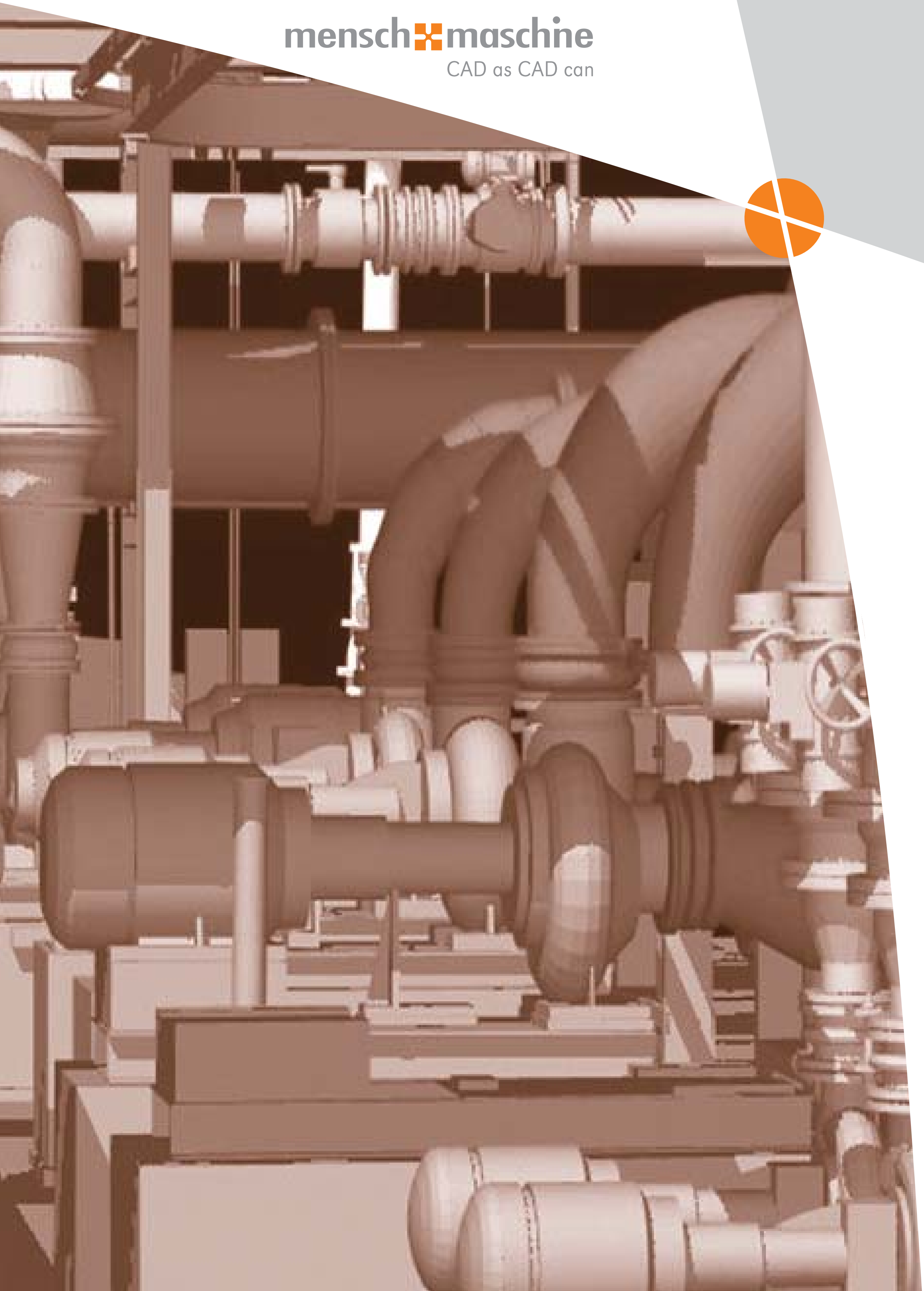
mensch maschine

CAD as CAD can



Annual report 2014

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2008	2009		2010		2011		2012		2013		2014	
Revenue	223.1	163.3	-27%	195.6	+20%	191.7	-2.0%	118.8	-38%	125.83	+5.9%	140.02	+11%
Germany	57.3	39.9	24.4%	48.8	24.9%	55.96	29.2%	60.6	51.0%	60.60	48.2%	66.94	47.8%
International	165.8	123.4	75.6%	146.8	75.1%	135.76	70.8%	58.2	49.0%	65.22	51.8%	73.08	52.2%
Revenue per share in EUR	16.44	11.20	-32%	13.45	+20%	13.21	-1.8%	7.93	-40%	8.20	+3.4%	9.07	+11%
Gross margin	55.9	51.0	-8.7%	66.2	+30%	70.0	+5.8%	63.0	-10%	67.46	+7.1%	74.66	+11%
Distribution	32.2	18.4	36.1%	19.9	30.0%	15.8	22.6%						
M+M Software	22.9	19.2	37.6%	23.0	34.7%	26.4	37.7%	30.6	48.6%	32.51	48.2%	36.58	49.0%
VAR Business	0.8	13.4	26.3%	23.3	35.3%	27.8	39.7%	32.3	51.4%	34.94	51.8%	38.08	51.0%
Operating result EBITDA	13.0	1.4	-89%	6.1	+340%	15.7*	+158%	10.0*	-36%	7.81*	-22%	10.87*	+39%
EBITDA return from revenue	5.8%	0.8%		3.1%		8.2%		8.4%		6.2%		7.8%	
Net result	5.8	-4.8		-0.5		6.8		3.6	-47%	2.62	-28%	3.72	+42%
Net return from revenue	2.6%	-2.9%		-0.2%		3.5%		3.0%		2.1%		2.7%	
Net result per share in EUR	0.42	-0.34		-0.03		0.47		0.24		0.17		0.24	
Dividend in EUR	0.20	0.00		0.10		0.20		0.20		0.20		0.20	
Total assets	85.0	101.1	+19%	105.1	+4%	104.9	-0%	94.6	-10%	102.67	+9%	104.19	+1%
Shareholders' equity	26.4	24.2	-8%	27.77	+15%	33.8	+22%	35.9	+6%	36.34	+1%	39.24	+8%
Equity ration	31.1%	23.9%		26.4%		32.2%		37.9%		35.4%		37.7%	
Number of shares in million	13.570	13.970	+3%	14.542	+4%	14.514	-0%	14.972	+3%	15.346	+2.5%	15.439	+0.6%
Number of employees	388	504	+30%	607	+20%	639	+5%	659	+3%	705	+7%	718	+2%

* EBITDA purely operating, excluding contribution from distribution sale: 2011 EUR 9.1 mln
2012 EUR 0.97 mln
2013 EUR 3.81 mln
2014 EUR 7.87 mln

Content

man machine
CAD as CAD can

Dear reader,
Mensch und Maschine Software SE (M+M) celebrated its 30th anniversary during the Fiscal Year 2014 - with financial results absolutely appropriate to this event:
11% sales growth was turned into a significantly disproportionate 42% net profit increase, due to strict cost discipline.

M+M's own Software again reached a new EBITDA record level at EUR 7.21 mln / +21%, further increasing the operating margin to 18.7% from 17.0% in the previous year.

Though still ramping up, the VAR Business segment contributed positively to EBITDA at EUR 3.66 mln / +97% - with sales for the first time exceeding 100 million Euro.

The last variable installment from the sale of the Distribution business, closed in 2011, amounting to EUR 3 mln could be booked, so the maximum EUR 28 mln sales price including all variable parts was achieved.

Thus we could buffer the transition cost, as announced upfront, by the contributions from the Distribution sale until the VAR Business segment now can achieve positive operating results from its own force.

The last two years showed that we are able to annually improve the group operating result by 3-4 Million Euro. This will be our target corridor for the years to come, until we will have reached the EBITDA target margins of >25% for Software, >10% for the VAR Business and >12% in the group, which we expect in about 5-6 years.

This should allow us in the mid-term to raise EPS by 13 to 20 Cents annually, but with a bumpy start: While in 2015 the lapsing contribution from the Distribution sale will negatively impact the net result, there will be additional tailwind in 2016, as amortization will drop by more than EUR 1.5 Million.

Wessling, March 2015
The Managing Directors

2014 at a glance

- Sales: EUR 140.02 mln / +11%
  - M+M Software: EUR 38.50 mln / +10%
  - VAR Business: EUR 101.52 mln / +12%
- Gross margin: EUR 74.66 mln / +11%
  - M+M Software: EUR 36.58 mln / +12.5%
  - VAR Business: EUR 38.08 mln / +9.0%
- EBITDA: EUR 10.87 mln / +39%
  - EBITDA margin 7.8% (Vj 6.2%)
  - EBITDA purely operating, adjusted by effects from Distribution sale: EUR 7.87 mln / +106%
- Net profit: EUR 3.72 mln / +42%
  - EPS: 24 Cents (PY: 17)
- Operating cash flows: EUR 6.29 mln / +66%
- Dividend proposal: 20 Cents (PY: 20)
  - Withholding tax free payout (§27 KStG)
- Group headcount: 718 (PY: 705)

Adi Drotleff
CEO

Christoph Aschenbrenner
COO

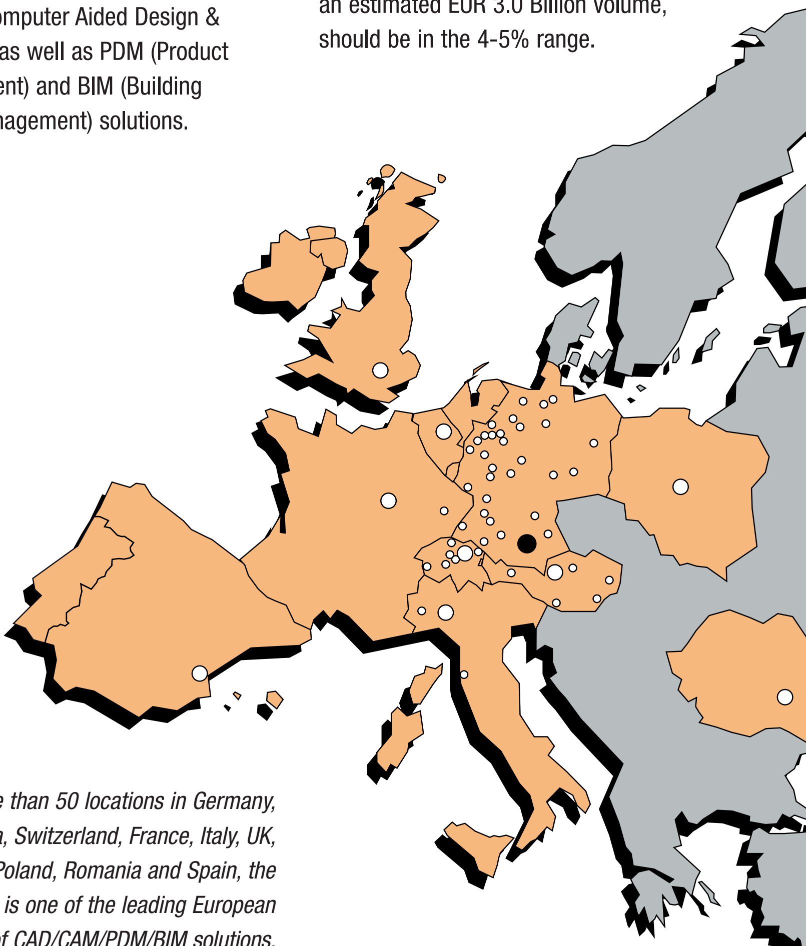
Peter Schuetzenberger
CFO

Management report 2014

Enterprise and market position

Mensch und Maschine Software SE (M+M) is one of the leading European providers of CAD/CAM (Computer Aided Design & Manufacturing) as well as PDM (Product Data Management) and BIM (Building Information Management) solutions.

