds from short or long term borrowings	2,498	218
Net cash provided by (used in) financing activities	**1,497**	**-1,977**
Net effect of currency translation in cash and cash equivalents	34	-38
Net increase / decrease in cash and cash equivalents	**-11,539**	**8,899**
Cash and cash equivalents at beginning of period	**17,960**	**9,061**
Cash and cash equivalents at end of period	**6,421**	**17,960**

see notes on pages 58 and 59

Development of shareholders' equity

Amounts in KEUR	Subscribed Capital	Capital-Reserve	Other Reserves	Profit/-Loss	Other comprehensive income/loss	Own shares	Currency conversion	attributable to M+M SE shareholders	Minority interest	Total equity
As of Jan 01, 2011	**14,638**	**14,512**	**221**	**-4,609**	**-84**	**-287**	**-41**	**24,350**	**3,415**	**27,765**
Share based payment		173						173		173
Capital increase	239	956						1,195		1,195
Purchase of own shares						-1,899		-1,899		-1,899
Disposal of own shares						1,646		1,646		1,646
Dividend				-1,451				-1,451	-491	-1,942
Net result				6,809				6,809	290	7,099
Minority interest change				-57				-57	57	0
Other comprehensive income from pension assessment					-21			-21		-21
Currency conversion				57			-316	-259		-259
As of Dec 31, 2011	**14,877**	**15,641**	**221**	**749**	**-105**	**-540**	**-357**	**30,486**	**3,271**	**33,757**
Share based payment		56						56		56
Capital increase	628	2,371						2,999		2,999
Purchase of own shares						-1,868		-1,868		-1,868
Disposal of own shares						1,515		1,515		1,515
Dividend				-2,902				-2,902	-382	-3,284
Net result				3,620				3,620	268	3,888
Minority interest change				-234				-234	-891	-1,125
Other comprehensive income from pension assessment					-501			-501		-501
Currency conversion							424	424		424
As of Dec 31, 2012	**15,505**	**18,068**	**221**	**1,233**	**-606**	**-893**	**67**	**33,595**	**2,266**	**35,861**

Notes

Segment reporting

According to IFRS 8, reportable operating segments are identified based on the 'management approach'. This approach stipulates external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the chief operating decision maker.

The measurement principles for the segment reporting structure are based on the IFRS principles adopted in the consolidated financial statements. M+M evaluates the segments' performance based on their profit/ loss from operations (EBIT), among other factors. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices.

Segment assets and liabilities include all assets and liabilities that are attributable to operations and whose positive or negative results determine profit/loss from operations.

Segment assets include, in particular, intangible assets; property, plant and equipment; trade and other receivables; and inventories. Segment liabilities include, in particular, trade and other payables, and significant provisions. Segment investments include additions to intangible assets and property, plant and equipment. Deferred tax assets and liabilities are not included in the segment assets and segment liabilities.

The M+M business model is based on the segments VAR Business and M+M Software. The VAR Business segment covers direct selling of CAD software to end users and associated services. The M+M Software segment contains the own development of CAD/CAM software. Until previous year, there was a third segment named Distribution, which was focused on Value-Added Distribution of CAD Software in Europe. After the sale of the Distribution business at end of October 2011, the subsidiaries in Europe were transitioned to VAR business.

The sum of the operating results (EBIT), determined on the level of the segments, agrees with the operating result in the statement of income. The financial result and the taxes on income are not controlled on segment level. Therefore the representation of reconciliation to the net result after taxes is not shown.

According to the regulations of IFRS 8 the revenues are also differentiated in Germany, the domicile of Mensch und Maschine Software SE, and business in foreign countries.

Segmentation

Amounts in KEUR	2012				2011					
	VAR Business		M+M Software		Distribution		VAR Business		M+M Software	
Total revenue	131,970		33,622		96,605		97,519		29,258	
Internal revenue	-46,788		-1		-1,878		-29,782		-2	
External revenue	**85,182**	**100%**	**33,621**	**100%**	**94,727**	**100%**	**67,737**	**100%**	**29,256**	**100%**
share in percent	**71.7%**		**28.3%**		**49.4%**		**35.3%**		**15.3%**	
Cost of materials	-52,840	-62.0%	-2,991	-8.9%	-78,921	-83.3%	-39,942	-59.0%	-2,847	-9.7%
Gross margin	**32,342**	**38.0%**	**30,630**	**91.1%**	**15,806**	**16.7%**	**27,795**	**41.0%**	**26,409**	**90.3%**
share in percent	**51.4%**		**48.6%**		**22.6%**		**39.7%**		**37.7%**	
Personnel expenses	-29,276	-34.4%	-17,369	-51.7%	-6,533	-6.9%	-22,340	-33.0%	-15,650	-53.5%
Other operating expenses	-10,955	-12.9%	-8,516	-25.3%	-11,184	-11.8%	-6,028	-8.9%	-7,130	-24.4%
Other operating income	12,371	14.5%	742	2.2%	11,208	11.8%	2,560	3.8%	745	2.5%
Operating result EBITDA	**4,482**	**5.3%**	**5,487**	**16.3%**	**9,297***	**9.8%**	**1,987**	**2.9%**	**4,374**	**15.0%**
share in percent**	**45.0%**		**55.0%**		**59.4%**		**12.7%**		**27.9%**	
Depreciation	-1,269	-1.5%	-574	-1.7%	-439	-0.5%	-637	-0.9%	-508	-1.7%
Impairment	-70	-0.1%	0	0.0%	0	0.0%	-100	-0.1%	0	0.0%
Amortisation	-1,878	-2.2%	0	0.0%	-350	-0.4%	-1,698	-2.5%	0	0.0%
Operating result EBIT	**1,265**	**1.5%**	**4,913**	**14.6%**	**8,508**	**9.0%**	**-448**	**-0.7%**	**3,866**	**13.2%**
Segment assets	63,673		26,983		28,827		44,275		27,543	
Fixed assets	35,312		15,713		5,954		27,511		15,955	
Investments	3,934		2,277		744		4,121		1,760	
Liabilities	46,967		10,073		23,261		34,898		10,821	

* *EBITDA Distribution 2011 purely operating: EUR 2,780 mln / Contribution from Distribution sale: EUR 6,517 mln*

** *EBITDA shares 2011 purely operating: Distribution 30.5% / VAR D/A/CH 21.5% / M+M Software 48.0%*

Geographical segmentation

Amounts in KEUR	2012		2011	
	Germany	International	Germany	International
Total revenue	94,670	70,922	77,007	146,375
Internal revenue	-34,072	-12,717	-21,045	-10,617
External revenue	**60,598**	**58,205**	**55,962**	**135,758**
share in percent	**51.0%**	**49.0%**	**29.2%**	**70.8%**
Fixed assets	30,170	20,855	30,123	19,297
Investments	2,336	3,875	2,490	4,135

General remarks

Basis of the group financial statements

The consolidated financial statements of Mensch und Maschine Software SE, Wessling, Germany have been drawn up in compliance with International Financial Reporting Standards (IFRS) according to the specifications as defined in the currently valid guidelines of the International Accounting Standards Board (IASB).
All IFRS and International Accounting Standards (IAS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) which have been in effect at the closing date, and accepted by the EU, have been considered.

In addition to that, the regulations of Article 315a of the German Commercial Code and §160 of the German Stock Corporation Act have been considered. M+M SE is a global enterprise based in Germany. Its registered office is at Argelsrieder Feld 5, 82234 Wessling. Its business activities are concentrated in the fields of CAD and CAM.

The Managing Directors of M+M SE approved the consolidated financial statements on March 1, 2013 for submission to the company's Administrative Board.
The Administrative Board approved the consolidated financial statements at its meeting on March 12, 2013 and approved for publication on March 14, 2013.

The consolidated financial statements have been prepared in Euros. Unless otherwise specified, all amounts are stated in thousand Euros (KEUR).

These consolidated financial statements were prepared for the 2012 fiscal year (January 1 to December 31).

Changes in accounting policies

The IASB has approved a number of changes to the existing IFRS and adopted several new IFRS, which became effective as of January 1, 2012. M+M is applying the following IFRSs in the reporting period for the first time:

IAS 12	Measurement of actual and deferred tax load
IFRS 1	First time adoption of IFRS
IFRS 7	Improvement of disclosure of Financial Instruments

The first time application of these changes had no material impact on the M+M consolidated financial statements.

New accounting policies

The IASB and IFRIC have adopted further standards and interpretations, which were endorsed by the European Union but not yet effective in the 2012 financial year.

Improvements to IFRS 2010

IAS 1	Representation of components of other comprehensive income
IAS 19	Employee Benefits (Amendment revised 2011)
IAS 27	Financial Statements (revised 2011)
IAS 28	Investments in associates and joint ventures
IAS 32	Offsetting of financial assets and financial liabilities
IFRS 1	Government loans
IFRS 7	Financial Instruments: Disclosures
IFRS 10	Consolidated financial statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping costs

M+M has assessed its accounting policy with regard to the recognition of actuarial gains and losses (IAS 19 revised 2011) arising from its two defined benefit plans. The Group previously recognized only the net cumulative unrecognized actuarial gains and losses of the previous period. During 2012, the Group determined that it would change its accounting policy to recognize actuarial gains and losses in the period in which they occur in total in other comprehensive income.

Following standards and interpretations have not yet been endorsed by the European Union:

IFRS 9	Classification and measurement of financial assets

These Standards and Interpretations have to be applied for annual periods beginning after July 1, 2012 or January 1, 2013. These regulations have not been early adopted by the M+M group. The application of these standards is not expected to have a material impact on the Group's financial statement 2013.

Valuation methods and accounting policies applied

Consolidated companies and closing date

In addition to the parent company, the consolidated financial statement comprises all directly and indirectly owned domestic and international subsidiaries, at which M+M SE holds directly or indirectly the majority of the voting rights or the control of the economic power, which are included in accordance with the principles of full consolidation. They are deconsolidated when the parent ceases to have control.

