mensch maschine

CAD as CAD can

Annual report 2011

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2007		2008		2009		2010		2011	
Revenue	**212.9**		**223.1**	+4.8%	**163.3**	-27%	**195.6**	+20%	**191.72**	-2.0%
Germany	53.7	25%	57.3	25.7%	39.9	24.4%	48.8	24.9%	55.96	29.2%
International	159.2	75%	165.8	74.3%	123.4	75.6%	146.8	75.1%	135.76	70.8%
Revenue per share in EUR	16.64		16.44	-1.2%	11.20	-32%	13.45	+20%	13.21	-1.8%
Gross Margin	**53.6**		**55.9**	+4.2%	**51.0**	-8.7%	**66.2**	+30%	**70.01**	+5.8%
Distribution	32.5	60.6%	32.2	57.6%	18.4	36.1%	19.9	30.0%	15.81	22.6%
M+M Software	20.5	38.2%	22.9	41.0%	19.2	37.6%	23.0	34.7%	26.41	37.7%
VAR Business	0.7	1.2%	0.8	1.5%	13.4	26.3%	23.3	35.3%	27.79	39.7%
Operating result EBITDA	**10.7**		**13.0**	+21%	**1.4**	-89%	**6.1**	+340%	**15.63***	+158%
EBITDA return from revenue	5.0%		5.8%		0.8%		3.1%		8.2%	
Net result	**6.0**		**5.8**	-4.5%	**-4.8**		**-0.5**		**6.79***	
Net return from revenue	2.8%		2.6%		-2.9%		-0.2%		3.5%	
Net result per share in EUR	0.47		0.42		-0.34		-0.03		0.47*	
Dividend in EUR	**0.20**		**0.20**		**0.00**		**0.10**		**0.20**	
Total assets	**80.3**		**85.0**	+6%	**101.1**	+19%	**105.1**	+4%	**104.95**	-0%
Shareholders' equity	**24.4**		**26.4**	+8%	**24.2**	-8%	**27.77**	+15%	**33.76**	+22%
Equity ratio	30.3%		31.1%		23.9%		26.4%		32.2%	
Number of shares in million	**12.800**		**13.570**	+6%	**13.970**	+3%	**14.542**	+4%	**14.514**	-0.2%
Number of employees	**327**		**388**	+19%	**504**	+30%	**607**	+20%	**639**	+5%

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

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Dear reader,

For Mensch und Maschine Software SE (M+M), 2011 was an extraordinarily successful year – reaching new historical records for gross margin, operating and net profit, and a significantly improved, nearly debt free balance sheet.

The lucrative sale of the Distribution business, closed end of October, contributed a sound, extraordinary profit and brought net bank debt down close to zero.

In addition, in pure operating business, M+M looks back on a very good 2011. For the second year following the 2009 world economic crisis, we were able to reach to the record years of 2007/2008.

M+M's own Software recorded the highest sales in the company's history and achieved 15% EBITDA margin. The VAR segment sustainably reached the profit zone in its third year from start up with a huge EBITDA jump from EUR -0.54 mln to EUR +1.96 mln.

With more than 40 locations in Germany, Austria and Switzerland, we provide full area coverage and are able to provide customers with interdisciplinary solutions, and we are by far the largest European VAR for software from Autodesk, the global CAD market leader.

From this outstanding position we now are making the last step in the transition of the M+M business model, moving our European subsidiaries to a VAR business. As the major part of the price for the sale of Distribution has not yet been recognised, it will be available to finance the transition.

Together with significant margin potential still available in the Software and VAR D/A/CH segments, this makes us confident that M+M will be able to achieve good results in the years to come and satisfy our shareholders with steadily rising dividends.

Wessling, March 2012
The Managing Directors

2011 at a glance

- Extraordinarily successful year
  - New records for gross margin, operating and net proft
  - Sale of Distribution business lead to a nearly debt free balance sheet
- Sales: EUR 191.72 mln / -2%
  - M+M Software: EUR 29.26 mln / +12%
  - VAR Business: EUR 67.74 mln / +18%
  - Distribution: EUR 94.73 mln / -16%
- Gross margin: EUR 70.01 mln / +5.8%
  - Software +15% / VAR Business +19%
- EBITDA: EUR 15.63 mln (PY: 6.06 / +158%)
  - Pure operating: EUR 9.1 mln / +50%
  - EBITDA margin: 4.7% (PY: 3.1%)
- Net profit: EUR 6.79 mln (PY: -0.50)
  - Pure operating: EUR 2.4 mln
  - EPS: EUR 0.47 (PY: -0.03)
    Pure operating: EUR 0.165
- Op. cash flows: EUR 6.37 mln (PY: 3.88)
- Dividend doubling to 20 Cents
- Group headcount: 639 (PY: 607)