With sales amounting to EUR 140.0 mln (PY: 125.8), M+M's share in the European CAD/CAM/PDM/BIM market, representing an estimated EUR 3.0 Billion volume, should be in the 4-5% range.



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/PDM/BIM solutions. Additional sales offices in Japan, Asia-Pacific, the USA and Brazil provide global presence for M+M's self-developed CAD/CAM Software.

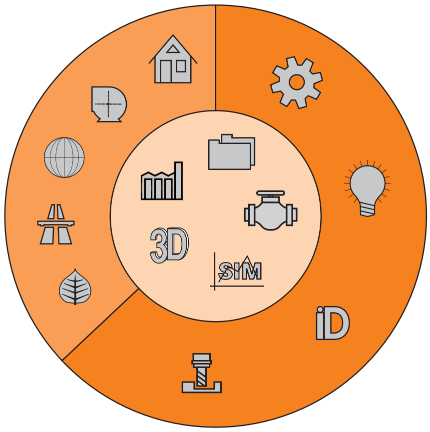
Broad sector coverage
Two thirds of the M+M business is achieved in the Industrial sector, e.g. Mechanical Engineering, Automotive/Aerospace/Shipbuilding, Tool/Mold/Die Making, Electrical Engineering or Industry Design.
The remaining third comes from AEC, e.g. Architecture, Building Services, Structural and Civil Engineering, Infrastructure or Gardening & Landscaping.
This breakdown is quite similar to the global CAD/CAM/PDM/BIM market. The broad sector coverage, compared to the competition, allows M+M to offer interdisciplinary solutions such as Simulation, Visualization/Animation, 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 tens of thousands of CAD/CAM/PDM/BIM seats per year. Altogether, Mensch und Maschine has built up an installed base of over 500,000 CAD/CAM/PDM/BIM 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/PDM/BIM sales is generated in the low to midprice range, while the self-developed CAM solutions are sold in the high end range.

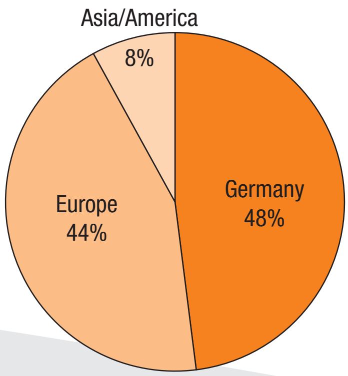
70% new business, 30% recurring revenue
About 70% of the business is new sales of software seats or subscription/maintenance contracts and services, approx. 30% is recurring, such as subscription or maintenance renewals and software updates.

Focus on Germany and Europe
Germany again contributed about 48% to 2014 group sales, while 44% came from other European markets.
About 8% of sales are achieved in Asia, North and South America, exclusively with M+M's self-developed CAM Software.



Two third of the M+M business is achieved in the Industrial sector, e.g. Mechanical Engineering, Automotive/Aerospace/Shipbuilding, Tool/Mold/Die Making, Electrical Engineering or Industry Design. The remaining third comes from AEC, e.g. Architecture, Building Services, Structural and Civil Engineering, Infrastructure or Gardening&Landscaping. In addition, there is a number of interdisciplinary solutions such as Simulation, Visualization/Animation, Plant or Factory Design, which cannot be allocated into one of the industry segments.

Geographically, Germany and Europe are dominating, but 8% of sales, approximately EUR 11 mln, are achieved with M+M's self-developed CAM Software in Asia and America.



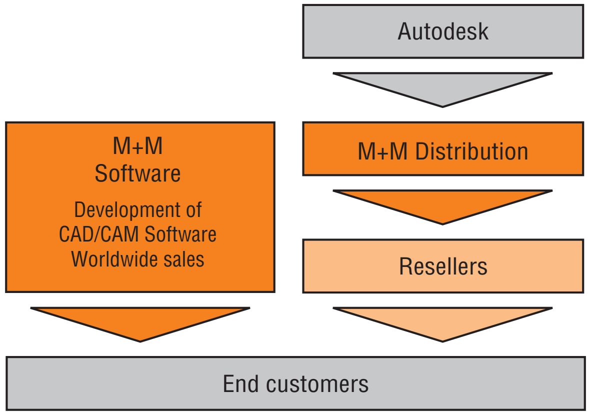
M+M business model in transition
The M+M business model is based on a mix, composed of self developed software and the reselling of solutions, mainly from Autodesk, the global CAD market leader. Since 2009 it has been in a transition process, strengthening M+M's proprietary part on the one hand and reducing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

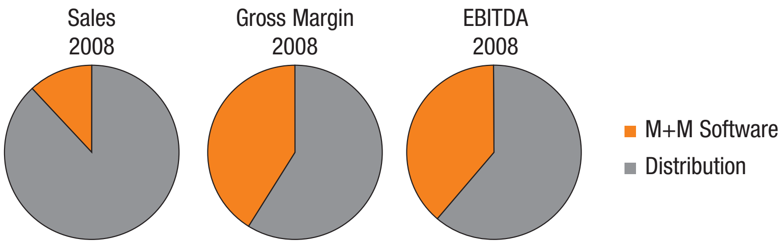
Until 2008: Software and Distribution
Since 1984, the year of foundation, M+M acted as a Value Added Distributor (VAD) for Autodesk software, while continuously increasing the development of our own CAD/CAM solutions, in order to build up an individual market profile and to be clearly distinguishable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

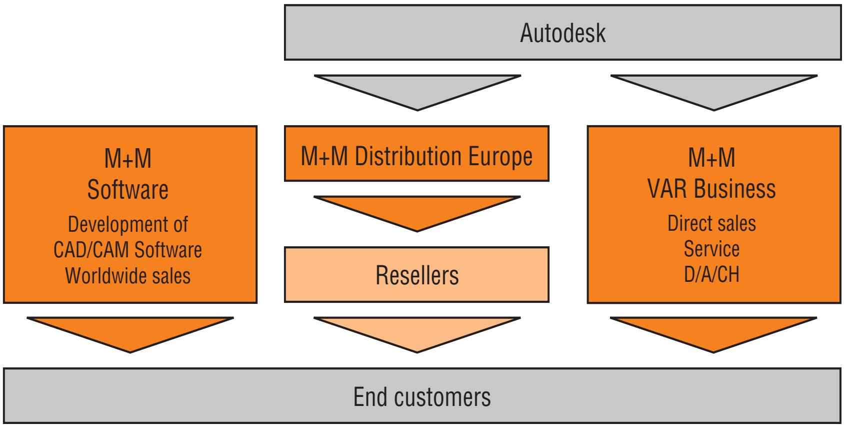
In this two-segment model, the Distribution volume business naturally dominated group sales, while in the year 2008, the high margin Software segment already contributed nearly half of gross margin and EBITDA, with 210 of the 388 group employees.

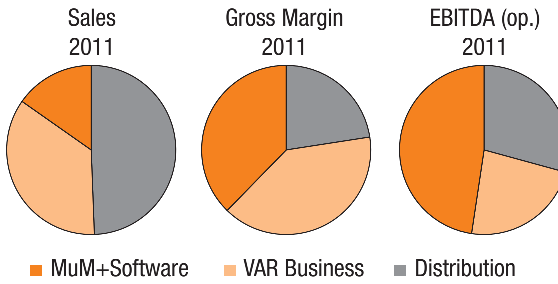
In 2008 group gross yield was 25%, EBITDA margin had reached 5.8%, and M+M was in a constant head-to-head race with the Tech Data Group for the title of largest Autodesk Distributor in Europe.

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.

In 2011, the third year after the start, the VAR segment contributed nearly 40% to group gross margin and achieved a positive operating result EBITDA.

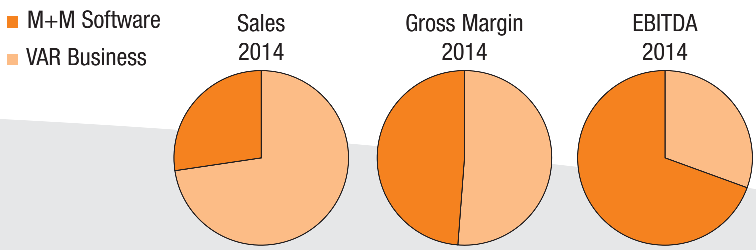
Thus the stage was set for completing the VAD/VAR transition groupwide. As a first step, the European Distribution business was sold to the Tech Data Group by the end of October 2011, while M+M kept the subsidiaries in France, Italy, UK, Belgium, Poland and Romania with approx. 70 of the 113 employees.

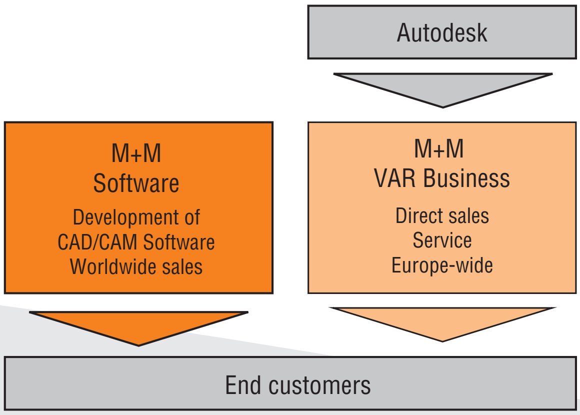
Since 2012: VAD to VAR transition in Europe
On this foundation the former Distribution business was restructured to VAR Business, accompanied by selected reselling partner acquisitions ('Market offensive II').

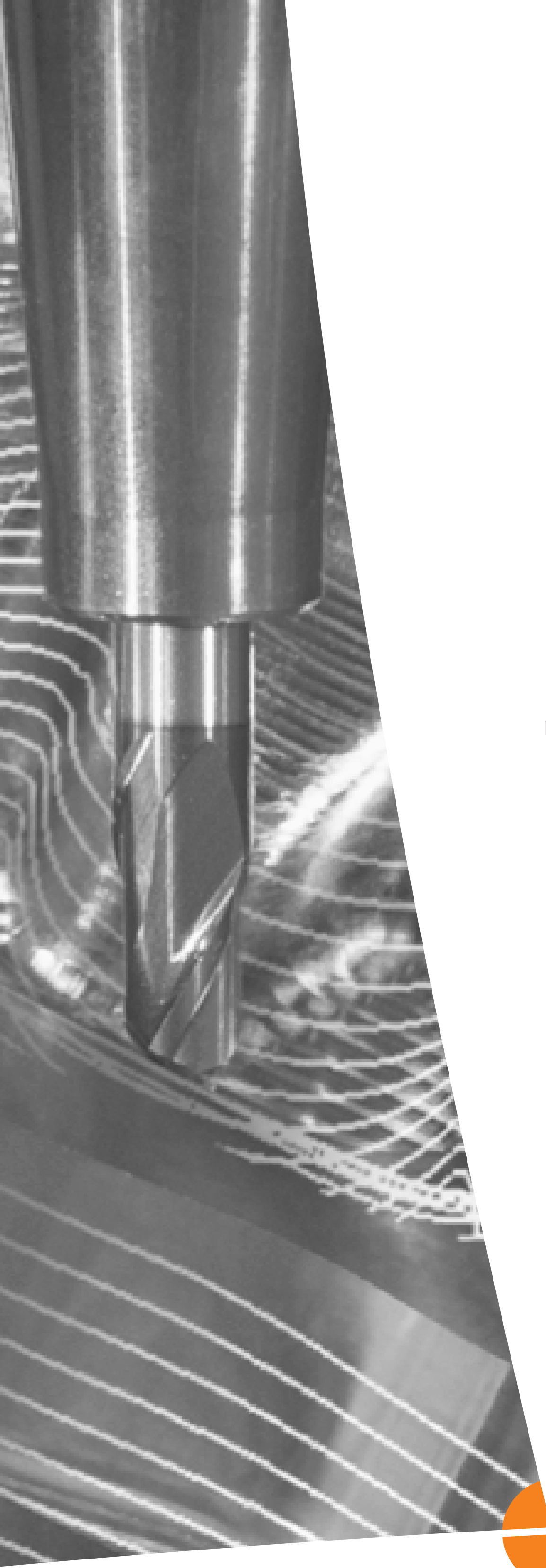
Gross yield increased to >50%, more than 10% EBITDA margin achievable
Due to the concentration on the high margin Software and VAR segments, and without the Distribution business, the group gross yield since 2012 is over 50%, representing more than a doubling compared to 2008.
The new business model, in the mid term, makes EBITDA margins above 10% achievable.