In addition to the parent company, the following companies were fully consolidated in the group financial statement of December 31, 2012:

M+M group consolidated companies

Mensch und Maschine Management AG, Wessling, Germany	100%	Man and Machine S.a.r.l., Paris, France	100%
Mensch und Maschine Systemhaus GmbH, Wessling, Germany	100%	Man and Machine Software s.r.l., Vimercate (Mailand), Italy	100%
Mensch und Maschine At Work GmbH, Osnabrueck, Germany	80.0%	2bSMART s.r.l., Vimercate (Mailand), Italy	100%
Mensch und Maschine benCon 3D GmbH, Neu Wulmsdorf, Germany	100%	Man and Machine Software Sp. z o.o., Lodz, Poland	100%
Mensch und Maschine Dressler GmbH, Friedrichshafen, Germany	100%	Man and Machine UK Ltd., Thame, UK	100%
Mensch und Maschine Haberzettl GmbH, Nuremburg, Germany	50.1%	Man and Machine AB, Gothenborg, Sweden	100%
Mensch und Maschine Integra GmbH, Limburg, Germany	50.1%	OPEN MIND Technologies Skandinavian AB, Gothenborg, Sweden	100%
customX GmbH, Limburg, Germany	50.1%	Man and Machine Benelux NV, Ternat (Brussels), Belgium	100%
Mensch und Maschine LeyCAD GmbH, Reichshof, Germany	100%	Man and Machine Romania SRL, Bukarest, Romania	100%
Mensch und Maschine Scholle GmbH, Velbert, Germany	50.1%	Yello! Digital production tools AG, Wessling, Germany	99.7%
Mensch und Maschine CAD-praxis GmbH, Dueren, Germany	100%	DATAflor Software AG, Goettingen, Germany	67.2%
Mensch und Maschine acadGraph GmbH, Munich, Germany	75%	OPEN MIND Technologies AG, Wessling, Germany	100%
Mensch und Maschine Systemhaus AG, Winkel (Zürich), Switzerland	100%	an 100% shareholdings:	
Mensch und Maschine CAD-LAN AG, Suhr, Switzerland	100%	OPEN MIND Technologies USA Inc., Southfield/Michigan, USA	
Mensch und Maschine CADiware AG, Basel, Switzerland	100%	OPEN MIND Technologies PTE Ltd., Singapore	
Mensch und Maschine Zuberbuehler AG, Aesch b. Birmensdorf, Switzerland	100%	OPEN MIND Technologies S.r.l., Rho, Italy	
Mensch und Maschine Systemhaus GmbH, Wals, Austria	100%	OPEN MIND CAD-CAM Technologies S.r.l., Rho, Italy	
Mensch und Maschine IT-Consulting GmbH, Grosswilfersdorf, Austria	100%	OPEN MIND Technologies France S.a.r.l., Saverne Cedex, France	
Mensch und Maschine Personalbereitstellungs-GmbH, Ilztal, Austria	100%	OPEN MIND Technologies UK Limited, Bicester, UK	
		OPEN MIND Technologies Japan Inc., Tokyo, Japan	
		OPEN MIND Technologies China Co.Ltd, Shanghai, China	
		OPEN MIND Technologies Taiwan Inc., Chungli City, Taiwan	
		OPEN MIND Technologies Schweiz GmbH, Bassersdorf, Switzerland	
		OPEN MIND CAD-CAM Technologies India, Bangalore, India	
		OPEN MIND Technologies Iberia S.L., Barcelona, Spain	

The balance sheet closing date for the subsidiaries included in the group consolidated financial statement is December 31.

The acquisitions of Mensch und Maschine LeyCAD GmbH, Mensch und Maschine CAD-praxis GmbH and Mensch und Maschine CADiware AG were done in a two-step procedure. In the first step the majority was transferred (50.1% or 75.0%) in the years 2009 and 2010. Within the financial year 2012 the remaining shares have been acquired and the final valuation has been made. Due to the final valuation Goodwill has been adjusted by KEUR 943 according to the regulations of IFRS (Business Combinations before January 1, 2010).

In the prior year the existing subsidiary EUKLID Software GmbH bought the business of acadGraph CADstudio GmbH, an Architecture/ Infrastructure specialist. Then EUKLID was renamed Mensch und Maschine acadGraph GmbH and 25% of the shares of this company were transferred to the shareholders of acadGraph CADstudio GmbH. Within the financial year 2012 the final valuation has been made and Goodwill has been increased by KEUR 150.

In fiscal year 2012, the percentage ownership of the subsidiary Mensch und Maschine At Work GmbH was increased from 50.1% to 80%. In accordance with IFRS 3 (Business combinations after January 1, 2010) this was recorded in equity. Mensch und Maschine Deutschland GmbH was merged with Mensch und Maschine SE.

The increase in other intangible assets amounting to KEUR 1,368 is mainly due to the purchase of the business operations MaxCAD, Bucharest, Romania as of January 1, 2012 and Synergy, Milan / Turin, Italy as of May 14, 2012.

The effects of these acquisitions made in 2012 on the assets and liabilities of M+M in the respective acquisition dates are shown in the table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow:

Acquired assets and assumed liabilities in fiscal year 2012

Amounts in KEUR	Net carrying amount at the date of first consolidation	Fair-value adjustment	Net carrying amount after the acquisition
Other intangible assets	1,368		1,368
Net assets			**1,368**
Goodwill			1,093
Purchase price			**2,461**
Share swap by contribution in kind			363
Share swap using own shares			1,240
Cash outflow for purchase			2,133
Net cash outflow for the acquisitions			**4,373**

The difference between the net cash outflow for the acquisitions of KEUR 4,373 and the purchase price of KEUR 2,461, results from the payment of purchase price obligations which have been carried as liability on the balance sheet.

The transaction costs amounting to KEUR 17 are included in the other operating expenses.

In the prior year the effects of acquisitions on the assets and liabilities of M+M in the respective acquisition dates are shown in the table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow:

The financial statements of all group companies were drawn up on the basis of common accounting principles. As far as there is an obligation to examine, they are audited by independent auditors and endorsed by an unqualified audit opinion.

Acquired assets and assumed liabilities in fiscal year 2011

Amounts in KEUR	Net carrying amount at the date of first consolidation	Fair-value adjustment	Net carrying amount after the acquisition
Inventories	217		217
Property, plant and equipment	76		76
Other intangible assets	679		679
Accruals	-87		-87
Net assets			**885**
Goodwill			1,239
Purchase price			**2,124**
Share swap by contribution in kind			1,195
Share swap using own shares			1,611
Cash outflow for purchase			2,394
Net cash outflow for the acquisitions			**4,005**

The following domestic subsidiaries made use in 2012 of certain exemptions granted under Sections 264, paragraph 3 of the German Commercial Code regarding the release from the publication of financial statements:

- Mensch und Maschine Management AG, Wessling
- OPEN MIND Technologies AG, Wessling

Principles of consolidation

The consolidated financial statements include the business of all majority-owned subsidiaries, of which MuM has control according to IAS 27, mainly because of a share ownership of more than 50 percent.

Business combinations after January 1, 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

The purchase of shares (participation rate increase) after the initial consolidation is accounted for as an equity transaction.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

For business combinations prior to January 1, 2010 in comparison to the above-mentioned requirements, the following differences applied: Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

The differences arising from the consolidation of capital, to the extent that they are assets, are indicated as goodwill under non-current assets.

Non-controlling interests are valued at closing time with their share in shareholders' equity respective earnings of the year of the particular subsidiary.

Receivables, reserves, liabilities, accruals and deferrals resulting from intra-group transactions are mutually offset. Differences from the consolidation of debt are treated with effect on earnings. Contingent liabilities were consolidated to the required extent. Interim profits and losses resulting from intra-group supply and service trading were likewise eliminated as were investment returns from companies included in the consolidation. Intra-group sales revenues as well as other intra-group earnings were offset by the appropriate expenditures.

With regard to the consolidation measures affecting results, tax deferrals pursuant to IAS 12 were carried out to the extent that the deviation in tax expenditure would conceivably be balanced in future fiscal years.

Management judgements in the application of accounting policies

The presentation of the results of operations, financial position or cash flows in the consolidated financial statements is dependent upon and sensitive to the accounting policies, assumptions and estimates. The actual amounts may differ from those estimates. The following critical accounting estimates and related assumptions and uncertainties inherent in accounting policies applied are essential to understand the underlying financial reporting risks and the effects that these accounting estimates, assumptions and uncertainties have on the consolidated financial statements.

Measurement of property, plant and equipment, and intangible assets involves the use of estimates for determining the fair value at the acquisition date, in particular in the case of such assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgement.

The determination of impairments of property, plant and equipment as well as intangible assets involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment.

Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists.
The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets require management to make significant judgements concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment to write down these investments to their fair values, which could adversely affect future operating results.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. To determine the fair value less costs to sell include discounted cash flow-based methods. Key assumptions on which management has based its determination of fair value less costs to sell include earning development, capital expenditure and market share. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any goodwill impairment.

Financial assets include equity investments in foreign companies that are principally engaged in the architecture/construction and EDM businesses, some of which are publicly traded and have highly volatile share prices. As a rule, an investment impairment loss is recorded in accordance with IFRS when an investment's carrying amount exceeds the present value of its estimated future cash flows. The calculation of the present value of estimated future cash flows and the determination of whether impairment is permanent involves judgment and relies heavily on an assessment by management regarding the future development prospects of the investee.

In measuring impairments, quoted market prices are used, if available, or other valuation parameters, based on information available from the investee. To determine whether an impairment is permanent, the Company considers the ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the carrying amount, including an assessment of factors such as the length of time and magnitude of the excess of carrying value over market value, the forecasted results of the investee, the regional geographic economic environment and state of the industry. Future adverse changes in market conditions, particularly a downturn in the branch of business or poor operating results of investees, could result in losses or an inability to recover the carrying amount of the investments that may not be reflected in an investment's current carrying amount. This could result in impairment losses, which could adversely affect future operating results.

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms.

If the financial condition of customers were to deteriorate, actual write offs might be higher than expected.

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgement is required for the calculation of actual and deferred taxes.

Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss carry-forward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, loss carry forward periods, and tax planning strategies.

If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. The only tax loss carry forwards capitalized by M+M are those which can presumably be used within the following five years.

In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced and this reduction be recognized in profit or loss.