Adi Drotleff
CEO

Michael Endres
COO

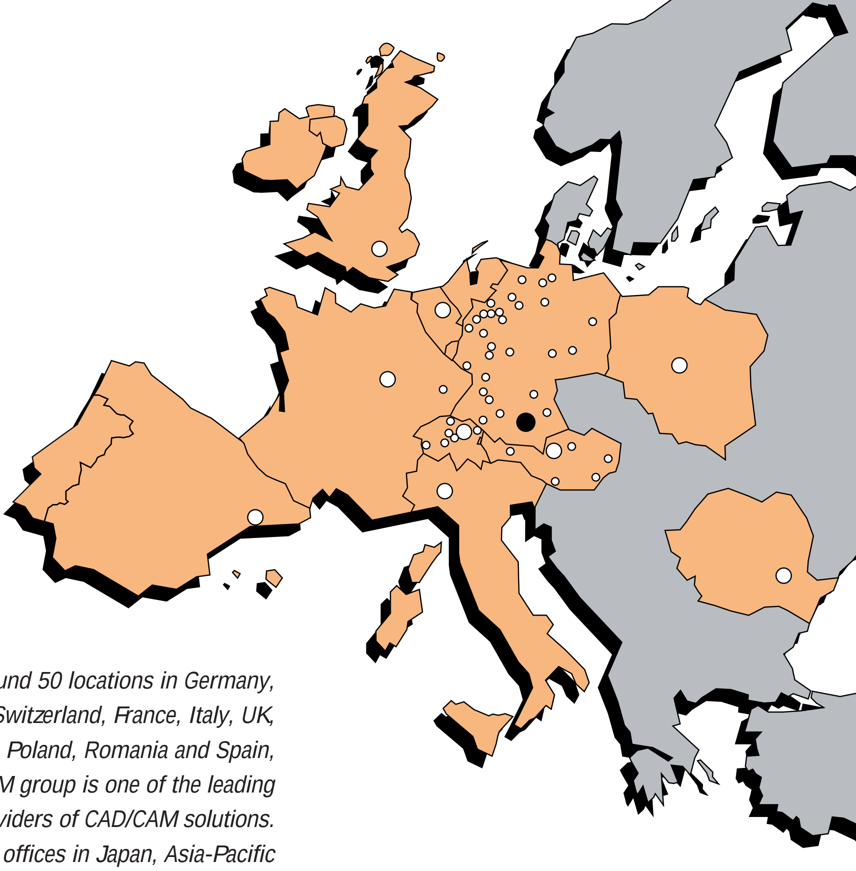
Peter Schützenberger
CFO

Management report 2011

Enterprise and market position

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

Nearly 30% of 2011 group sales amounting to EUR 191.7 mln was achieved inside Germany, while a good 70% came from international business. In the estimated EUR 3.0 Billion European CAD/CAM market, M+M thus holds 6-7% market share.



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

Good sector balance

In respect of industry sectors, the M+M business is split about half into mechanical engineering and half into the sectors of architecture and the construction industry including building services (approx. 25%), infrastructure / gardening & landscaping (approx. 15%) and electrical engineering (approx. 10%).

This breakdown is quite similar to the global CAD market, where about 50% of the total market volume is attributed to mechanical. This broad sector base allows M+M more and more to offer interdisciplinary solutions such as document management, industrial design / visualization, plant or factory design.

Large customer and installation base

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

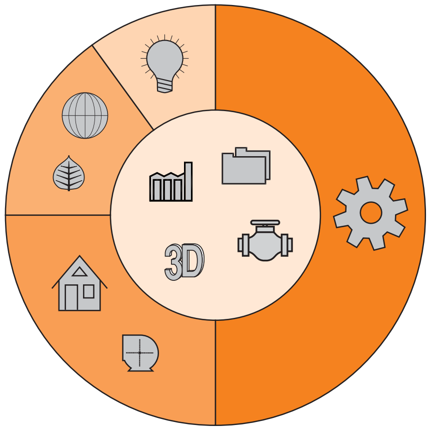
Wide price/performance range

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

Two thirds new business,
one third recurring revenue

Two thirds of the business is new sales of software seats or subscription/maintenance contracts, the remaining third of the sales is recurring, such us subscription or maintenance renewals and software updates. The relatively high share of new business normally drives the growth rates, but in the crisis year of 2009 this was a disadvantage to M+M, as customers could more easily do without new investment rather than cancel support of exisiting software.