There is a nearly perfect balance between both segments on gross margin.
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 has been around 75% since 2012.

The actual M+M business model since 2012:
With the new and simpler structure, a nearly perfect balance between both segments on gross margin was achieved, while due to the ongoing transition, EBITDA in the VAR Business will need some more years to reach the same level as Software.

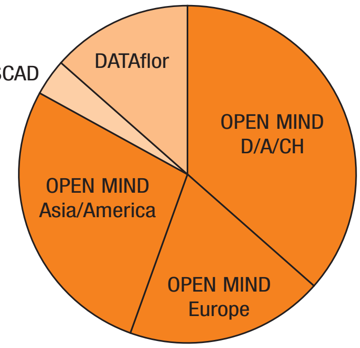






The M+M segments in detail
The following chapters give a detailed overview across the Software and VAR Business segments forming the actual M+M business model.

Segment M+M Software
In 2014, approx. 83% of M+M Software sales came from OPEN MIND AG, around 13.5% from DATAflor AG, while the newcomer ECSCAD contributed around 3.5%.



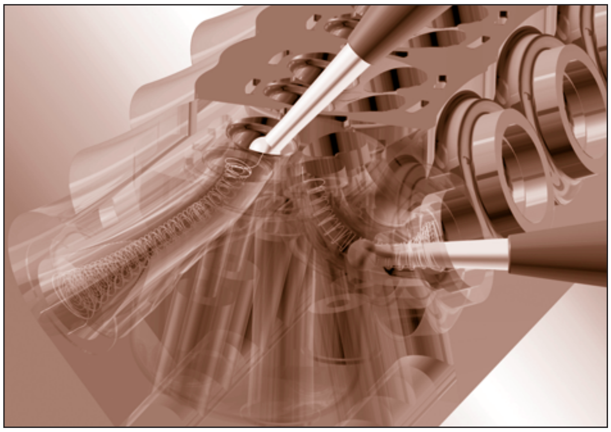
Sales breakdown 2014 in the Software segment

OPEN MIND
THE CAM COMPANY

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 2014 approx. 44% (PY: 44%) of sales came from the German speaking area, while approx. 22% (PY: 23%) was contributed by other European markets (mainly Italy, UK, France, Spain and Eastern Europe).
Around one third of the business continued to be achieved through M+M's own sales offices in Japan, Singapore, China, Taiwan, India, USA and (since 2013) Brazil.

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 reduced 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.

ecscad

From the beginning of 2014, M+M has licensed back the Electrical Engineering software ECSCAD, which had been sold to Autodesk 5 years before, re-entering development of the product within the newly founded MuM Mechatronik GmbH.

ECSCAD allows for quick and exact digital design of electrical engineering plans with hundreds or even thousands of individual pages. Specific electric functions and extensive symbol libraries increase productivity, reduce errors and supply precise production information.

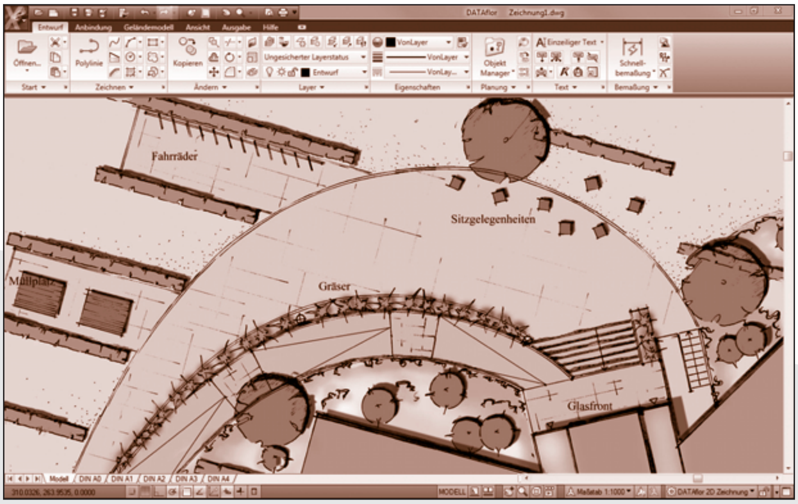
Small volume, high margin

Economically, the Software segment is a standard software developer with 38.5 Million Euro sales (2014), 95% gross yield and 18.7% EBITDA margin. As a result, the segment pulls a relatively high added value from its only 27.5% share in group sales. In fiscal year 2014, 49.0% of group gross margin was achieved by self developed software technology.

High development investment

M+M in 2014 spent approx. EUR 12.4 mln on maintenance and development of the proprietary software products. Back in 2009, development costs amounted to EUR 5.7 mln, representing more than a doubling within five 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 their 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 to VAR (Value Added Reseller) business in Europe. The total M+M VAR segment with more than 50 locations, employing approx. 440 people today is not only the largest, but also the only Pan-European Autodesk VAR.

Dynamic growth
In 2009, more than EUR 35 mln sales had been achieved from scratch.
In the following five years the segment continued to grow very dynamically, nearly tripling sales to EUR 101.5 mln in 2014.

The gross margin in the VAR business is made up about half from service and proprietary business (e.g. training, installation, support contracts, customizing and own software) and half from third party software sales (with higher margin than in Distribution).

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
- MuM LeyCAD GmbH, Reichshof (Cologne)
- MuM At Work GmbH, Osnabrueck
- MuM Dressler GmbH, Friedrichshafen
- MuM benCon 3D GmbH, Hamburg
- 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

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 2013:
- MuM Tedikon GmbH, Weissenhorn near Ulm, Germany
- Visiograph-GDS, Paris, France

The acquired companies in Austria and Switzerland have been merged in the past two years with MuM Austria GmbH and MuM Schweiz AG, respectively.

Share swap with multi-year valuation period
The acquisitions in the German speaking area were mainly performed via share swaps, transitioning the founders and managing directors to Co-entrepreneurs in the M+M group and avoiding 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 (EBIT x 6) during this period. This second step has been completed.
In cases where founders are still holding minority shares, M+M has a put/call option following the same valuation model.

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 since 2011. 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 the largest European Autodesk VAR.

Distribution sale financed VAR transition in Europe

For the sale of the Distribution business in October 2011, a fixed amount of EUR 18 mln and three variable EUR 4/3/3 mln installments, depending on the development of the buyer's business in 2012, 2013 and 2014, were agreed. All in all, the maximum possible price was up to EUR 28 mln, which in the meantime was achieved in full.

In the fiscal year 2011, a EUR 12 mln part of the fixed amount had been recognized, which - after fixed asset disposals and restructuring expenses - resulted in a non-recurring EUR 6.52 mln contribution to EBITDA 2011.

In the years 2012/13/14 we have booked EUR 9/4/3 mln from the remaining fixed and variable price to other operating income in the VAR segment, buffering and compensating the expected ramp-up losses in Europe.

Thus the income from the 2011 sale of the Distribution business was used to finance the transition phase as long as the European VAR business could not achieve positive EBITDA margin from its own force.
This phase has now been completed.

Group headcount further rising moderately

The group employed 718 people on average during fiscal year 2014 (PY: 705 / +2%), therof 286 / 40% (PY: 270 / 38%) in the Software segment and 432 / 60% (PY: 435 / 62%) in the VAR segment. Headcount does not include the current 13 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 31 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.

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.

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.

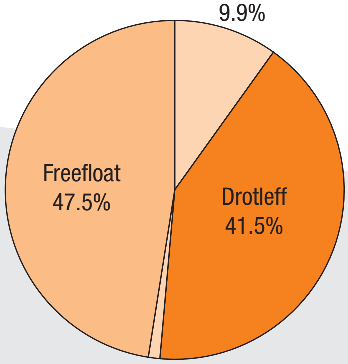
The step to the SE was combined with a streamlining of the management structure to a 'monistic' board system. The founder and main shareholder Adi Drotleff serves as chairman to the Administrative Board ('Verwaltungsrat'), together with two members of the former Advisory Board, Norbert Kopp (Deputy Chairman) 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), Christoph Aschenbrenner (COO) and Peter Schützenberger (CFO).

Public and private company

Though M+M shares have been listed on the stock market for 18 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, held more than 6.7 Million shares or 41.5% of the approx. 16.186 Million shares outstanding on Dec 31, 2014. 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 more than 1.6 Million M+M shares (approx. 9.9%), which formally belong to free float, as nobody holds a package of 3% or more.

A package of over 176.000 shares (approx. 1.1%) was held by MuM SE in treasury stock at Dec 31, 2014. It was bought through the stock repurchase program started by the Administrative Board on Oct 9, 2008.
By Dec 31, 2014, 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 (and to a small extent for stock option plans).



'Pure' free float at Dec 31, 2014, contained nearly 7.7 Million shares or 47.5%.
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.
Including the 9.9% mentioned above, the formal free float would be 57.4%.

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 statements. At this stage, we cannot see any such risks.

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.

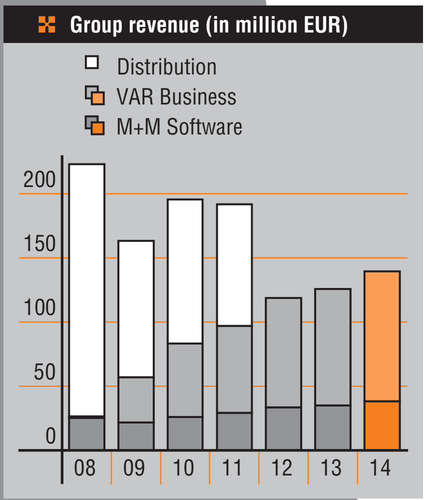
Losses at subsidiaries and shareholdings:
In all shareholding or subsidiary relationships, it is recognised that there is a risk that, contrary to positive expectations, a negative development may occur possibly proceeding to total loss. This would not only cause an appropriate impairment of goodwill 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 2014 and situation of the group

Returning to double digit sales growth and strict cost discipline turned 2014 to a very successful year with more than four Million Euro operating profit improvement, more than doubled pretax profit and 42% net earnings increase.



Sales back to double digit growth
After the primarily exchange rate driven single digit growth in the previous year, group sales returned to a double digit increase and came in at EUR 140.02 mln (PY: 125.83 / +11%).

The Software segment contributed solid EUR 38.50 mln (PY: 35.08 / +10%), while VAR segment sales at EUR 101.52 mln (PY: 90.75 / +12%) for the first time exceeded the 100 Million barrier.

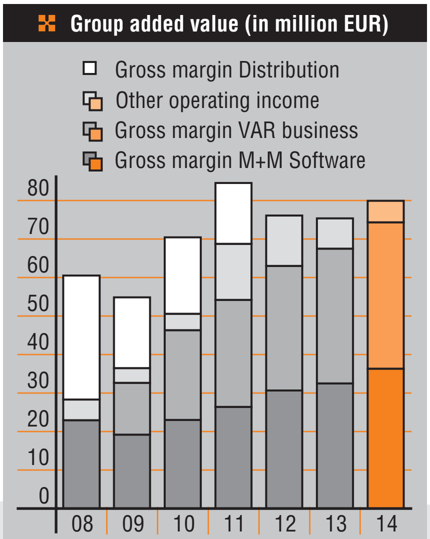
Gross margin on new record level
Gross margin increased by nearly 11% to EUR 74.66 mln (PY: 67.46), with contributions of EUR 36.58 mln (PY: 32.51 / +12.5%) from Software and EUR 38.08 mln (PY: 34.95 / +9.0%) from the VAR Business.