Pension obligations for benefits are generally satisfied by plans which are classified and accounted for as defined benefit plans. Pension benefit costs are determined in accordance with actuarial valuation, which rely on assumptions including discount rates, life expectancies and expected return on plan assets. In the event that further changes in assumptions are required with respect to discount rates and expected returns on invested assets, the future amounts of the pension benefit costs may be affected materially.

Within the Group, the cost from the issue of equity instruments to employees are measured at the fair value of the equity instruments on the grant date.

An appropriate measurement method must be determined to estimate the fair value for the issue of equity instruments; this depends on the conditions of issue. It is also necessary to determine suitable data for the selected method, including in particular the expected term of the option, volatility and dividend yield, together with the relevant assumptions.

Provisions for restructuring only cover expenses that arise directly from restructuring measures, are necessary for restructuring and are not related to future business operations. Such expenses include severance payments to employees and rentals for property that is no longer utilized. Restructuring measures may include the sale or termination of business units, site closures, relocations of business activities, changes in management structure or fundamental reorganizations of business units. The respective provisions are established when a detailed restructuring plan has been drawn up, resolved upon by the responsible decision-making level of management and communicated to the employees and / or their representatives.

The Management exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to litigation or outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Provisions are recorded for liabilities when losses are expected from pending contracts, a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future operating results.

Currency conversion

The annual financial statements of the group's international subsidiaries were converted into Euro in accordance with the principle of functional currency in compliance with IAS 21. This refers to the respective national currency for all companies since these international companies are financially, economically and organizationally independent with respect to their operations. Accordingly, equity was converted at the historical exchange rate, the other balance sheet items were converted at the exchange rate on closing date, and income and expenditures as well as year end results were converted using a mean exchange rate for the year. In compliance with IAS 21, differences arising from currency conversion of both capital consolidation and transfer of the annual earnings to the balance sheet at the mean annual exchange rate were treated as having no effect on earnings and are included within equity. Newly acquired Goodwill is translated as an asset of the economically autonomous foreign entity at the exchange rate in effect on the balance sheet date.

Exchange rates

	Average		Year end	
	2012	2011	Dec 31, 12	Dec 31, 11
1 Swiss Franc	0.8304	0.8117	0.8282	0.8214
1 British Pound	1.2328	1.1474	1.2262	1.1947
1 Polish zloty	0.2398	0.2416	0.2444	0.2246
1 Swedish Crown	0.1152	0.1109	0.1166	0.1120
1 Romania Ron	0.2244	0.2307	0.2252	0.2359
1 US Dollar	0.7776	0.7180	0.7565	0.7722
1 Singapore Dollar	0.6222	0.5714	0.6180	0.5943
100 Japanese Yen	0.9740	0.9003	0.8807	0.9975
1 Taiwan Dollar	0.0262	0.0243	0.0260	0.0245
1 Renminbi Yuan	0.1230	0.1109	0.1198	0.1213
1 India Rupie	0.0145	0.0152	0.0138	0.0142

Structure of statement of income and balance sheet

In keeping with the international practice of consolidated financial statements, the report begins with the statement of income (profit and loss), itemized according to the nature of expense method.

In accordance with IAS 1, the balance sheet is apportioned into current and non-current assets and into current and non-current liabilities. Assets and liabilities are regarded as current if they mature within one year. To improve the clarity in the balance sheet the shareholder loans are shown separately.

Accounting and valuation methods

Cash and cash equivalents

M+M shows credit balances at banks under cash and cash equivalents. Foreign currency credit balances are converted by exchange rate at closing date.

Property, plant and equipment

Property, plant and equipment is reported at cost of acquisition less regular depreciation. These assets are depreciated over the useful economic life of 3 to 50 years.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. According to IFRS 3 (business combinations) goodwill is not amortized, instead it is subjected to an impairment test, at least once every year.

In the context of the impairment test, the recoverable amount of the cash generating units is determined by the current value less sales costs or the value in use. The individual subsidiaries of M+M were defined as cash generating units. The current value reflects the best estimation of the amount, for which an independent third party would acquire the cash generating units as of balance-sheet date; Sale costs are taken off. The value in use is determined on the basis of DCF methods. To calculate this, cash flow projections are based on financial budgets approved by the Administrative Board covering a five-year period. This planning is based on experiences from the past as well as on expectations over the future market development.

The discount rate is determined on the basis of market data and considers credit and market risks. For the cash generating units the pre-tax discount rate amounts between 6.15% and 11.12%, the after-tax basis discount rate amounts between 7.50% and 12.70%.

If this results in the carrying amount of a cash-generating unit to which goodwill was allocated exceeding the recoverable amount, the allocated goodwill is initially written down by the difference. Impairment losses which must be recognized in addition to this are taken into account by reducing the carrying amount of the other assets of the cash-generating unit on a prorated basis. If the reason for an impairment loss recognized in prior years has ceased to exist, a write-back is performed, whereby the increased carrying amount resulting from the write-back may not exceed the amortized cost. Impairment losses on goodwill are not reversed.

Other intangible assets

Intangible assets are reported at cost of acquisition less regular depreciation. These assets are depreciated over the useful economic life of 3 to 10 years and are included in the depreciation.

Intangible assets, acquired in the context of a business combination, are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, the useful economic life is up to 10 years. The amortization period for an intangible asset with a finite useful life is reviewed regularly. The expense for the amortization is taken to the income statement through the amortizations.

Intangible assets with an indefinite useful life are tested for impairment once a year at the cash-generating unit level.

Intangible assets created within the business are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred.

Development expenditure on an individual project is capitalized if their future recoverability can reasonably be regarded as assured. Research costs are expensed as incurred.

Other investments

Financial assets include shareholdings in other companies. The reported shareholdings are exclusively shareholdings without substantial influence. Consequently, it is not necessary to value them pursuant to IAS 28 (Accounting for Investment in Associates). Pursuant to IAS 27, shares in companies that do not fall in the category group companies and associated companies, are to be valued pursuant to IAS 39 (Financial Instruments). All shareholdings are reported at cost of acquisition the first time they are recorded, corresponding to the fair value of the stated asset. This is the equivalent of cash or cash equivalents. The shareholdings reported within the M+M Group are financial assets available-for-sale pursuant to IAS 39, as none of the other categories under IAS 39 apply.

As the financial assets do not have a listed market price on an active market and it is therefore impossible to reliably calculate a fair value, the subsequent valuation is also at cost of acquisition, whereby all share-holdings are checked for signs of depreciation (Impairment Test).

In general, the shareholdings are checked for depreciation by means of valuations which are taken as a basis when the shares in shareholdings are transferred. The transactions invoked for the purposes of valuation take place between third parties outside the Group. In addition, DCF methods and industry-specific multipliers are applied for the impairment testing.

Inventory

The valuation of the inventory depends on the regulations of IAS 2. This position contains mainly finished goods which are capitalized at cost. If necessary, an inventory valuation adjustment is made due to a reduced usability. All recognizable risks are considered by appropriate adjustments.

Financial instruments

A financial instrument is any contract that leads to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks and derivative financial liabilities.

Financial instruments are generally recognized as soon as M+M becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale, the settlement date is relevant for the initial recognition and de-recognition. This is the day on which the asset is delivered to or by M+M. In general, financial assets and financial liabilities are offset.

According to IAS 39, financial instruments are categorized as:

- extended loans and receivables
- financial assets at fair value through profit and loss
- available for sale
- held to maturity

Extended loans and receivables are stated at cost less accumulated depreciation and any impairment in value. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the write off of the respective receivables.

M+M has not yet made use of the option of designating financial assets upon initial recognition as financial assets at fair value through profit or loss.

Investments classified as available-for-sale, are measured at fair value and accounted in consideration of fluctuations between the trading and the settlement day. The gains and losses arising from fair value measurement are recognized directly in equity.

If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable). Investments classified as held-to-maturity, are measured at cost less any impairment in value, and accounted in consideration of fluctuations between the trading and the settlement day.

Financial assets are derecognized when the contractual rights to cash flows from the assets expire or the entity transfers the financial asset. The latter applies when substantially all the risks and rewards of ownership of the asset are transferred, or the entity no longer has control of the asset. The carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested at each reporting date to determine whether there is objective, material evidence of impairment. Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss.

If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed to income in the appropriate amount. Impairment losses on unquoted equity instruments that are classified as ‘available-for-sale’ and carried at cost may not be reversed.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognized.

Trade payables and other non-derivative financial liabilities are generally measured at amortized cost using the effective interest method. The Group has not yet made use of the option to designate financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

Derivative financial instruments are not used in the M+M group.

Income taxes

Income taxes include current income taxes payable as well as deferred taxes.
Tax liabilities mainly comprise liabilities for domestic and foreign income taxes. They include liabilities for the current period as well as for prior periods. The liabilities are measured based on the applicable tax law in the countries where M+M operates and include all facts of which the Company is aware.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated balance sheet and the tax base, as well as for tax loss carry forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are recognized on planned dividend payments by subsidiaries. Where a dividend payment is not planned for the long term, no deferred tax liability is recognized on the difference between the proportionate net assets according to IFRS and the tax base of the investment in the subsidiary.

Currently enacted tax laws and tax laws that have been substantively enacted as of the balance sheet date are used as the basis for measuring deferred taxes.

Borrowing costs

In accordance with IAS 23, borrowing costs are charged to expenditure.

If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction (Borrowing Costs).

Equity costs

According to IAS 32 the costs for the capital increase are offset with the additional paid in capital.

Accruals

Pursuant to IAS 37, accruals are to be reported at the amount resulting from the best estimate of the financial outflow required to meet current obligations as at the balance sheet date. The value stated for other accruals takes into account all identifiable risks based on past experience and where the scope and maturity is uncertain.

Pension accruals

The pension accruals mainly exist at the parent company and refer to a defined benefit plan for the Managing Directors. The pension commitment contains a retirement pay, a widow's pension as well as a disablement pension. In the case of pension the payments are made monthly in advance. Pursuant to the Projected Unit Credit Method according to IAS 19 the pension accruals are measured at the present value of the defined benefit liability.