Thus group gross margin exceeded the previous record level from 2011, amounting to EUR 70.01 mln, including the Distribution business sold end of October 2011. The segment contribution to gross margin was nearly balanced at 49.0% to 51.0%.

Less contribution from Distribution sale
Other operating income decreased to EUR 5.82 mln (PY: 7.91), mainly because the contribution from the Distribution business sale was down to EUR 3.0 mln (PY: 4.0), according to plan, but also due to lower marketing funds from suppliers.

Total added value 6.8% above PY
Total added value, defined as gross margin plus other operating income, amounted to EUR 80.48 mln, which was 6.8% above the previous year's EUR 75.36 mln.

Very moderate cost development continued
Personnel expenses rose to EUR 20.53 mln (PY: 18.40 / +12%) in the Software segment. Adjusted by the new MuM Mechatronik GmbH the increase was only 8.8%. In the VAR segment personnel expenses slightly rose to EUR 30.32 mln (PY: 29.87 / +1.5%). Personnel expenses in the group increased to EUR 50.85 mln (PY: 48.27 / +5.3%).



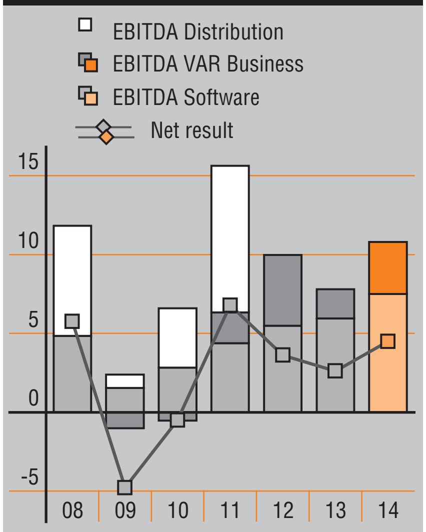
Other operating expenses for Software at EUR 9.46 mln (PY: 9.00 / +5.1%) was slightly up, while in the VAR segment it dropped to EUR 9.30 mln (PY: 10.28 / -10%), well below previous year. In the group it thus fell to EUR 18.75 mln (PY: 19.28 / -2.7%).

All in all, total operating expenses in the group just increased by very moderate 3.1% to EUR 69.62 Mio (PY: 67.55).

Operating profit EBITDA nominally +39% …
Operating profit EBITDA before depreciation, amortization, interest and taxes increased to EUR 7.21 mln (PY: 5.96 / +21%) in the Software segment, disproportionate to sales. Even more significant was the growth to EUR 3.66 mln (PY: 1.85 /+97%) in the VAR Business. Group EBITDA increased by 39% to EUR 10.87 mln (PY: 7.81).

… and more than doubled purely operating
Purely operating, adjusted by the EUR 3.0 mln (PY: 4.0) contributions from the Distribution sale, group EBITDA more than doubled from EUR 3.81 mln in 2013 to EUR 7.87 mln. Total progress of purely operating EBITDA was EUR 4.06 mln (PY: 2.84), to which the VAR Business contributed EUR 2.81 mln (PY: 2.37) and the Software segment contributed EUR 1.25 mln (PY: 0.47).

Earnings (in million EUR)



Operating margin significantly increased
Development of the EBITDA margin was very satisfactory, improving to 18.7% (PY: 17.0%) in the Software segment and to 3.6% (PY: 2.0%) in the VAR Business.
In the group EBITDA margin was improved to 7.8% (PY: 6.2%) nominally or 5.6% (PY: 3.0%) purely operating.

Quarterly seasonality with normal pattern
Quarterly seasonality in 2014, like in the previous year had a pattern typical for M+M, with strong starting and ending quarters and slightly slower mid-year business

Table of quarterly sales:
Q1: EUR 37.72 mln (PY: 37.45 / +0.7%)
Q2: EUR 32.99 mln (PY: 27.80 / +19%)
Q3: EUR 32.26 mln (PY: 28.21 / +14%)
Q4: EUR 37.06 mln (PY: 32.37 / +14.5%)

Quarterly revenue (in million EUR)

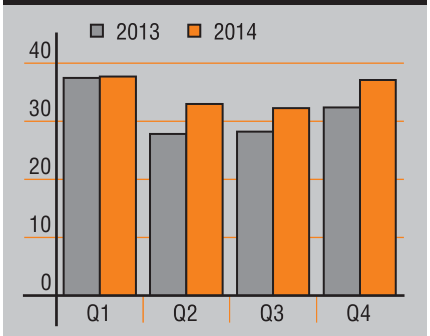
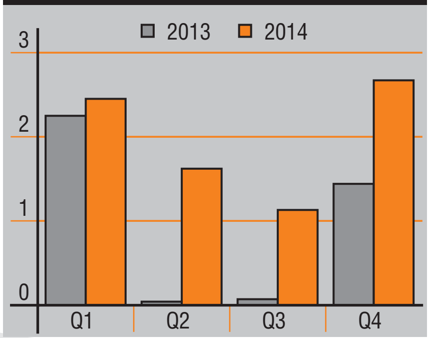


Table of nominal quarterly EBITDA:
(not adjusted by effects from Distribution sale)
Q1: EUR 3.20 mln (PY: 3.25 / -0.2%)
Q2: EUR 2.37 mln (PY: 1.04 / +127%)
Q3: EUR 1.88 mln (PY: 1.07 / +76%)
Q4: EUR 3.42 mln (PY: 2.44 / +40%)

Table of purely operating quarterly EBITDA:
(adjusted by effects from Distribution sale)
Q1: EUR 2.45 mln (PY: 2.25 / +8.9%)
Q2: EUR 1.62 mln (PY: 0.04 / >+999%)
Q3: EUR 1.13 mln (PY: 0.07 / >+999%)
Q4: EUR 2.67 mln (PY: 1.44 / +85%)

Quarterly EBITDA (operating in million EUR)



Depreciation/amortization nearly unchanged
Depreciation of fixed assets increased slightly to EUR 2.08 mln (PY: 1.97), while amortisation of non-tangible assets from acquisitions was constant at EUR 2.03 mln (PY: 2.03).

Sharp EBIT increase
Operating profit EBIT before interest and taxes increased sharply to EUR 6.76 mln (PY: 3.81 / +77%).

Financial expenses remained constant
The financial expenses remained constant at EUR -1.19 mln (PY: -1.22), though with the purchase of the headquarters building as of Dec 31, 2013, bank debt was significantly increased. This was compensated by the lower interest level on the credit market.

Pretax profit more than doubled
Pretax profit has more than doubled to EUR 5.57 mln (PY: 2.59 / +115%).

Tax load 2014 after tax gain 2013
Taxes on income amounted to EUR -1.47 mln, representing a relatively normal tax rate just above 26%. In the previous year a tax gain amounting to EUR +0.36 mln had resulted from the tax asset calculation effects according to IFRS rules.

Net profit raised by 42%
After tax and minority shares amounting to EUR 0.39 mln (PY: 0.34), net profit raised to EUR 3.72 mln (PY: 2.62 / +42%). Earnings per share raised to 24 Cents (PY: 17).

The M+M headquarters building in Wessling near Munich, which was purchased at Dec 31, 2013, so no rent is being paid since 2014 - improving profit quite significantly.

Dividend proposal 20 Cents

Management will propose to the annual shareholders' meeting on May 12, 2015 to pay 20 Cents (PY: 20) dividend per share. The payout amounting to max. EUR 3.24 mln (the exact amount depends on the then actual number of shares in treasury stock) is taken from 'steuerliches Einlagenkonto' (§27 KStG) as in previous years and does not count as taxable income, but as repayment of capital reserve.

Operating cash flows raising by 66%

Operating cash flows climbed to EUR 6.29 mln (PY: 3.78 / +66%).

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 2014, EUR 2.85 mln (PY: 2.47) was invested, mainly in IT infrastructure and software, plus EUR 0.60 mln (PY: 8.28) in real estate.

In the previous year, there had been financial investments amounting to EUR 1.12 mln for the cash components in acquisitions.

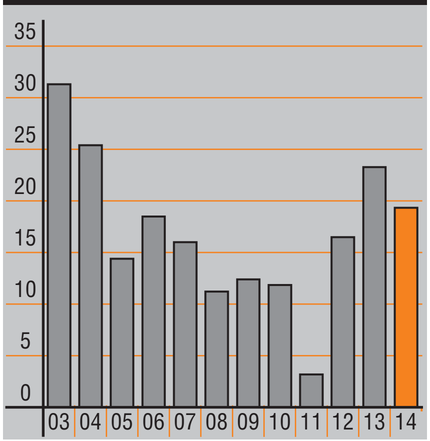
EUR 0.08 mln (PY: 0.25) cash flows were achieved from the sale of other fixed assets. In total, EUR 3.38 mln (PY: 11.62) were used in investing activities.

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 19.34 mln as of Dec 31, 2014 (PY: 23.27).

This amount does not include bank loans for financing properties secured by mortgages, amounting to EUR 7.94 mln (PY: 9.14).

Net bank debt (in million EUR)

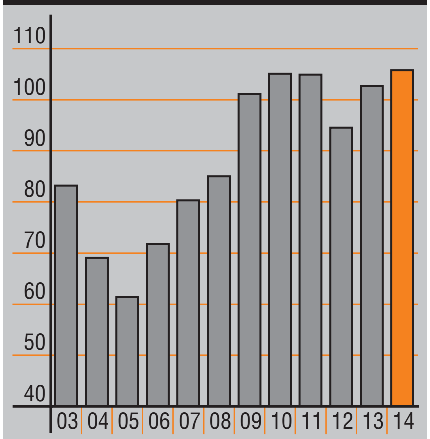


M+M uses a mixed equity / credit financing model, profiting from the leverage effect of the favourable credit interest rate level, in order to optimise the earnings per share.

Total assets slightly above previous year

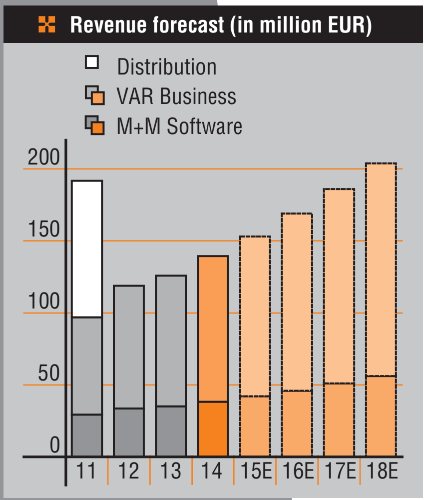
Total assets amounting to EUR 104.19 mln (PY: 102.67 / +1%) were just slightly above previous year, in spite of the increased business volume.

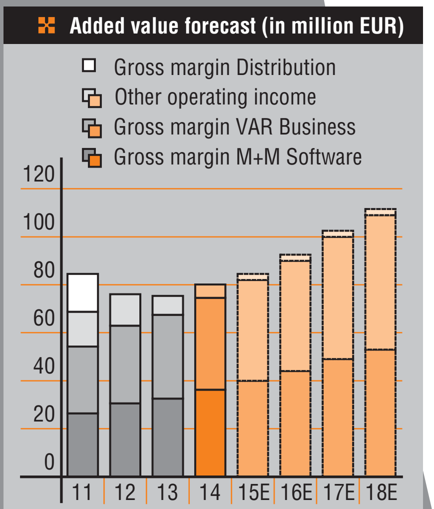
Total assets (in million EUR)



Shareholders' equity slightly higher

Shareholders' equity as of Dec 31, 2014, significantly increased to EUR 39.24 mln (PY: 36.34 / +8%), with equity ratio climbing to 37.7% (PY: 35.4%).