The calculations were based on the following assumptions:

	2012	2011
Discount rate	3.00%	4.90%
Estimated return on plan assets	3.00%	4.90%-5.00%
Future changes in remunerations	1.64%-3.00%	1.50%-3.00%

The amount of the pension obligations was determined using actuarial principles that are consistent with IAS 19. The provision is reduced by the amount of the plan assets which consist of pension liability insurances. The service cost is disclosed in staff costs and other comprehensive income. The actuarial gains and losses are immediately recognized affecting net income.

M+M has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its two defined benefit plans. The Group previously recognised only the net cumulative unrecognized actuarial gains and losses of the previous period. During 2012, the Group determined that it would change its accounting policy to recognise actuarial gains and losses in the period in which they occur in total in other comprehensive income, as it believes this policy is more consistent with the practice of its industry peers. Changes have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the adjustment of prior year financial information.

Disclosure of the change of accounting principles for pensions according to IAS 8

Amounts in KEUR	2012	2011	Jan 1, 2011
Change in pension provisions	0	0	0
Change in deferred taxes	0	0	0
Change in retained earnings	501	21	84
Change in other comprehensive income	-501	-21	-84
Pension expense reclassified according to the old method into other income	-715	-30	
Net decrease in tax expense	214	9	
Expense recognized in other comprehensive income	**-501**	**-21**	
Increase in net income net of tax	501	21	
Effect on net income per share	0,03		

Due to the voluntary adaptation of the accounting policy following adjustments in the financial statements have been made (see table above).

Other assets and liabilities

For all identifiable risks of other assets, appropriate allowances are taken.

Liabilities are valued at their repayment value.

Foreign currency receivables and liabilities

In the individual financial statements, receivables and liabilities are translated at the rate on the balance sheet date. Profits and losses from the translation of foreign currency receivables and liabilities are reported in the Statement of Income under the financial result.

As the income and expenses are not substantial, there are no notes relating to this position.

Principles of revenue recognition

In the M+M group, recognition of revenue occurs at that time when the risk passes to the customer. For service revenues the percentage-of-completion method is applied if the prerequisites of IAS 18 in connection with IAS 11 are met. The work in progress is determined on the basis of the already furnished project hours in comparison to the entire project volume.

Development of stock option rights

	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10	Tranche 11	
Day of issuance	**Jul 12, 05**	**May 31, 06**	**May 4, 07**	**Jun 26, 08**	**May 12, 09**	**May 26, 10**	**Total**
Total number granted	315,250	249,425	244,507	261,170	256,770	331,712	1,658,834
Strike price (EUR)	3.59	5.64	5.15	5.23	3.45	3.51	
Vesting period	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	
Outstanding options as of Jan 1, 2012	99,520	203,285	211,791	240,870	221,660	319,937	1,297,063
In the reporting period							
granted options	0	0	0	0	0	0	0
forfeited options	12,025	47,810	52,501	72,150	19,891	33,900	238,277
exercised options	38,970	0	0	0	38,256	33,021	110,247
expired options	0	77,737	0	0	0	0	77,737
Outstanding options as of Dec 31, 2012	48,525	77,738	159,290	168,720	163,513	253,016	870,802
Exercisable options as of Dec 31, 2012	48,525	77,738	159,290	168,720	58,523	62,685	575,481
Capital increase in KEUR for:							
Exercisable options only	174	438	820	882	202	220	2,737
All options outstanding	174	438	820	882	564	888	3,768

Stock option plans
Mensch und Maschine until 2010 offered its Managing Directors and other employees stock options in the form of an option plan relaunched each year. The subscription price per share was the average closing price of the M+M share on the Frankfurt stock exchange on the first 30 trading days after the annual accounts press conference.
The subscription right cannot be exercised before the waiting period has expired. The waiting period amounts to 2 or 4 years after the stock option offer. The subscription right continues to exist four years after the waiting period has expired. The subscription right can only be exercised in certain exercise periods. It can only be exercised if the stock market price of the M+M share is at least 15% above the strike price in the last 10 consecutive trading days before the respective exercise period.

In 2012, no new options have been issued. In the period 110,247 options have been converted, 77,737 options have expired and 238,277 have forfeited. As of December 31, 2012, 870,802 options are outstanding.
The options can also be converted by own shares which was used in 2012 with 4,050 options. The remaining 106,197 of total exercised 110,247 options were redeemed by direct bonus payments to the employees.

Parameters for the calculation

	Tranche 6		Tranche 7		Tranche 8		Tranche 9		Tranche 10		Tranche 11	
	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years
Share price on the day of measurement in EUR	4.65	4.65	4.59	4.59	5.57	5.57	5.38	5.38	3.59	3.59	3.73	3.73
Life of the option on the grant date	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years
Expected life of the option	2 Years	4 Years	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years
Exercise price on the expected exercise date in EUR	3.59	3.59	5.64	5.64	5.15	5.15	5.23	5.23	3.45	3.45	3.51	3.51
Expected dividend yield	4.30%	4.30%	5.45%	5.17%	3.59%	4.04%	3.59%	4.04%	5.27%	5.77%	3..57%	3.63%
Risk-free interest rate for the life of the option	2.23%	2.75%	3.52%	3.61%	4.18%	4.18%	4.41%	4.52%	2.78%	3.22%	1.90%	2.40%
Expected volatility of the share price	45.29%	45.29%	37.58%	37.58%	27.61%	27.61%	30.42%	32.83%	38.64%	38.64%	35.41%	35.41%
Expected fluctuation of option holders during the option's life	12.52%	21.27%	5.50%	15.50%	6.70%	16.70%	8.39%	18.39%	6.70%	16.70%	8.11%	17.57%

The weighted average share price at the exercise date of the converted options within the reporting period was EUR 4.99.

The second possibility for the conversion of the options is by means of a capital increase from the contingent capital, so the conversion price leads to an injection of capital on the one hand and a corresponding increase in the number of shares on the other. In the last two lines of the table, the respective injection of capital for each issue year and overall is listed. The upper line only shows options exercisable as at December 31, 2012, and the lower line reports all outstanding options.

If all 575,481 exercisable options were converted, this would lead to an injection of capital amounting to KEUR 2,737. In terms of the number of shares as at December 31, 2012, amounting to 15,504,507 and the equity as at December 31, 2012, of KEUR 35,861, this would correspond to 3.71% growth in the number of shares and a 7.63% increase in the equity. In terms of the total number of 870,802 outstanding options and an associated injection of capital amounting to KEUR 3,768, the following values are derived: number of shares +5.62% and capital growth +10.51%.

According to IFRS 2 (Share-based Payments) share-based remuneration for employees granted after November 7, 2002 that had not vested on or before January 1, 2005, has to be accounted for as personnel expenditure. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Therefore equity-settled transactions occur, when employees receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. Since it is not possible to measure job performance at fair value, the fair value of the granted shares is used. Thus the costs of this remuneration system are measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

As of the balance sheet date a total expense of KEUR 1,614 (PY: 1,559) was recognised by Mensch und Maschine Software SE since 2002 for equity-settled share-based payment transactions. The expense of the current period amounts to KEUR 56 (PY: 173).

The fair value of the share options of tranche 9 to 11 was measured by applying a binomial model, in contrary to tranche 6 to 8, for which the Black-Scholes-Merton formula was applied.

The expected lives of the options are based, as far as existent, on historical data regarding the exercise periods. In case no adequate information was available at the grant date, the expected lives of the options were estimated based on the management estimate that the options are exercised at the earliest date.

The target of an increase of the average share price of at least 15% within the last ten consecutive trading days prior to the respective exercise period, was not considered in the valuation since the achievement of the target was expected by the management based on the forecasts at the respective grant date of the options.

The future volatility for the expected lives of the options was estimated based on historical volatilities in consideration of the future expected market trend. Basically IFRS 2 B25 requires consideration of the annualized historical volatility of the expected lives of the options. In case of Mensch und Maschine, the comparability of historical periods and future periods is, in accordance with IFRS 2 B25 (d), not given, due to the fact, that since the company's initial public offering in 1997 because of the development of the 'German New Market' and the subsequent restructuring of the company, the past stock price deviations are not representative for the future development. Considering this, the future expected volatilities for tranche 5 to 7 are based on historical 12 months volatilities. Due to the constant development since 2005 the evaluation for tranche 8, 9, 10 and 11 uses a volatility of 2, 3, 4 and 5 years.

The risk-free interest rate is based on German government bonds. The term of the interest rate represents the period from grant date to the expected exercise date.

Related Parties

M+M's principal, CEO and Chairman of the Board Adi Drotleff as well as his family members granted M+M loans amounting to KEUR 478 (PY: 1,609) at Dec 31, 2012 and therefore received interest in 2012 of KEUR 35 (PY: 51).

M+M's CFO Peter Schuetzenberger granted M+M loans amounting to KEUR 341 (PY: 320) at Dec 31, 2012 and therefore received interest in 2012 of KEUR 10 (PY: 10).

KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3% as of December 31, 2012, granted M+M loans amounting to KEUR 2,475 (PY: 2,475) at Dec 31, 2012 and therefore received interest in 2012 of KEUR 99 (PY: 99).

Notes on the statement of income

1. Cost of materials

Amounts in KEUR	2012	2011
Cost of materials from Autodesk products	-42,112	-107,876
Cost of materials from other vendors	-8,002	-7,495
Cost of outside services	-2,843	-3,505
Licenses and other production costs for proprietary software	-2,874	-2,834
	-55,831	**-121,710**

2. Personnel expenses

This position contains mainly wages and salaries, social security, other pension costs and welfare. Expenses for share-based payments amount to KEUR 56 (PY: 173).

3. Other operating expenses

Amounts in KEUR	2012	2011
Insurance	-462	-690
Costs of building	-3,841	-3,756
Travel costs	-2,037	-1,877
Car expenses	-3,228	-2,971
Advertising and promotion	-3,452	-7,697
Communication	-903	-888
IT costs	-409	-355
Consulting and Lawyer Fees	-1,264	-1,264
Rest of other operating expenses	-3,875	-4,844
	-19,471	**-24,342**

The item ‘rest of other operating expenses’ consist of various items, all of which are less than KEUR 300.