Outlook

Our planning is based on organic annual sales increases slightly above 10% along with a step-by-step EBITDA margin improvement in both segments.

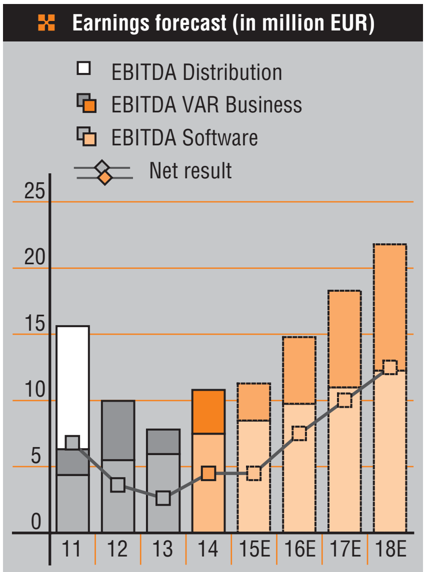
In the Software segment, the sustainably achievable annual margin increase from the very solid 18.7% of 2014 should be around 1% on average. In the VAR Business, where due to the 2012 transition start in Europe the purely operating EBITDA margin just reached break even at 0.6%, an average 2-3% p.a. increase should be possible until the >10% target margin will be achieved.

All-in-all, an annual EUR 3 to 4 mln group EBITDA improvement should be realistically achievable, as a glance on the operating improvements in the past two year proves.

In this forecast scenario, we expect for 2015 sales above EUR 150 mln and gross margin above EUR 80 mln. In these targets potential acquisitions are not included.

2015 headwind:
Contribution from Distribution sale gone

On earnings level it should be taken into account that the last variable installment from the Distribution sale amounting to EUR 3 mln was booked in 2014, so 2015 an operating EBITDA increases of EUR 3 to 4 mln will correspond to a nominal zero to EUR 1 mln increase. The nominal EBITDA target ranges from EUR 11 to 12 mln (corresponding to a purely operating 40 to 53% increase) and net profit / EPS will probably be in the same range as 2014 (EUR 3.72 mln / 24 Cents) - plus/minus a certain volatility.



2016 tailwind: Amortisation lapsing
In 2016, the earnings outlook is much more positive: Firstly the operating progress is no longer offset by extraordinary effects, so the EBITDA target 2016 in our forecast scenario is between EUR 14 and 16 mln. Secondly, amortization will drop in 2016 by more than EUR 1.5 mln, because the seven year amortization from the 2009 acquisitions in the German speaking area will be written off. This has a 1:1 impact on group net profit, so the 2016 net profit target rises to the range EUR 6.5-7.5 mln / 43-50 Cents per share.

From 2017 onwards an annual EUR 3-4 mln EBITDA increase corresponds with an annual EUR 2-3 mln / 13-20 Cents per share net profit improvement.

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 could already be the case in one year.

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.

Ambitious targets for 2014 largely met
The very ambitious 2014 targets from the previous year's annual report were largely met. Achievement for the EUR 140 mln sales target and the EUR 75 mln gross margin target was between 99 and 100%, for the EUR 11.5 mln EBITDA target it was 94%. Just for the EUR 5.5 mln net profit target the achievement was significantly lower at 68%.

Events after the balance sheet date
There were no material events after the balance sheet date.

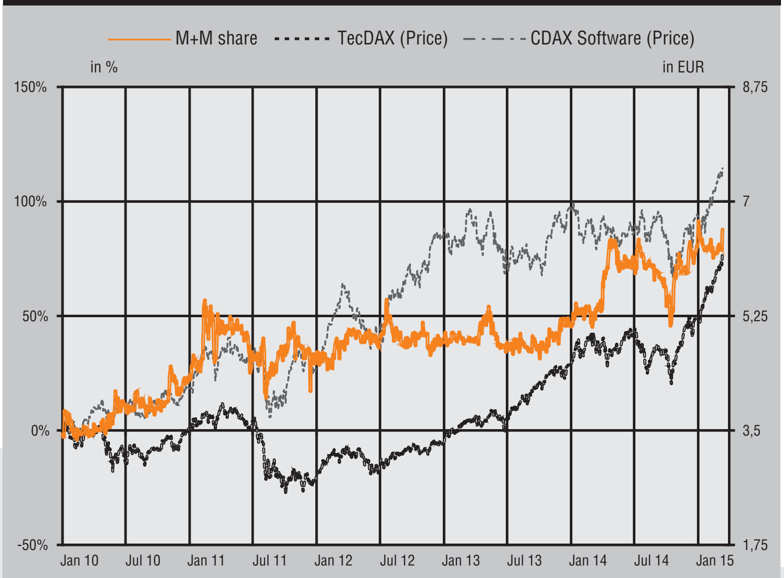
Expression of thanks
We would like to take the opportunity to thank all employees for their enormous engagement during the past fiscal year, which helped M+M in a rather challenging environment to achieve double digit sales growth and significant profit improvement, and to successfully drive the business model transition forward. We all have good reasons to be proud of these achievements.

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 2015
Mensch und Maschine Software SE
The Managing Directors

The M+M share price significantly rose since 2010, in the year 2014 alone there was 24% increase. In addition, total dividends amounting to 70 Cents have been paid out, so the total value for the shareholder has approximately doubled in 5 years. The share price performance was significantly better than that of the TecDAX, and the intermediate underperformance to the CDAX Software could be largely minimized in the meantime.

Development of the M+M share



Statement of income

Amount in KEUR	Note*	2014		Δ%	2013	
Revenues		**140,023**	**100%**	**+11%**	**125,825**	**100%**
Cost of materials	1	-65,362	-46.7%	+12%	-58,367	-46.4%
Gross margin		**74,661**	**53.3%**	**+11%**	**67,458**	**53.6%**
Personnel expenses	2	-50,853	-36.3%	+5.3%	-48,271	-38.4%
Other operating expenses	3	-18,752	-13.4%	-2.7%	-19,280	-15.3%
Other operating income	5	5,815	4.2%	-26%	7,905	6.3%
Operating result EBITDA		**10,871**	**7.8%**	**+39%**	**7,812**	**6.2%**
Depreciation	4	-2,082	-1.5%	+5.5%	-1,973	-1.6%
Impairment	4	0	0.0%	0%	0	0.0%
Amortisation	4	-2,025	-1.4%	0%	-2,025	-1.6%
Operating result EBIT		**6,764**	**4.8%**	**+77%**	**3,814**	**3.0%**
Financial result	6	-1,192	-0.9%	-2.6%	-1,224	-1.0%
Result before taxes		**5,572**	**4.0%**	**+115%**	**2,590**	**2.1%**
Taxes on income	7	-1,466	-1.0%		362	0.3%
Net result after taxes		4,106	2.9%	+39%	2,952	2.3%
thereof attributable to M+M shareholders		**3,718**	**2.7%**	**+42%**	**2,617**	**2.1%**
thereof attributable to minority shareholders		388	0.3%	+16%	335	0.3%
Net income per share in EUR (basic)	8	0.2408		+41%	0.1705	
Net income per share in EUR (diluted)	8	0.2384		+44%	0.1652	
Weighted average shares outstanding in million (basic)	8	15.439		+0.6%	15.346	
Weighted average shares outstanding in million (diluted)	8	15.593		-1.5%	15.837	

see notes on pages 47 to 50

Consolidated statement of comprehensive income

Amounts in KEUR	2014	2013
Net result after taxes	4,106	2,952
thereof attributable to M+M shareholders	**3,718**	**2,617**
thereof attributable to minority shareholders	388	335
Currency conversion difference	-40	73
Other comprehensive income that may be reclassified subsequently to profit or loss	**-40**	**73**
Actuarial gains / losses on pension obligations	-360	292
Deferred taxes thereof	108	-87
Other comprehensive income that will not be reclassified subsequently to profit or loss	**-252**	**205**
Total other result	**-292**	**278**
Total comprehensive income	3,814	3,230
thereof attributable to M+M shareholders	**3,426**	**2,895**
thereof attributable to minority shareholders	388	335

Balance sheet

Amounts in KEUR	Note*	31.12.2014		△%	31.12.2013	
Cash and cash equivalents		6,462		-2%	6,620	
Trade accounts receivable	9	23,612		+11%	21,197	
Inventories	10	2,660		+10%	2,423	
Prepaid expenses and other current assets	11	8,035		-9%	8,847	
Total current assets		**40,769**	**39.1%**	**+4%**	**39,087**	**38.1%**
Property, plant and equipment		2,460		-13%	2,824	
Real estate		10,521		+5%	10,055	
Intangible assets		10,527		-7%	11,369	
Goodwill	12	33,286		0%	33,286	
Other investments	13	1,050		+2%	1,034	
Deferred taxes	7	5,576		+11%	5,018	
Total non current assets		**63,420**	**60.9%**	**-0%**	**63,586**	**61.9%**
Total assets		**104,189**	**100%**	**+1%**	**102,673**	**100%**
Short term debt and current portion of long term debt	14	1,514		-63%	4,126	
Mortgage-secured real estate financing short term		1,076		+1%	1,070	
Trade accounts payable		9,283		+12%	8,254	
Accrued expenses	15	5,867		-0%	5,885	
Deferred revenues		941		+9%	866	
Income tax payable		839		+80%	465	
Other current liabilities	16	4,730		-38%	7,634	
Total current liabilities		**24,250**	**23.3%**	**-14%**	**28,300**	**27.6%**
Long term debt, less current portion	17	24,288		-6%	25,768	
Mortgage-secured real estate financing long term	17	6,864		-15%	8,073	
Shareholders' loan	18	6,740		+345%	1,515	
Deferred taxes	7	1,218		-15%	1,439	
Pension accruals	19	1,110		+46%	760	
Other accruals	15	484		+13%	428	
Other non current liabilites		0		-100%	51	
Total non current liabilities		**40,704**	**39.1%**	**+7%**	**38,034**	**37.0%**
Share capital	20	16,186		+4%	15,564	
Capital reserve	21	20,376		+11%	18,370	
Other reserves		221		0%	221	
Treasury stock	22	-810		-0%	-812	
Retained earnings / accumulated deficit		1,426		+82%	785	
Other comprehensive income / loss		-653		+63%	-401	
Equity attributable to non-controlling (minority) interest		2,389		-3%	2,472	
Currency conversion		100		-29%	140	
Total shareholders' equity		**39,235**	**37.7%**	**+8%**	**36,339**	**35.4%**
Total liabilities and shareholders' equity		**104,189**	**100%**	**+1%**	**102,673**	**100%**

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

Statement of cash flows

Amounts in KEUR	2014	2013
Net result	**4,106**	**2,952**
Interest result	1,061	1,199
Depreciation and amortization	4,107	3,998
Other non cash income / expenses	-983	-1,181
Increase/decrease in provisions and accruals	388	-3,496
Losses/gains on the disposal of fixed assets	0	0
Change in net working capital	-2,391	306
Net cash provided by (used in) operating activities	**6,288**	**3,778**
Purchase of subsidiaries, net of cash	0	-1,115
Purchase of real estate	-601	-8,279
Purchase of other fixed assets	-2,861	-2,470
Sale of other fixed assets	79	245
Net cash provided by (used in) investing activities	**-3,383**	**-11,619**
Proceeds from issuance of share capital	1,622	0
Interest proceeds/payments	-956	-1,099
Purchase of own shares	2	81
Dividend payment to M+M shareholders	-3,077	-3,065
Dividend payment to minority shareholders	-561	-381
Proceeds from short or long term borrowings	-70	12,511
Net cash provided by (used in) financing activities	**-3,040**	**8,047**
Net effect of currency translation in cash and cash equivalents	-23	-7
Net increase / decrease in cash and cash equivalents	**-158**	**199**
Cash and cash equivalents at beginning of period	**6,620**	**6,421**
Cash and cash equivalents at end of period	**6,462**	**6,620**

see notes on page 58

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, 2013	**15,505**	**18,068**	**221**	**1,233**	**-606**	**-893**	**67**	**33,595**	**2,266**	**35,861**
Share based payment		65						65		65
Capital increase	59	237						296		296
Purchase of own shares						-71		-71		-71
Disposal of own shares						152		152		152
Dividend				-3,065				-3,065	-381	-3,446
Net result				2,617				2,617	335	2,952
Minority interest change								0	252	252
Other comprehensive income from pension assessment					205			205		205
Currency conversion							73	73		73
As of Dec 31, 2013	**15,564**	**18,370**	**221**	**785**	**-401**	**-812**	**140**	**33,867**	**2,472**	**36,339**
Share based payment		13						13		13
Capital increase	622	1,993						2,615		2,615
Disposal of own shares						2		2		2
Dividend				-3,077				-3,077	-561	-3,638
Net result				3,718				3,718	388	4,106
Minority interest change								0	90	90
Other comprehensive income from pension assessment					-252			-252		-252
Currency conversion							-40	-40		-40
As of Dec 31, 2014	**16,186**	**20,376**	**221**	**1,426**	**-653**	**-810**	**100**	**36,846**	**2,389**	**39,235**

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.