4. Depreciation and Amortization

Amounts in KEUR	2012	2011
Depreciation of property, plant and equipment	-1,218	-1,254
Amortization due to purchase price allocated intangible assets	-1,878	-2,048
Amortization of other intangible assets	-625	-330
Amortization of other financial assets	-70	-100
	-3,791	**-3,732**

5. Other operating income

Amounts in KEUR	2012	2011
Return from private use of cars and telephones	1,007	804
Rents received	129	142
Income from the sale of Distribution Business	4,000	10,140
Income from consumption-related reversal of restructuring provisions	5,000	0
Marketing funds	1,589	1,463
Other income	1,388	1,964
	13,113	**14,513**

The item ‘other income’ consist of various items, all of which are less than KEUR 300.

6. Financial result

Amounts in KEUR	2012	2011
Interest income	87	144
Interest expense	-988	-1,314
Income from investments and participations	281	78
Minority interest in VAR business partners	-153	-237
Other income and expenses	-15	0
Foreign currency exchange gains / losses	-280	313
Financial result	**-1,068**	**-1,016**

7. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 1,161 (PY: 4,993), a surplus amounting to KEUR 615 (PY: relief of 964) from further development and revaluation of deferred tax assets, as well as a relief of KEUR 553 (PY: 227) from deferred tax liabilities.

In total there are realizable tax loss carry forwards amounting to KEUR 24,536 (PY: 23,309). This creates gross tax credits of KEUR 6,604 (PY: 6,381). The realization of the tax loss carry forward has been proved by planning forecasts and flexible tax models of optimization. The only tax loss carry forwards capitalized are those which can presumably be used within the following five years, resulting in deferred tax assets with an amount of KEUR 2,952 (PY: 1,702). This means 44.70% (PY: 26.67%) of the total gross tax credits are capitalized.

At the moment there are no time restrictions for the utilization of the tax assets in the M+M group.

The non permanent differences include deferred tax assets amounting to KEUR 949 (PY: 2,599) resulting from different valuations of accruals, as well as deferred tax liabilities amounting to KEUR 1,656 (PY: 2,209). The changes have been booked as tax expenditure or proceeds.

The average tax rate contains the corporate income tax plus solidarity surcharge as well as the trade tax.

The transition between the expected taxes and the actual tax proceeds are explained by the reconciliation in the following table:

Tax reconciliation

Amounts in KEUR	2012	2011
Result before income tax	**5,110**	**10,910**
Legal tax rate	30%	30%
Expected tax load	**-1,533**	**-3,273**
Tax rate variances		
Foreign tax rate differential	158	396
Deviation of the taxable base from		
Non deductable expenses	-107	-130
Tax free income from investments	84	23
Impairment	21	0
Taxable depreciation of intangible assets	70	70
Valuation of deferred tax assets		
Non execution of deferred tax assets	362	145
Belated execution of deferred tax assets	-251	-1,056
Other	**-26**	**14**
Actual tax load	**-1,222**	**-3,811**
Effective tax rate in percent	**23.91%**	**34.94%**

8. Calculation of shares outstanding and earnings per share

In accordance with IAS 33, a weighted average was calculated for shares outstanding. The diluted number of shares does not only include the original subscribed capital shares, but also all option rights from the employee option program which were exercisable at the statement closing date, but which had not yet been exercised. The number of own shares are included in the calculation of diluted earnings per share.

For the purpose of calculating diluted earnings per share, the profit and loss attributable to ordinary equity holders and the weighted average number of shares outstanding has to be adjusted for the effects of all diluting potential ordinary shares and exercisable options according to IFRS 2.

	2012	2011
Net result KEUR	3,620	6,809
Weighted number of shares	14,972,409	14,513,599
Non diluted earnings per share EUR	0.2418	0.4691
Diluted net result KEUR	3,620	6,809
Diluted number of shares	15,547,890	15,253,859
Diluted earnings per share EUR	0.2328	0.4464

Notes on the statement of income according to IFRS

(Discontinuing Operations)

As part of the Market Offensive II, the Autodesk distribution business was sold in October 2011.

Subsequently the transition to a VAR business, from indirect to direct sales, started in France, Italy, England, Belgium, Poland and Romania.

The subsidiaries in these countries, together with approximately 70 of 113 employees, remained in the M+M group and served as a basis for developing the VAR business. Like in the German speaking countries acquisitions of selected reselling partners complement the own subsidiaries.

The management believes that the sale of the Distribution Business is not clearly qualified as discontinued activities according to IFRS 5. Therefore we show a P&L including all group activities in the prior year on page 20 and on page 21 a P&L according to IFRS 5. The latter in the prior year only shows the segments M+M Software and VAR Business which are continued without changes, while all effects from the Distribution segment are shown net of tax in one line as 'discontinued activities'.

The total purchase price amounts up to KEUR 28,000, of which the fixed purchase price component amounting to KEUR 18,000 is included in the fiscal year 2011. From this fixed purchase price component KEUR 12,000 was collected in fiscal year 2011 and KEUR 6,000 in 2012.

The variable purchase price components are dependent on the buyer's business development in the years 2012, 2013 and 2014, each are recorded in the year in which the amount is certain and is shown under the other operating income. For 2012 the first installment amounting to KEUR 4,000 is completely recognized.

In the prior year the net result after tax of the discontinued business amounted to KEUR 5,427 of which KEUR 4,399 reflects the gain on disposal. The result of discontinued operations was fully attributable to the shareholders of M+M SE.

Notes on the balance sheet

Assets

Current assets

9. Trade accounts receivable

Trade accounts receivable comprised in the group's individual companies include reasonable adjustments and generally have a remaining term of less than one year. The receivables are reduced by a specific allowance amounting to KEUR 798 (PY: 1,227).

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The following table shows the development of allowances on trade receivables:

Amounts in KEUR	2012	2011
As of Jan 1	1,227	616
Translation differences	7	2
Consolidation effect	0	0
Addition	96	733
Disposal	-444	-85
Reversing	-88	-39
As of Dec 31	**798**	**1,227**

In the current and the prior year no material expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off occurred.

All income and expenses relating to allowances and write-offs of trade receivables are reported under other operating expenses.

Trade receivables

Amounts in KEUR		of which neither impaired nor past due on the reporting date	of which not impaired on the reporting date and past due in the following periods				
	Book value		30<60	60<90	90<180	180<360	>360
As of Dec 31, 2012	20.543	15,630	1,899	549	1,757	357	351
As of Dec 31, 2011	20.488	16,601	1,228	1,013	757	493	396

Fixed assets register 2011

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 11	CC / RC*	Currency	Addition	Disposal	Dec 31, 11	Jan 01, 11	Consolida-tion effect	Currency	Addition	Disposal	Dec 31,11	Jan 01, 11	Dec 31, 11
I. Tangible assets	**9,101**	**1,921**	**9**	**2,132**	**-1,065**	**12,098**	**6,042**	**572**	**-46**	**1,254**	**-783**	**7,039**	**3,059**	**5,059**
II. Investment Properties	**1,845**	**-1,845**	**0**	**0**	**0**	**0**	**572**	**-572**	**0**	**0**	**0**	**0**	**1,273**	**0**
III. Other intangible assets	**18,801**	**679**	**-8**	**2,193**	**-3,428**	**18,237**	**7,752**	**0**	**72**	**2,378**	**-2,317**	**7,885**	**11,049**	**10,352**
1. Purchase price allocation	15,507	660	-10	0	-2,915	13,242	5,607	0	-5	2,048	-1,804	5,846	9,900	7,396
2. Other	3,294	0	2	2,193	-513	4,995	2,145	0	77	330	-513	2,039	1,149	2,956
IV. Goodwill	**43,667**	**0**	**-19**	**1,539**	**-3,973**	**41,214**	**12,009**	**0**	**-15**	**0**	**-2,973**	**9,021**	**31,658**	**32,193**
V. Financial assets	**3,805**	**0**	**0**	**6**	**0**	**3,811**	**1,895**	**0**	**0**	**100**	**0**	**1,995**	**1,910**	**1,816**
1. Financial assets	3,701	0	0	0	0	3,701	1,895	0	0	100	0	1,995	1,806	1,706
2. Other	104	0	0	6	0	110	0	0	0	0	0	0	104	110
(all amounts in KEUR)	**77,219**	**755**	**-18**	**5,870**	**-8,466**	**75,360**	**28,270**	**0**	**11**	**3,732**	**-6,073**	**25,940**	**48,949**	**49,420**

* CS / RC: Consolidation / Reclassification

10. Inventories

This position predominantly contains purchased goods amounting to KEUR 1,038 (PY: 1,255), software licenses amounting to KEUR 613 (PY: 1,052) and work in process amounting to KEUR 562 (PY: 644). The inventory is reduced by a specific allowance amounting to KEUR 0 (PY: 43)..

11. Other current assets

This position primarily comprises tax credits, loans and creditor receivables from pending reimbursements as well as the first variable installment of the sale of the distribution business.

Non current assets

The development of the non current assets is indicated in the fixed assets register.

Fixed assets register 2012

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 12	Consolidation effect	Currency	Addition	Disposal	Dec 31, 12	Jan 01, 12	Consolidation effect	Currency	Addition	Disposal	Dec 31,12	Jan 01, 12	Dec 31, 12
I. Tangible assets	**12,098**	**0**	**-7**	**1,568**	**-1,685**	**11,974**	**7,039**	**0**	**-32**	**1,218**	**-1,397**	**6,828**	**5,059**	**5,146**
II. Investment Properties	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
III. Other intangible assets	**18,237**	**1,368**	**80**	**2,173**	**-516**	**21,342**	**7,885**	**0**	**-70**	**2,503**	**-515**	**9,803**	**10,352**	**11,539**
1. Purchase price allocation	13,242	1,368	0	0	0	14,610	5,846	0	0	1,878	0	7,724	7,396	6,886
2. Other	4,995	0	80	2,173	-516	6,732	2,039	0	-70	625	-515	2,079	2,956	4,653
IV. Goodwill	**41,214**	**1,093**	**0**	**0**	**0**	**42,307**	**9,021**	**0**	**0**	**0**	**0**	**9,021**	**32,193**	**33,286**
V. Financial assets	**3,811**	**0**	**0**	**9**	**-701**	**3,119**	**1,995**	**0**	**0**	**70**	**0**	**2,065**	**1,816**	**1,054**
1. Financial assets	3,701	0	0	0	-701	3,000	1,995	0	0	70	0	2,065	1,706	935
2. Other	110	0	0	9	0	119	0	0	0	0	0	0	110	119
(all amounts in KEUR)	**75,360**	**2,461**	**73**	**3,750**	**-2,902**	**78,742**	**25,940**	**0**	**-102**	**3,791**	**-1,912**	**27,717**	**49,420**	**51,025**

12. Goodwill

All acquired companies within the ‘market offensive’ in Germany, Austria and Switzerland are summarized under ‘VAR Business D/A/CH’.