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	M+M Software					VAR Business				
	2014		**△%**	**2013**		**2014**		**△%**	**2013**	
Total revenue	39,320		+12%	35,080		130,182		+6.7%	122,035	
Internal revenue	-819			0		-28,660			-31,290	
External revenue	**38,501**	**100%**	**+10%**	**35,080**	**100%**	**101,522**	**100%**	**+12%**	**90,745**	**100%**
share in percent	**27,5%**			**27,9%**		**72,5%**			**72,1%**	
Cost of materials	-1,922	-5.0%	-25%	-2,567	-7.3%	-63,440	-62.5%	+14%	-55,800	-61.5%
Gross margin	**36,579**	**95.0%**	**+12.5%**	**32,513**	**92.7%**	**38,082**	**37.5%**	**+9.0%**	**34,945**	**38.5%**
share in percent	**49.0%**			**48.2%**		**51.0%**			**51.8%**	
Personnel expenses	-20,530	-53.3%	+12%	-18,399	-52.4%	-30,323	-29.9%	+1.5%	-29,872	-32.9%
Other operating expenses	-9,456	-24.6%	+5.1%	-8,997	-25.6%	-9,296	-9.2%	-10%	-10,283	-11.3%
Other operating income	617	1.6%	-27%	840	2.4%	5,198	5.1%	-26%	7,065	7.8%
Operating result EBITDA	**7,210**	**18.7%**	**+21%**	**5,957**	**17.0%**	**3,661**	**3.6%**	**+97%**	**1,855**	**2.0%**
share in percent	**66.3%**			**76.3%**		**33.7%**			**23.7%**	
Depreciation	-857	-2.2%	+7.5%	-797	-2.3%	-1,225	-1.2%	+4.2%	-1,176	-1.3%
Impairment	0	0.0%		0	0.0%	0	0.0%		0	0.0%
Amortisation	0	0.0%		0	0.0%	-2,025	-2.0%	+0.0%	-2,025	-2.2%
Operating result EBIT	**6,353**	**16.5%**	**+23%**	**5,160**	**14.7%**	**411**	**0.4%**		**-1,346**	**-1.5%**
Segment assets	26,683		+1.0%	26,422		71,930		+1.0%	71,233	
Fixed assets	15,502		-1.2%	15,696		42,342		-1.2%	42,872	
Investments	1,945		+32%	1,471		1,430		-86%	10,148	
Liabilities	10,234		-2.9%	10,540		54,720		+0.7%	54,355	

Geographical segmentation

Amounts in EUR	2014		2013	
	Germany	**International**	**Germany**	**International**
Total revenue	96,210	73,292	87,448	69,667
Internal revenue	-29,271	-208	-26,846	-4,444
External revenue	**66,939**	**73,084**	**60,602**	**65,223**
share in percent	**47.8%**	**52.2%**	**48.2%**	**51.8%**
Fixed assets	37,292	20,552	37,760	20,808
Investments	1,435	1,940	9,768	1,851

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 2, 2015 for submission to the company's Administrative Board. The Administrative Board approved the consolidated financial statements at its meeting on March 12, 2015 and approved for publication on March 16, 2015.

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 2014 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, 2014. M+M is applying the following IFRSs in the reporting period for the first time:

IAS 28	Investments in associates and joint ventures
IAS 32	Offsetting of financial assets and financial liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 7	Disclosure for the transition of IFRS 9
IFRS 10 & IAS 27	Consolidated financial statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 10, IFRS 12 & IAS 27	Investment Companies
IFRIC 21	Disclosures

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

New 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, 2014. M+M is applying the following IFRSs in the reporting period for the first time:

IAS 19 Employee Benefits
Improvements to IFRSs 2010-2012
Improvements to IFRSs 2011-2013

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

IFRS 9	Financial Assets
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture.
IFRS 10, IFRS 12 & IAS 28	Investment Entities: Applying the Consolidation Exception
IFRS 11	Accounting for the acquisition of an interest in a joint operation
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue Recognition
IAS 1	Disclosure Initiative
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)
IAS 16 and IAS 41	Agriculture: Bearer Plants
IAS 16 and IAS 38	principle for the basis of depreciation and amortisation
Improvements to IFRSs 2012-2014	

These Standards and Interpretations have to be applied for annual periods beginning after January 1, 2015. 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 2015.

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 statements of December 31, 2014:

M+M group consolidated companies

Mensch und Maschine Management AG, Wessling, Germany	100%	Man and Machine Visiograph S.a.r.l., Paris, France	100%
Mensch und Maschine Deutschland GmbH, Wessling, Germany	100%	Man and Machine Software s.r.l., Vimercate (Mailand), Italy	100%
Mensch und Maschine At Work GmbH, Osnabrück, Germany	80.0%	2bSMART s.r.l., Vimercate (Mailand), Italy	100%
Mensch und Maschine benCon 3D GmbH, Neu Wulmstorf, 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, Nürnberg, Germany	50.1%	Man and Machine AB, Göteborg, Sweden	100%
Mensch und Maschine Integra GmbH, Limburg, Germany	75.1%	Mensch und Maschine Mechatronik GmbH, Donzdorf, Germany	60%
customX GmbH, Limburg, Germany	58.1%	OPEN MIND Technologies Skandinavian AB, Göteborg, Sweden	100%
Mensch und Maschine LeyCAD GmbH, Reichshof, Germany	100%	Man and Machine Benelux NV, Ternat (Brüssel), Belgium	100%
Mensch und Maschine Scholle GmbH, Velbert, Germany	75%	Man and Machine Romania SRL, Bukarest, Romania	100%
Mensch und Maschine CAD-praxis GmbH, Düren, Germany	100%	Yello! Digital production tools AG, Wessling, Germany	99.7%
Mensch und Maschine acadGraph GmbH, München, Germany	75%	DATAflor Software AG, Göttingen, Germany	67.2%
Mensch und Maschine Tedikon GmbH, Weißenhorn, Germany	50.1%	OPEN MIND Technologies AG, Wessling, Germany	100%
Mensch und Maschine Schweiz AG, Winkel (Zürich), Switzerland	100%	and 100% shareholdings:	
Mensch und Maschine Systemhaus GmbH, Wals, Austria	100%	OPEN MIND Technologies USA Inc., Southfield/Michigan, USA	
Mensch und Maschine Austria GmbH, Großwilfersdorf, Austria	100%	OPEN MIND Technologies PTE Ltd., Singapore	
		OPEN MIND Technologies S.r.l., Rho, Italy	
		OPEN MIND CAD-CAM Technologies S.r.l., Rho, Italy	
		OPEN MIND Technologies France S.a.r.l., Saverne Cedex, France	
		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., Valencia, Spain	
		OPEN MIND Technologia Brasil LTDA, Sao Paulo, Brazil	

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

In fiscal year 2014, the percentage ownership of the subsidiary Mensch und Maschine Integra GmbH was increased from 50.1% to 75% and customX GmbH was increased from 50.1% to 58.1%. In accordance with IFRS 3 (Business combinations after January 1, 2010) the expected purchase price liability was recorded in equity by KEUR 222.

Mensch und Maschine Systemhaus GmbH was renamed to Mensch und Maschine Deutschland GmbH.

In Switzerland the subsidiaries Mensch und Maschine CAD-LAN AG, Mensch und Maschine CADiware AG and Mensch und Maschine Zuberbuehler AG were merged with Mensch und Maschine Systemhaus AG and renamed to Mensch und Maschine Schweiz AG.

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:

Acquired assets and assumed liabilities in fiscal year 2013

Amounts in KEUR	**Net carrying amount at the date of first consolidation**	**Fair-value adjustment**	**Net carrying amount after the acquisition**
Other intangible assets	1,036		1,036
Net assets			**1,036**
Goodwill			
Purchase price			**1,036**
Share swap by contribution in kind			296
Share swap using own shares			79
Cash outflow for purchase			1,036
Net cash outflow for the acquisitions			**1,115**

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.

The following domestic subsidiaries made use in 2014 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, Germany
- OPEN MIND Technologies AG, Wessling, Germany

Principles of consolidation

The consolidated financial statements include subsidiaries. Subsidiaries are companies over which M+M is currently able to exercise power by virtue of existing rights. Power means the ability to direct the activities that significantly influence a company's profitability. Control is therefore only deemed to exist if M+M is exposed, or has rights, to variable returns from its involvement with a company and has the ability to use its power over that company to affect the amount of that company's returns. The ability to control another company generally derives from M+M direct or indirect ownership of a majority of the voting rights.

Inclusion of an entity's accounts in the consolidated financial statements begins when the Group is able to exercise control over the entity and ceases when it is no longer able to do so.

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 companies that are principally engaged in the architecture and construction businesses. 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 is 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.

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 and mortgage-backed real estate loans are shown separately.

Exchange rates

	Average		Year end	
	2014	2013	Dec 31. 14	Dec 31. 13
1 Swiss Franc	0.8232	0.8136	0.8313	0.8149
1 British Pound	1.2398	1.1765	1.2778	1.2000
1 Polish Zloty	0.2387	0.2375	0.2335	0.2408
1 Swedish Crown	0.1159	0.1155	0.1166	0.1134
1 Romania Ron	0.2252	0.2242	0.2229	0.2242
1 US Dollar	0.7523	0.7529	0.8226	0.7263
1 Singapore Dollar	0.5939	0.6016	0.6215	0.5725
100 Japanese Yen	0.7121	0.7713	0.6858	0.6902
1 Taiwan Dollar	0.0248	0.0253	0.0259	0.0242
1 Renminbi Chinese Yuan	0.1224	0.1215	0.1337	0.1188
1 India Rupie	0.0123	0.0128	0.0129	0.0117
1 Brazilian Real	0.3198	0.3479	0.3061	0.3074

Accounting and valuation methods

Cash and cash equivalent

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 after-tax basis discount rate amounts between 4.98% and 9.43%.

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 IFRS 10 (Accounting for Investment in Associates). Shares in companies that do not fall in the category subsidiaries, joint arrangements and associates 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 shareholdings 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:

	2014	2013
Discount rate	2.20%	3.60%
Estimated return on plan assets	3.00%	3.00%
Future changes in Remunerations	1.64%-3.00%	1.64%-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 arising from two defined benefit plans are recognized in other comprehensive income.