The adjustment amounting to KEUR 1,039 is the result of the acquisition of shares in the companies Mensch und Maschine LeyCAD GmbH, Mensch und Maschine acadGraph GmbH and Mensch und Maschine CADiware AG.

Goodwill development

Amounts in KEUR	Dec 31, 2011	Addition / Impairment	Currency	Dec 31, 2012
VAR Business D/A/CH	13,775	1.093		14,868
OPEN MIND	9,341			9,341
M+M UK	2,982			2,982
M+M Romania	1,610			1,610
M+M Switzerland	1,265			1,265
DATAflor	1,216			1,216
M+M Italy	1,116			1,116
M+M Poland	474			474
M+M France	333			333
M+M Austria	81			81
Total	**32,193**	**1,093**		**33,286**

13. Other investments

Other investments mainly include strategic shareholdings. As of December 31, 2012, the following investments existed:

The maximum loss risk is the amount of the respective net book value. As of Dec 31, 2012, there were no loans given to shareholdings.

Investments

Amounts in KEUR	Dec 31, 2012 in %	Dec 31, 2012 Book value	Dec 31, 2011 in %	Dec 31, 2011 Book value
CTB GmbH & Co KG, Buchholz	19.9	30	19.9	100
SOFiSTiK AG, Oberschleissheim	14.4	905	14.4	905
BlueCielo ECM Solutions, Netherlands			7.4	700

In fiscal year 2012, the investment in Blue-Cielo ECM Solutions, Netherlands was sold with a capital gain of KEUR 781.

Furthermore an impairment of the carrying amount for CTB GmbH & Co KG, Buchholz of KEUR 70 was made because the participation was sold in January 2013 for KEUR 30.

Liabilities

Current liabilities

14. Short term debt and current portion of long term debt

This position almost exclusively contains bank loans at principal banks in Germany and abroad in the context of credit lines. They are partly secured by assignments of receivables.

In the balance sheet, the only bank liabilities classified as current are those which have to be paid back within the next 12 months. M+M mainly uses fixed credit lines with indefinite durations; these are now classified as non current, even if they are refinanced on a short term base (low interest rates). This increases the clarity of the financing structure, and avoids the wrong impression that most of the bank debt would be short-term.

A liquidity reserve in the form of credit lines and, where necessary, cash is maintained to guarantee the solvency and financial flexibility of M+M at all times. For this purpose, the Company entered into credit agreements with various international and domestic banks amounting to a total of EUR 27.1 million. M+M does not pay commitment fees on unused credit lines.

Table of accrual development

Amounts in KEUR	Dec 31, 2011	Disposal	Addition	Dec 31, 2012
Personnel accruals	3,014	-3,014	2,684	2,684
Outstanding bills	1,577	-1,577	1,768	1,768
Accruals for restructuring VAR Europe	6,000	-5,000	0	1,000
Other	2,396	-2,396	3,321	3,321
Total current accruals	**12,987**	**-11,987**	**7,773**	**8,773**
Personnel accruals	110	0	22	132
Other accruals	568	0	55	623
Total non current accruals	**678**	**0**	**77**	**755**
Total accruals	**13,665**	**-11,987**	**7,850**	**9,528**

15. Accrued expenses

Accruals are calculated by taking all identifiable risks into account and always represent the expected repayment amount. They mainly include personnel and restructuring accruals.

The development of the accruals in the reporting period is shown in the table of accrual development.

The non current accruals mainly relate to provisions for guarantees. In the column disposal, there are releases determined by consumption.

16. Other current liabilities

The companies of the market offensive are mainly acquired in two steps. In the first step the majority was transferred. The expected purchase price for the remaining shares which will be transferred within one year amounting to KEUR 400 is included in the other current liabilities. Thereof a portion of KEUR 400 can be acquired via share swaps and reclassified to equity.

Furthermore this position includes debts from VAT and tax on wages and salaries, outstanding social security costs and deferred income.

Non current liabilities

17. Long term debt, less current portion

This position contains the fix and unsecured credit lines with indefinite period of redemption, as well as bank loans for financing properties amounting to KEUR 1,758, secured by mortgages of KEUR 2,481.

Bank debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of Dec 31, 2012				
Bank debt	24,747	2,210	22,537	0
Financial liability	**24,747**	**2,210**	**22,537**	**0**
As of Dec 31, 2011				
Bank debt	21,139	19,607	1,532	0
Financial liability	**21,139**	**19,607**	**1,532**	**0**

18. Shareholders' loan

This position contains a loan of KEUR 2,475 (PY: 2,475) from KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3 per cent as of December 31, 2012, a loan of KEUR 478 (PY: 1,609) from M+M's principal, CEO and Chairman of the Board Adi Drotleff and family members as well as a loan of KEUR 341 (PY: 320) from M+M's CFO Peter Schuetzenberger.

19. Pension accruals

The pension accruals essentially exist at the parent company and refer to a defined benefit plan for the Managing Directors. The pension commitment contains a retirement pay, a widow's pension as well as a disability pension.

The pension accruals are determined according to actuarial principles of the projected unit credit method in accordance with IAS 19.

The pension accruals at the balance sheet date amount to KEUR 1,041 (PY: 328), of which an amount of KEUR 1,041 (PY: 328) represents the determined cash value of the performance-oriented obligation not financed via funding. The cash value determined as at the balance sheet date of the performance-oriented obligations financed via funds amounts to KEUR 2,241 (PY: 2,152). This figure also corresponds to the fair value of the plan assets as at the balance sheet date. The Statement of Income includes income from plan assets amounting to KEUR 105 (PY: 101), interest expenses amounting to KEUR 120 (PY: 109) and current time of service expenditure amounting to KEUR 76 (PY: 55). The stated expenses and income are included in the general and administrative expenses.

The recognition of actuarial gains and losses are shown in total in other comprehensive income. (See notes to the pension accruals on page 42f)

In the financial year, pension has been paid in the amount of KEUR 59 (PY: 57). The expected contribution to the plan asset for the financial year 2013 amounts to KEUR 75.

Pension benefits payable in the future are estimated as follows:

Amounts in KEUR	2012	2011
Benefit obligation at start of year	2,480	2,705
Interest cost	120	109
Service cost	76	55
Benefits paid	-59	-57
Benefits to pay	0	-367
Net actuarial gain	665	35
Benefit obligation at end of year	**3,282**	**2,480**
Plan assets at start of year	2,152	2,405
Adjustment of the overabsorption	0	173
Received contributions	-42	-491
Insurance contributions	76	76
Actual return on plan assets	105	101
Net actuarial gain	-50	-112
Plan assets at end of year	**2,241**	**2,152**
Net recognized liability	**1,041**	**328**

Pension benefits payable in the future are estimated as follows:

Year	Amounts in KEUR
2013	59
2014	60
2015	70
2016	71
2017	73
2018 - 2021	307

20. Other non current liabilities

The companies of the market offensive are mainly acquired in two steps. In the first step the majority was transferred. The expected purchase price for the remaining shares which will not be transferred within one year are included in the other non current liabilities amounting to KEUR 1,116 (PY: 1,366). Most of these remaining shares can also be acquired via share swap and reclassified into equity.

Shareholders' equity

21. Share capital

The subscribed capital of M+M SE as of Dec 31, 2012, comprised 15,504,507 (PY: 14,876,875) shares, with a calculated stake of EUR 1.00 per share.

The subscribed capital increased in the fiscal year due to the acquisition of participations by contribution in kind amounting to KEUR 73 (PY: 239), by contribution of a shareholder loan in the amount of KEUR 480 (PY: 0) and by capital increase in cash by KEUR 75 (PY: 0).

As of Dec 31, 2012 the approved capital amounts to 4,873 (PY: 5,551). It was authorized by the general meeting on May 29, 2008 and expires on May 28, 2013.

22. Capital reserve

The development of the capital reserve is shown by the following table:

Amounts in KEUR	2012	2011
Capital reserve as of Jan 1	15,641	14,512
Capital increase by cash	281	0
Contribution in kind	290	956
Contribution of shareholder loan	1,800	0
Share based payments	56	173
Capital reserve as of Dec 31	**18,068**	**15,641**

23. Treasury stock

The board of administration of M+M SE resolved to start the share buyback program at October 9, 2008. As of Dec 31, 2012, M+M held 188,602 (PY: 120,295) shares of treasury stock. This is 1.21% (PY: 0.81%) of the issued capital. Treasury shares are carried at cost amounting to KEUR 893 (PY: 540).

24. Equity attributable to non-controlling (minority) interest

The companies in the VAR Business D/A/CH were mainly acquired in two steps. In the first step the majority shareholding was transferred, mainly via share swap. Within two to four years the remaining shares are transferred.

Notes on the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to total cash and cash equivalents on the balance sheet. This position contains cash in form of liquid funds and sight deposit accounts as well as cash equivalents consisting of fixed term deposits and money market papers, which can be transferred into cash at any time and therefore are suspended from substantial interest or currency risks.

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes are stated separately.

Among other items, cash flows from operating activities include:

- cash flows used for interest expenses of KEUR 988 (PY: 1,314) and cash flows from interest income of KEUR 86 (PY: 143)
- KEUR 2,975 (PY: 3,680) paid for taxes on income (net of income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 281 (PY: 78)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR 153 (PY: 1,191), the change of deferred revenues of KEUR 69 (PY: 163) and the change of the other comprehensive income of KEUR 501 (PY: 21) as well as the expenses for share base payments of KEUR 56 (PY: 173).

In the cash flows from financing activities dividends paid out to M+M shareholders amounting to 2,902 (PY: 1,451) are included. This corresponds to EUR 0.20 (PY: 0.10) per share.

The agreed purchase and selling price are shown in the table below:

Amounts in KEUR	**2012**	**2011**
Purchase price	2,461	2,124
Selling price	4,000	18,000
Cash outflow for purchase	4,373	4,005
Cash in for sale	6,000	12,000
Acquired cash	0	0
Disposed cash	0	0

The acquired original assets and liabilities are shown below:

Amounts in KEUR	**2012**	**2011**
Fixed assets	1,368	755
Current assets	0	217
Accruals	0	87
Liabilities	0	0

The disposed assets and liabilities are shown below:

Amounts in KEUR	2012	2011
Fixed assets	0	1,860
Current assets	0	0
Accruals	0	0
Liabilities	0	0

There are no restrictions on the disposal of cash and cash equivalents.

Other supplementary information

Other financial obligations and contingent liabilities
The other financial obligations are mainly the result of long term rental and operating lease contracts for the group as a whole. The minimum financial obligation for non discounted rental and lease payments is KEUR 6,463 (PY: 7,178). In the current financial year, rent and leasing payments are contained amounting to KEUR 4,940 (PY: 4,251).

The due dates of payments are as following:

Year	Amounts in KEUR
2013	4,533
2014	1,303
2015	495
2016	167
2017	69
Following years	17
Total	**6,584**

Material leasing contracts mainly apply to office buildings at several locations, software licenses and company cars.

Risk management

Principles of risk management
M+M is exposed in particular to risks from movements in exchange and interest rates, as well as liquidity, other price and credit risks that affect its assets, liabilities, and forecast transactions.

Financial risk management aims to limit these risks through ongoing operational and finance activities.

Currency risks
M+M is exposed to currency risks from its investing and operating activities. Usually foreign currencies are not hedged.

The individual Group entities predominantly execute their operating activities in their respective functional currencies. This is why the assessment of exchange rate risk from ongoing operations is low.

The following table demonstrates the sensitivity to a reasonable possible change in the EURO exchange rate to all other currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Amounts in KEUR	2012	2011
Increase of 5%	-95	-72
Decrease of 5%	95	72

Interest rate risks
Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense.

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax and shareholders equity (through the impact on floating rate borrowings).

Amounts in KEUR	2012	2011
Increase of 100 basis points	-167	-167
decrease of 100 basis points	63	154

Liquidity risks

The following tables show contractually agreed (undiscounted) interest payments and maximum possible repayments of the non-derivative financial liabilities: instruments were calculated using the last interest rates fixed before the balance sheet date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Liquidity risk 2012

Amounts in KEUR	Book value	Cash flows 2012		Cash flows 2013		Cash flows from 2014	
	Dec 31, 2010	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	24,751	177	22,245	72	684	67	1,822
Shareholders' loan	3,294		3,294				
Trade accounts payable	10,228		10,228				
Other current liabilities	3,364		1,891		1,473		

Liquidity risk 2011

Amounts in KEUR	Book value	Cash flows 2012		Cash flows 2013		Cash flows from 2014	
	Dec 31, 2010	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	21,139	122	19,606	45	242	98	1,290
Trade accounts payable	18,249		18,249				
Other current liabilities	8,980		7,520		444		1,016

All instruments held at balance sheet date were included. Planning data for future, new liabilities is not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial

The expected future outflow of cash is covered by the operating business, the trade accounts receivables as well as the available credit lines.

The following table shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument and reconciliation to the corresponding line item in the balance sheet. Since the line items 'Other receivables' and 'Other liabilities' contain both financial instruments and non-financial assets and liabilities (such as other tax receivables or advance payments for services to be received in the future), the reconciliation is shown in the column headed 'Non-financial assets / liabilities'. As a matter of principal the fair value is determined on the hierarchic level 2 with consideration of not noted prices or indirectly derived prices noted on active markets.

Fair Values 2012

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2012	Fair Value Dec 31, 2012	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2012
Cash and cash equivalents	LaR	6.421	6.421	6.421		6.421
Trade accounts receivables	LaR	20.543	20.543	20.543		20.543
Other current assets	LaR	7.905	7.905	7.905	2.549	10.454
Liabilities						
Bank debt	FLAC	24.747	25.002	24.747		24.747
Shareholders' loan	FLAC	3.294	3.294	3.294		3.294
Trade accounts payable	FLAC	10.228	10.228	10.228		10.228
Other current liabilities	FLAC	3.364	3.355	3.3645	3.176	6.540
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		34.869	34.869	34.869		
Financial Liabilities Measured at Amortised Cost (FLAC)		41.633	41.879	41.633		

Fair Values 2011

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2011	Fair Value Dec 31, 2011	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2011
Cash and cash equivalents	LaR	17,960	17,960	17,960		17,960
Trade accounts receivables	LaR	20,488	20,488	20,488		20,488
Other current assets	LaR	7,320	7,320	7,320	2,549	9,869
Liabilities						
Bank debt	FLAC	21,139	21,288	21,139		21,139
Trade accounts payable	FLAC	18,249	18,249	18,249		18,249
Other current liabilities	FLAC	8,980	8,931	8,980	3,074	12,054
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		45,768	45,768	45,768		
Financial Liabilities Measured at Amortized Cost (FLAC)		48,368	48,468	48,368		

Cash and cash equivalents, and trade and other receivables mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

Trade and other payables, as well as other liabilities, generally have short times to maturity; the values reported approximate to the fair values.

The fair values of unquoted bonds, liabilities to banks, promissory notes, and other financial liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve.

Other price risks

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes. As of December 31, 2012, M+M did not hold any material investments to be classified as ‘available-for-sale’.

Credit risk

M+M trades only with recognized, credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant. The maximum exposure is the carrying amount.

There are no significant concentrations of credit risk. With respect to credit risk arising from the other financial assets, which comprise cash and cash equivalents, available-for-sale financial investments, loan notes and certain derivative instruments, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit risks are handled with specific and lump-sum allowances as well as a credit sale insurance. The credit sale insurance covers 90% of the insured receivable in the case of loss of receivables outstanding. Because of the structure of our customers there are no significant concentrations of credit risk.

Capital management
The primary objective of the capital management of M+M was to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. M+M´s policy is to keep an equity ratio of at least 30% and keep retained earnings of 40% or more. Above that the gearing ratio should be below 3 times EBITDA.

The gearing ratio deteriorated from 0.20 to 1.86 and the equity ratio rose from 32.2% to 37.9%.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made to the objectives, policies and methods as of December 31, 2012.

Research and development expenses
The research and development expenses for the financial year amounted to KEUR 11,227 (PY: 9,452) concerning subsidiaries in the M+M Software segment OPEN MIND and DATAflor. Thereof KEUR 9,858 was expensed (PY: 8,582) and KEUR 1,369 (PY: 870) was capitalized as development cost for an individual project under other intangible assets, because their future recoverability could reasonably be assured.

Employees
The group's average number of employees (excluding temporary workers and trainees) during the fiscal year was 659 (PY: 639). The number of trainees was 10 (PY: 10).

Administrative Board
According to article 23 and 24 of the SE implementing law in connection with article 10, para 1, of the articles of association of Mensch und Maschine Software SE, the Administrative Board is made up of three members. The general meeting on May 24, 2011 elected the following persons to the Administrative Board for the duration according to the articles of association:

Adi Drotleff, Munich (Chairman)
Norbert Kopp, Hannover,
Managing Director of KTB Technologie Beteiligungsgesellschaft mbH & Co. KG (Deputy Chairman)
Thomas Becker, Neuss, Tax consultant

Managing Directors
The following gentlemen were appointed Managing Directors during fiscal year 2012:

Adi Drotleff, Diplom-Informatiker, Munich (CEO)
Michael Endres, Diplom-Informatiker (FH), Fuerstenfeldbruck (COO)
Peter Schuetzenberger, Kaufmann, Munich (CFO)

The company is legally represented by two Managing Directors or by one Managing Director together with a person authorized to sign. Mr. Adi Drotleff has sole representation authorization.

Remuneration of Managing Directors and Administrative Board
The remuneration for the Managing Directors amounted to KEUR 629 (PY: 809).
It was composed of fixed salaries of KEUR 396 (PY: 436), variable components of KEUR 111 (PY: 243) and non-cash salary components of KEUR 122 (PY: 130).

The pension obligation for the Managing Directors amounted to KEUR 1,561 (PY: 1,234) as of December 31, 2012.

Remuneration for the Administrative Board totaled to KEUR 16 (PY: 16).

Audit fees

The required disclosure of the group auditor's fee volume is as follows:

Amounts in KEUR	2012	2011
Audit	200	196
Tax consulting	45	32
Other	10	10
Total	**255**	**238**

Events after balance sheet date

In the course of the "Market Offensive", M+M is expanding its own end user business in the segment "VAR Business". Therefore M+M acquires the assets of further reseller partner companies:

- Tedikon GmbH, Weissenhorn, Germany
- Visiograph-GDS, Paris, France

Both business partners will be included in the consolidated financial statements in Q1/2013 for the first time. Since the appropriate data base is not yet available no further disclosures are made.

Appropriation of net income

M+M SE has unappropriated retained earnings amounting to KEUR 8,516 as of December 31, 2012.

The administrative board will propose to the shareholders meeting a dividend of EURO 0.20 per share. With consideration of the 188,602 own shares acquired till March 1, 2013, the total dividend payment amounts to KEUR 3,063. The remaining balance of KEUR 5,453 is carried forward. If the number of own shares should change before the shareholders' meeting on May 16, 2013, the dividend payment will be adapted accordingly.

Independent Auditor´s Report

'We have audited the consolidated financial statements prepared by Mensch und Maschine Software SE, Wessling, comprising the balance sheet, statement of income and statement of comprehensive income, development of shareholders´ equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report, for the business year from January 1, 2012 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the e.u., and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ('Handelsgesetzbuch': German Commercial Code) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with §317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschafts - pruefer (Institute of Public Auditors in Germany) (idw) and additionally observed the International Standards on Auditing (isa). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the E.U., the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.'