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 7	Tranche 8	Tranche 9	Tranche 10	Tranche 11	
Day of issuance	**May 31, 06**	**May 4, 07**	**Jun 26, 08**	**May 12, 09**	**May 26, 10**	**Total**
Total number granted	249,425	244,507	261,170	256,770	331,712	1,343,584
Strike price (EUR)	5,64	5,15	5,23	3,45	3,51	
Vesting period	6/8 Jahre	6/8 Jahre	6/8 Jahre	6/8 Jahre	6/8 Jahre	
Outstanding options as of Jan 1, 2014	77,738	79,646	168,720	117,903	237,671	681,678
In the reporting period						
granted options	0	0	0	0	0	0
forfeited options	0	-3,575	-9,000	-6,358	-14,987	-33,920
exercised options	0	-65,421	-138,045	-75,109	-131,328	-409,903
expired options	-77,738	0	-5,475	0	0	-83,213
Outstanding options as of Dec 31, 2014	0	10,650	16,200	36,436	91,356	154,642
Exercisable options as of Dec 31, 2014	0	10,650	16,200	36,436	91,356	154,642
Capital increase in KEUR for:						
Exercisable options only	0	55	85	126	321	586
All options outstanding	0	55	85	126	321	586

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 2014, no new options have been issued. In the period 409,903 options have been converted, 83,213 options have expired and 33,920 have forfeited. As of December 31, 2014, 154,642 options are outstanding.

Parameters for the calculation

	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
Strike price on the day of measurement in EUR	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 day	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	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years	3 Years	4 Years
Excercise price on the expected exercise date in EUR	5.64	5.64	5.15	5.15	5.23	5.23	3.45	3.45	3.51	3.51
Expected dividend yield	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	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	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 options's life	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 6.03.

The options can also be converted by shares from treasury stock which was used in 2014 with 300 options. 30,325 options were redeemed by direct bonus payments to the employees, for which KEUR 21 incurred in the personnel expenses.

The remaining 379,278 options were converted by means of a capital increase from the contingent capital, which increased the shareholders equity of KEUR 1,622. Thereof KEUR 379 was contributed to the share capital and KEUR 1,243 to the capital reserve.

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 1,692 (PY: 1,679) 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 13 (PY: 65).

The fair value of the share options of tranche 9 to 11 was measured by applying a binomial model, in contrary to tranche 7 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 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 6,400 (PY: 1,175) at Dec 31, 2014 and therefore received interest in 2014 of KEUR 178 (PY: 30).

M+M's CFO Peter Schuetzenberger granted M+M loans amounting to KEUR 341 (PY: 341) at Dec 31, 2014 and therefore received interest in 2014 of KEUR 10 (PY: 10).

The related party SOFiSTiK AG granted M+M loans amounting to KEUR 1,008 (PY: 1,000) at Dec 31, 2014 and therefore received interest in 2014 of KEUR 30 (PY: 21).

Notes on the statement of income

1. Cost of materials

Amounts in KEUR	2014	2013
Cost of materials from Autodesk products	-51,717	-45,832
Cost of materials from other vendors	-8,863	-8,101
Cost of outside services	-1,843	-2,049
Licenses in other production costs for proprietary Software	-2,939	-2,385
	-65,362	**-58,367**

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 13 (PY: 65).

3. Other operating expenses

Amounts in KEUR	2014	2013
Insurance	-531	-513
Costs of building	-2,737	-3,846
Travel costs	-2,125	-2,135
Car expenses	-3,472	-3,428
Advertising and promotion	-3,266	-3,138
Communication	-842	-885
IT costs	-557	-452
Consulting and Laywer Fees	-1,273	-1,368
Rest of other oprating expenses	-3,949	-3,515
	-18,752	**-19,280**

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	2014	2013
Depreciation of property, plant and equipment	-1,195	-1,179
Amortization due to purchase price allocated intangible assets	-2,025	-2,025
Amortization of other financial assets	-887	-794
	-4,107	**-3,998**

5. Other operating income

Amounts in KEUR	2014	2013
Return from private use of cars and telephones	1,041	1,032
Rents received	83	59
Income frome the sale of Distribution Business	3,000	3,000
Income from consumption-related reversal of restructuring provisions	0	1,000
Marketing funds	795	1,463
Other income	896	1,351
	5,815	**7,905**

The item 'Other income' consist of various items, all of which are less than KEUR 300.

6. Financial result

Amounts in KEUR	2014	2013
Interest income	74	95
Interest expense	-1,134	-1,293
Income from investments and participations	129	106
Minority interst in VAR business partners	-289	-289
Other income and expenses	-125	-91
Foreign currency exchange gains / losses	153	248
Financial result	**-1,192**	**-1,224**

7. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 2,353 (PY: 1,058), a relief amounting to KEUR 666 (PY: 1,205) from further development and revaluation of deferred tax assets, as well as a relief of KEUR 221 (PY: 216) from deferred tax liabilities.

In total there are realizable tax loss carry forwards amounting to KEUR 21,734 (PY: 26,953). This creates gross tax credits of KEUR 5,678 (PY: 6,828). 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 5,084 (PY: 4,756). This means 89.53% (PY: 69.64%) 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 491 (PY: 262) resulting from different valuations of accruals, as well as deferred tax liabilities amounting to KEUR 1,218 (PY: 1,439). 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	2014	2013
Result before income tax	**5,572**	**2,590**
Legal tax rate	30%	30%
Expected tax load	**-1,672**	**-777**
Tax rate variances		
Foreign tax rate differential	16	145
Deviation of the taxable base from		
Non deductable expenses	-109	-162
Tax free income from investments	39	32
Taxable depreciation of intangible assets	70	70
Valuation of deferred tax assets		
Non-recognition of defferd tax assets	-287	-1,564
Subsequent recognition of deferred tax assets	510	2,700
Other	**-33**	**-82**
Actual tax load	**-1,466**	**362**
Effective tax rate in percent	**26.31%**	**-13.98%**

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.

	2014	2013
Net result KEUR	3,718	2,617
Weighted number of shares	15,438,857	15,345,751
Non diluted earnings per share EUR	0.2408	0.1705
Diluted net results KEUR	3,718	2,617
Diluted number of shares	15,593,499	15,837,097
Diluted earnings per share EUR	0.2384	0.1652

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.

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 985 (PY: 844).

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	2014	2013
As of Jan 1	844	798
Translation differences	1	-3
Addition	179	265
Disposal	-35	-111
Reversing	-4	-105
As of Dec 31	**985**	**844**

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, 2014	23,612	18,266	1,848	558	975	962	1,003
As of Dec 31, 2013	21,197	17,222	1,132	1,049	1,107	468	219

Fixed assets register 2013

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 13	Consolida-tion effect	Currency	Addition	Disposal	Dec 31,13	Jan 01, 13	Consolida-tion effect	Currency	Addition	Disposal	Dec 31, 13	Jan 01, 13	Dec 31, 13
I. Tangible assets	**9,502**	**0**	**7**	**736**	**-1,022**	**9,223**	**6,246**	**-90**	**-19**	**1,155**	**-893**	**6,399**	**3,256**	**2,824**
II. Property	**2,472**	**0**	**0**	**8,289**	**-10**	**10,751**	**582**	**90**	**0**	**24**	**0**	**696**	**1,890**	**10,055**
III. Other intangible assets	**21,342**	**1,037**	**-81**	**1,794**	**-620**	**23,472**	**9,803**	**0**	**25**	**2,819**	**-544**	**12,103**	**11,539**	**11,369**
1. Development costs	2,232	0	0	1,405	0	3,637	0	0	0	189	0	189	2,232	3,448
2. Purchase price allocation	14,610	1,037	0	0	0	15,647	7,724	0	0	2,025	0	9,749	6,886	5,898
3. Other	4,500	0	-81	389	-620	4,188	2,079	0	25	605	-544	2,165	2,421	2,023
IV. Goodwill	**42,307**	**0**	**0**	**0**	**0**	**42,307**	**9,021**	**0**	**0**	**0**	**0**	**9,021**	**33,286**	**33,286**
V. Financial assets	**3,119**	**0**	**0**	**10**	**-200**	**2,929**	**2,065**	**0**	**0**	**0**	**-170**	**1,895**	**1,054**	**1,034**
1. Financial assets	3,000	0	0	0	-200	2,800	2,065	0	0	0	-170	1,895	935	905
2. Other	119	0	0	10	0	129	0	0	0	0	0	0	119	129
(all amounts in KEUR)	**78,742**	**1,037**	**-74**	**10,829**	**-1,852**	**88,682**	**27,717**	**0**	**6**	**3,998**	**-1,607**	**30,114**	**51,025**	**58,568**

10. Inventories

This position predominantly contains purchased goods amounting to KEUR 2,368 (PY: 1,506), software licenses amounting to KEUR 40 (PY: 31) and work in process amounting to KEUR 252 (PY: 886). As in the previous year specific allowances have not been made.

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 2014

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 14	Consolida-tion effect	- Currency	Addition	Disposal	Dec 31,14	Jan 01, 14	Consolida-tion effect	Currency	Addition	Disposal	Dec 31, 14	Jan 01, 14	Dec 31, 14
I. Tangible assets	**9,223**	**0**	**5**	**786**	**-557**	**9,457**	**6,399**	**0**	**17**	**1,060**	**-479**	**6,997**	**2,824**	**2,460**
II. Property	**10,751**	**0**	**0**	**601**	**0**	**11,352**	**696**	**0**	**0**	**135**	**0**	**831**	**10,055**	**10,521**
III. Other intangible assets	**23,472**	**0**	**50**	**2,051**	**-65**	**25,508**	**12,103**	**0**	**30**	**2,912**	**-64**	**14,981**	**11,369**	**10,527**
1. Development costs	3,637	0	0	1,443	0	5,080	189	0	0	256	0	445	3,448	4,635
2. Purchase price allocation	15,647	0	0	0	0	15,647	9,749	0	0	2,025	0	11,774	5,898	3,873
3. Other	4,188	0	50	608	-65	4,781	2,165	0	30	631	-64	2,762	2,023	2,019
IV. Goodwill	**42,307**	**0**	**0**	**0**	**0**	**42,307**	**9,021**	**0**	**0**	**0**	**0**	**9,021**	**33,286**	**33,286**
V. Financial assets	**2,929**	**0**	**0**	**16**	**0**	**2,945**	**1,895**	**0**	**0**	**0**	**0**	**1,895**	**1,034**	**1,050**
1. Financial assets	2,800	0	0	0	0	2,800	1,895	0	0	0	0	1,895	905	905
2. Other	129	0	0	16	0	145	0	0	0	0	0	0	129	145
(all amounts in KEUR)	**88,682**	**0**	**55**	**3,454**	**-622**	**91,569**	**30,114**	**0**	**47**	**4,107**	**-543**	**33,725**	**58,568**	**57,844**

12. Goodwill

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

Goodwill development

Amounts in KEUR	Dec 31, 2013	Addition / Impairment	Currency	Dec 31, 2014
VAR Business D/A/CH	16,214			16,214
OPEN MIND	9,341			9,341
M+M UK	2,982			2,982
M+M Romania	1,610			1,610
DATAflor	1,216			1,216
M+M Italy	1,116			1,116
M+M Poland	474			474
M+M France	333			333
Total	**33,286**			**33,286**

13. Other investments

Other investments include one shareholding:

Investments

Amounts in KEUR	Dec 31, 2014 in %	Dec 31, 2014 Book value	Dec 31, 2013 in %	Dec 31, 2013 Book value
SOFiSTiK AG, Oberschleißheim	14.4	905	14.4	905

In 2014 a dividend amounting to KEUR 129 (PY: 105) was recognized. The maximum loss risk is the amount of the respective net book value. As of Dec 31, 2014, there were no loans given to shareholdings.

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 bank liabilities classified as current are those which have to be paid back within the next 12 months. Fixed credit lines with indefinite durations are 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 42.0 million (PY: 42.5). M+M does not pay commitment fees on unused credit lines.

Table of accrual development

Amounts in KEUR	Dec 31, 2013	Disposal	Addition	Dec 31, 2014
Personnel accruals	3,600	-3,600	4,054	4,054
Outstanding bills	1,367	-1,367	1,083	1,083
Other	918	-918	730	730
Total current accruals	**5,885**	**-5,885**	**5,867**	**5,867**
Personnel accruals	205	0	51	256
Other accruals	223	-6	11	228
Total non current accruals	**428**	**-6**	**62**	**484**
Total accruals	**6,313**	**-5,891**	**5,929**	**6,351**

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

This position includes debts from VAT and tax on wages and salaries, outstanding social security costs and deferred income. Furthermore this position contains loan liabilities to the related party SOFiSTiK AG amounting to KEUR 1,008 (PY: 1,000).

In the prior year the estimated purchase price for the remaining shares of the market offensive amounting to KEUR 1,016 was also included in the other current liabilities.

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 7,940 (PY: 9,143), secured by mortgages of KEUR 11,089.

Bank debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of Dec 31, 2014				
Bank debt	25,259	1,514	23,745	0
Real estate financing secured by mortgage	8,483	1,076	4,407	3,000
Financial liability	**33,742**	**2,590**	**28,152**	**3,000**
As of Dec 31, 2013				
Bank debt	29,894	4,126	25,768	0
Real estate financing secured by mortgage	9,143	1,070	4,323	3,750
Financial liability	**39,037**	**5,196**	**30,091**	**3,750**

18. Shareholders' loan

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 6,400 (PY: 1,175) at Dec 31, 2014.

M+M's CFO Peter Schuetzenberger granted M+M loans amounting to KEUR 341 (PY: 341) at Dec 31, 2014.

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 1,110 (PY: 760), of which an amount of KEUR 1,110 (PY: 760) 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 2,430 (PY: 2,334). 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 85 (PY: 68), interest expenses amounting to KEUR 110 (PY: 98) and current time of service expenditure amounting to KEUR 76 (PY: 76). 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 43)

In the financial year, pension has been paid in the amount of KEUR 79 (PY: 60). The expected contribution to the plan asset for the financial year 2015 amounts to KEUR 76.

Pension benefits payable in the future are estimated as follows:

Amounts in KEUR	2014	2013
Benefit obligation at start of year	3,094	3,282
Interest cost	110	98
Service cost	76	76
Benfits paid	-79	-60
Net actuarial gain	339	-302
Benefit obligation at end of year	**3,540**	**3,094**
Plan assets at start of year	2,334	2,241
Received contributions	-48	-42
Insurance contributions	80	76
Actual return on plan assets	85	68
Net actuarial gain	-21	-9
Plan assets at end of year	**2,430**	**2,334**
Net recognized liability	**1,100**	**760**

Pension benefits payable in the future are estimated as follows:

Year	Amounts in KEUR
2015	61
2016	72
2017	73
2018	76
2019	163
2020 - 2025	1,082

The benefit obligation has an average statistical expected remaining life of 22 years (PY: 23).

The table below shows the sensitivity of pension accruals on changes in the parameters:

Amounts in KEUR	2014	2013
Change in discount rate +0.5%	-273	-212
Change in discount rate -0.5%	306	236
Change in projected future benefit increases +0.5%	241	187
Change in projected future benefit increases -0.5%	-219	-171
Change in life expectancy + 1 year	99	69

Shareholders' equity

20. Share capital

The subscribed capital of M+M SE as of Dec 31, 2014, comprised 16,185,911 (PY: 15,563,633) 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 243 (PY: 59) and by conversion of stock options amounting to KEUR 379 (PY: 0).

As of Dec 31, 2014 the approved capital amounts to 7,450 (PY: 7,693).
It was authorized by the general meeting on May 16, 2013 and expires on May 15, 2018.

21. Capital reserve

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

Amounts in KEUR	2014	2013
Capital reserve as of Jan 1	18,370	18,068
Capital increase by cash	1,021	0
Contribution in kind	972	237
Share based payments	13	65
Capital reserve as of Dec 31	**20,376**	**18,370**

22. 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, 2014, M+M held 176,358 (PY: 176,658) shares of treasury stock. This is 1.09% (PY: 1.14%) of the issued capital. Treasury shares are carried at cost amounting to KEUR 810 (PY: 812).

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.

The paid and received interest is now shown in the financing activities. The previous year was adjusted accordingly.

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:

- KEUR 1,979 (PY: 1,110) paid for taxes on income (net of income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 129 (PY: 106)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR 779 (PY: 1,334), the change of deferred revenues of KEUR 75 (PY: 280) and the change of the other comprehensive income of KEUR 252 (PY: 205) as well as the expenses for share base payments of KEUR 13 (PY: 65).

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

Amounts in KEUR	2014	2013
Cash outflow for purchase	0	-1,115

The acquired original assets and liabilities are shown below:

Amounts in KEUR	2014	2013
Fixed assets	0	1,036

No assets or liabilities have been disposed.

In the cash flows from financing activities dividends paid out to M+M shareholders amounting to 3,077 (PY: 3,065) are included. This corresponds to EUR 0.20 (PY: 0.20) per share.

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 7,618 (PY: 4,640).

In the current financial year, rent and leasing payments are contained amounting to KEUR 3,920 (PY: 4,558).

The due dates of payments are as following:

Year	Amounts in KEUR
2015	3,685
2016	1,653
2017	1,044
2018	530
2019	393
following years	313
Total	**7,618**

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 risk
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	2014	2013
Increase of 5%	-330	-120
Decrease of 5%	330	120

Interest risk
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	2014	2013
Increase of 25 basis points	-45	-67
Decrease of 25 basis points	26	49

Liquity risks

The following tables show contractually agreed (undiscounted) interest payments and maximum possible repayments of the non-derivative financial liabilities:

The variable interest payments arising from the financial 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 2014

Amounts in KEUR	Book value	Cash flows 2015		Cash flows 2016		Cash flows from 2017	
	Dec 31, 2014	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	33,742	301	26,267	131	2,163	393	5,313
Shareholders' loan	6,740		6,740				
Trade accounts payable	9,283		9,283				
Other current liabilities	1,980		1,980				

Liquidity risk 2013

Amounts in KEUR	Book value	Cash flows 2014		Cash flows 2015		Cash flows from 2016	
	Dec 31, 2013	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	39,037	562	20,936	275	10,523	534	7,578
Shareholders' loan	1,515		1,515				
Trade accounts payable	8,254		8,254				
Other current liabilities	3,357		3,306		51		

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 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 2014

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2014	Fair Value Dec 31, 2014	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2014
Cash and cash equivalents	LaR	6,462	6,462	6,462		6,462
Trade accounts receivables	LaR	23,612	23,612	23,612		23,612
Other current assets	LaR	3,863	3,863	3,863	4,172	8,035
Liabilities						
Bank debt	FLAC	33,742	34,185	33,742		33,742
Shareholders’ loan	FLAC	6,740	6,740	6,740		6,740
Trade accounts payable	FLAC	9,283	9,283	9,283		9,283
Other current liabilities	FLAC	1,980	1,980	1,980	2,750	4,730
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		33,937	33,937	33,937		
Financial Liabilities Measured at Amortised Cost (FLAC)		51,745	52,188	51,745		

Fair Values 2013

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2013	Fair Value Dec 31, 2013	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2013
Cash and cash equivalents	LaR	6,620	6,620	6,620		6,620
Trade accounts receivables	LaR	21,197	21,197	21,197		21,197
Other current assets	LaR	3,888	3,888	3,888	4,959	8,847
Liabilities						
Bank debt	FLAC	39,037	39,669	39,037		39,037
Shareholders’ loan	FLAC	1,515	1,515	1,515		1,515
Trade accounts payable	FLAC	8,254	8,254	8,254		8,254
Other current liabilities	FLAC	3,357	3,357	3,357	4,328	7,685
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		31,705	31,705	31,705		
Financial Liabilities Measured at Amortised Cost (FLAC)		52,163	52,795	52,163		

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, 2014, 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%. Above that the gearing ratio should be below 3 times EBITDA.

The gearing ratio improved from 2.98 to 1.78 and the equity ratio increased from 35.4% to 37.7%.

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, 2014.

Research and development expenses

The research and development expenses for the financial year amounted to KEUR 12,415 (PY: 12,365) concerning the subsidiaries OPEN MIND, MuM Mechatronik, customX and DATAflor. Thereof KEUR 10,972 was expensed (PY: 10,960) and KEUR 1,443 (PY: 1,405) 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 718 (PY: 705). The number of trainees was 13 (PY: 11).

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 2014:

Adi Drotleff, Diplom-Informatiker, Munich (CEO)
Christoph Aschenbrenner, Diplom-Ingenieur (FH) Eresing (COO) since July 1, 2014
Michael Endres, Diplom-Informatiker (FH), Fürstenfeldbruck (COO) until June 30, 2014
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 940 (PY: 574). It was composed of fixed salaries of KEUR 466 (PY: 411), variable components of KEUR 121 (PY: 42), severance payments of KEUR 231 (PY: 0), and non-cash salary components of KEUR 122 (PY: 121).

The pension obligation for the Managing Directors amounted to KEUR 1,978 (PY: 1,490) as of December 31, 2014.

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	2014	2013
Audit	204	206
Tax consulting	41	73
Other	0	10
Total	**245**	**289**

Appropriation of net income

M+M SE has unappropriated retained earnings amounting to KEUR 4,090 as of December 31, 2014.

The administrative board will propose to the shareholders meeting a dividend of EURO 0.20 per share. With consideration of the 204,308 own shares acquired till March 1, 2015, the total dividend payment amounts to KEUR 3,196. The remaining balance of KEUR 894 is carried forward. If the number of own shares should change before the shareholders' meeting on May 12, 2015, 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, 2014 to December 31, 2014. 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 Wirtschaftspruefer (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 6, 2015

RSM AWT AG
WIRTSCHAFTSPRUEFUNGSGESELLSCHAFT

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 2014, five Administrative Board meetings took place on March 4 and 14, May 15, October 21 and December 17.

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
- Market Offensive II - transition to VAR Business in Europe
- 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, 2014, as well as the group annual report as of December 31, 2014, including the management report for the group was set up by the Managing Directors and audited by RSM AWT AG Wirtschaftspruefungsgesellschaft (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, 2015, 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 2014.

Wessling, March 2015
The Administrative Board
Adi Drotleff
Chairman

Addresses

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	Rotenburger Straße 3	D-30659 Hannover	+49 (0) 5 11 / 22 06 17 - 70	+49 (0) 5 11 / 22 06 17 - 99	
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Events

April 27, 2015	Quarterly report Q1/2015
May 12, 2015	Annual shareholders' meeting
July 27, 2015	Half year report 2015
October 26, 2015	Quarterly report Q3/2015
March 14, 2016	Annual report 2015
March 14, 2016	Analysts' conference

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CAD in practice: Infrastructure design and management

Project: Integrated 3D Infrastructure Database

Customer: Stadtwerke Emden, Germany

The Stadtwerke (department of works) of Emden, the ‘green city by the sea’ in the heart of Ostfriesland have been using software solutions from M+M for several years to achieve very ambitious sustainability targets.

Each citizen can check via the internet whether the installation of solar panels on their own house would be economically efficient. After clicking their own roof on the Stadtwerke’s website, a traffic light shows whether it is worth while considering a solar installation (photovoltaics or solarthermics). The success: Today approx. 80% of the citizens are using electricity from regenerative energy. In addition to the solar register, a thermic register is under development to calculate the savings of building restorations.

Moreover, in addition to the interface with the citizens, internally there have also been optimization projects. In 2012 the entire documentation of the municipal water works was transferred to a digital 3D model via laser scan. Since then the service personnel can simply locate tubes, stations or valves on their tablet computers, and immediately service or repair them if necessary.

Having all infrastructural data (e.g. cadasters, building and civil engineering information) available in digital form, it was then straight-forward to connect this data to an integrated 3D model database. Today the Stadtwerke officers can view Emden over and underground and, for example, check via intersections all existing installations, in order to detect collisions in construction and reconstruction projects early in the planning phase - rather than finding them during excavation.

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