Stuttgart, March 8, 2013

A W T
AUDIT WIRTSCHAFTS - TREUHAND AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Hahn
Wirtschaftspruefer (Auditor)

Huber
Wirtschaftspruefer (Auditor)

Report from the Administrative Board of Mensch und Maschine Software SE, Wessling, according to section 47 para 3, SE implementing law (SE-IL) in conjunction with section 171 para 2, AktG (German Companies act)

The Administrative Board (Verwaltungsrat) will report to the shareholders' meeting according to section 47 para 3, SE implementing law (SE-IL) in conjunction with section 171 para 2, AktG (German Companies act) as follows:

The Administrative Board fulfilled all its obligations as incumbent, pursuant to the corresponding statutes and by-laws, and including the ongoing advice and supervision of the company's Managing Directors. The Administrative Board was involved in all decisions of principal importance for the company.

The strategic direction of the M+M group was closely aligned between the Managing Directors and the Administrative Board.

The Managing Directors informed the Administrative Board, orally or in writing, in a regular, timely and extensive manner about all essential matters concerning the short term planning, the actual course of business as well as the financial and earnings situation.

Based on detailed management reports, all business cases significant and essential for the M+M group have been discussed in depth, also concerning the development of the individual subsidiaries. Discrepancies in the course of business from the plan have been discussed intensively.

During fiscal year 2012, five Administrative Board meetings took place on March 19, March 23 (by phone), May 22, July 20 and November 8.

In particular, the following matters were discussed between the Administrative Board and the Managing Directors:

- Development and maintenance of the group's own software technology
- Improvement of the individual subsidiaries' operating profitability
- Execution of the Market Offensive to introduce a VAR Business segment
- Execution of Market Offensive II in Europe
- Changes in the business model, balance sheet and financing after the sale of the Distribution business
- Use of exisiting tax loss carryovers and tax optimisation
- Dividend policy

The Administrative Board received reports about the development of the risk management system; existing risks and their provision were explained by the Managing Directors.

The Administrative Board was also informed in detail about events of material importance in between the regular meetings.

Due to the size of the Board, there were no additional committees. An efficiency test for the activities of the Administrative Board was not explicitly conducted, because improvement processes are constantly discussed and translated into action.

The annual report of Mensch und Maschine Software SE as of December 31, 2012, including the management report, as well as the group annual report as of December 31, 2012, including the management report for the group was set up by the Managing Directors and audited by AWT Audit Wirtschafts-Treuhand AG Wirtschaftspruefungs - gesellschaft (auditing firm), Stuttgart, and endorsed with an unqualified audit opinion.

The Managing Directors' set up and the auditing reports from the auditing firm were available to all members of the Administrative Board.

The auditor took part in the annual fiscal year report meetings on March 12, 2013, and reported upon all significant results of the audit.

The Administrative Board reviewed the annual report and group annual report, the management and group management report and the Managing Directors' suggestion for the use of the net income for the year, and agreed to the annual report and group annual report, raising no objections after its own review. The Administrative Board has approved the annual report and group annual report, and agreed the Managing Directors' suggestion for the use of the net income for the year.

The Administrative Board would like to thank all employees for their engagement in fiscal year 2012.

Wessling, March 2013
The Administrative Board
Adi Drotleff
Chairman

Addresses

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	Christophstraße 7	D-70178 Stuttgart	+49 (0) 7 11 / 93 34 83 - 0	+49 (0) 7 11 / 93 34 83 - 80	
	Vitrina 2, Hochstraße 59	D-66115 Saarbrücken	+49 (0) 6 81 /97 05 96 - 0	+49 (0) 6 81 /97 05 96 - 10	
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	Charlottenstraße 65	10117 Berlin	+49 (0) 30 / 8 91 10 08	+49 (0) 30 / 8 93 17 08	
	Oststraße 88	22844 Norderstedt	+49 (0) 40 / 43 25 79 - 0	+49 (0) 40 / 43 25 79 - 79	
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	Stockumer Straße 475	44227 Dortmund	+49 (0) 2 31 / 56 03 10 - 40	+49 (0) 2 31 / 7 75 77 38	
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	Goetheplatz 5	99423 Weimar	+49 (0) 36 41 / 6 35 52 - 5	+49 (0) 36 41 / 6 35 52 - 4	
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Mensch und Maschine Dressler GmbH	Dietostraße 11	D-88046 Friedrichshafen	+49 (0) 75 41 / 38 14 - 0	+49 (0) 75 41 / 38 14 - 14	www.dressler-ct.de
Mensch und Maschine Haberzettl GmbH	Hallerweiherstraße 5	D-90475 Nürnberg	+49 (0) 9 11 / 35 22 63	+49 (0) 9 11 / 35 22 02	www.haberzettl.de
	Wilhelm-Maybach-Straße 13	D-68766 Hockenheim	+49 (0) 62 05 / 2 92 38 74	+49 (0) 62 05 / 2 92 38 79	
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customX GmbH	In den Fritzenstücker 2	D-65549 Limburg	+49 (0) 64 31 / 49 86 - 0	+49 (0) 64 31 / 49 86 - 29	
Mensch und Maschine LeyCAD GmbH	Crottorfer Straße 49	D-51580 Reichshof	+49 (0) 22 97 / 91 14 - 0	+49 (0) 22 97 / 91 14 - 22	www.leycad.de
Mensch und Maschine Scholle GmbH	Haberstraße 42	D-42551 Velbert	+49 (0) 20 51 / 9 89 00 - 20	+49 (0) 20 51 / 9 89 00 - 29	www.scholle.de
Mensch und Maschine Tedikon GmbH	Memminger Straße 29	D-89264 Weißenhorn	+49 (0) 73 09 / 92 97 - 0	+49 (0) 73 09 / 92 97 - 19	www.tedikon.de
Mensch und Maschine Austria GmbH	Bayernstraße 3	A-5071 Wals-Siezenheim	+43 (0) 6 62 / 62 61 50	+43 (0) 6 62 / 62 61 50 10	www.mum.at
	Argentinierstraße 64/1	A-1040 Wien	+43 (0) 1 / 5 04 77 07 - 0	+43 (0) 1 / 5 04 77 07 - 27	
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	Bahnhofstrasse 34	CH-3629 Kiesen	+41 (0) 31 /7 71 38 48	+41 (0) 31 /7 71 38 45	
	Alpsteinstrasse 17a	CH-9323 Steinach	+41 (0) 71 /9 96 00 90	+41 (0) 71 /9 96 00 91	
Mensch und Maschine Zuberbühler AG	Haldenstrasse 31	CH-8904 Aesch	+41 (0) 43 /3 44 12 12	+41 (0) 43 /3 44 12 11	www.mumz.ch

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DATAflor Software AG	August-Spindler-Straße 20	D-37079 Göttingen	+49 (0) 5 51 /5 06 65 - 50	+49 (0) 5 51 /5 06 65 - 59	www.dataflor.de
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Events

April 29, 2013	Quarterly report Q1/2013
May 16, 2013	Annual shareholders' meeting
July 22, 2013	Half year report 2013
October 28, 2013	Quarterly report Q3/2013
March 17, 2014	Annual report 2013
March 17, 2014	Analysts' conference

Investor Contact

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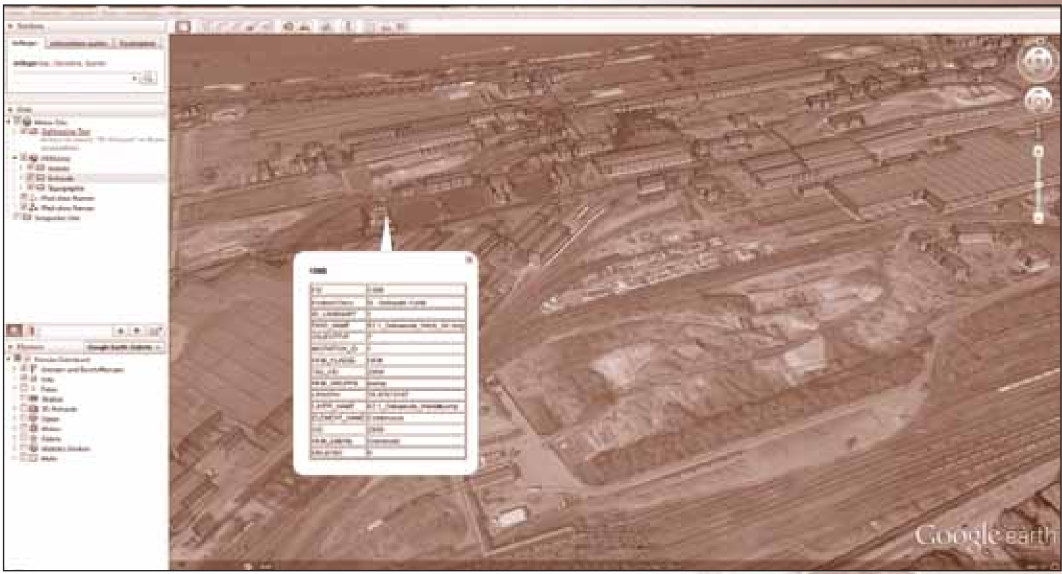

CAD/CAM in practice:
Building Information Modeling (BIM) and Infrastructure Management

Project: Assembling the entire infrastructure information of the factory premises in a high performance database

Customer: Huettenwerk Krupp Mannesmann, Duisburg-Huckingen / Germany

Huettenwerk Krupp Mannesmann (HKM) in Duisburg-Huckingen is one of the leading steel manufacturers in Europe. On the two and a half square kilometer factory premises, there are office buildings, production facilities and warehouses, streets, railways and green areas, as well as, pipes and cables of all kinds, above and under ground.

So far the extensive information was mostly only available for the staff of the respective department, and digital information was stored in various systems and formats. Under normal conditions this is no problem, but for rebuilding and modernisation investment decisions, nobody was able to access and collect all relevant data in an acceptable timeframe.

During 2011/12, M+M developed a system, based on an Oracle database and on standard software from Autodesk and M+M's own technologies (e.g. SAP interface), with a service volume of approx. 150 man-days. This concentrates all information and provides the HKM staff with a 3D visualization using Google-Earth. In the future, further modules are to be developed, e.g. for maintenance, fault and waste water management, or for the management of all machines on the factory premises, as well as a tablet-based mobile Augmented Reality solution. This will enable a visualized overlay of newly planned and existing facilities, in order to accelerate the design phase of new and reconstructed buildings.