From 2010 on, the positive effect of the higher new business share returned to the front, leading to disproportionate increases of gross margin.



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

M+M business model in transition

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

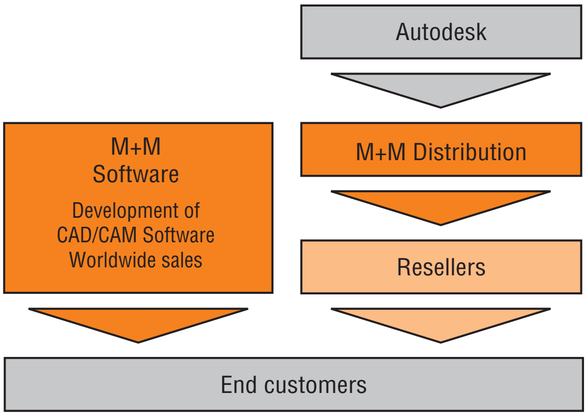
Until 2008: Software and Distribution

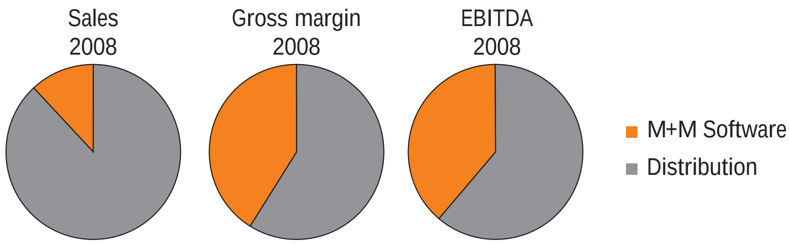
Since 1984, the year of foundation, M+M acted as a Value Added Distributor (VAD) for Autodesk software, while continuously increasing the development of own CAD/CAM solutions, in order to build up an individual market profile and to be clearly distinguishable from competition.

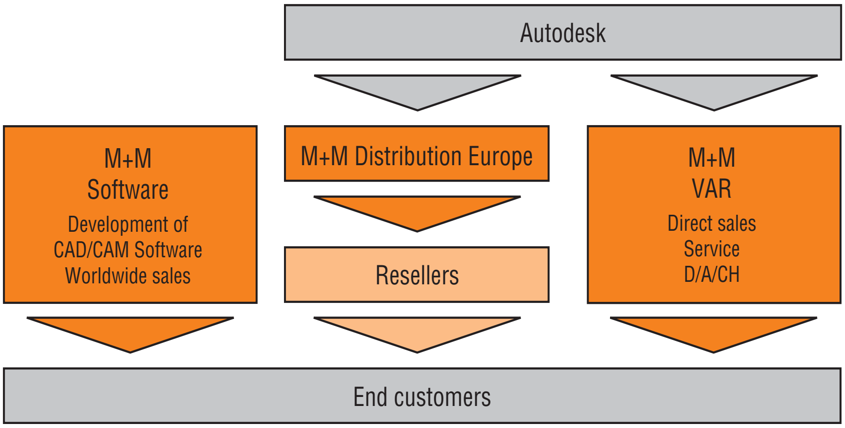
In this two-segment model, the Distribution volume business naturally dominated group sales, while in the year 2008, the high margin Software segment already contributed nearly half of gross margin and EBITDA, with 210 of the 388 group employees.

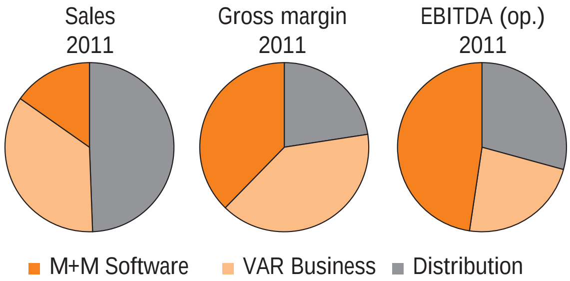
In 2008 group gross yield was 25%, EBITDA margin had reached 5.8%, and M+M was in a constant head-to-head race with the Tech Data Group for the title of largest Autodesk Distributor in Europe.

The M+M business modell 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, Austra and Switzerland were transitioned from indirect business to direct selling to end customers, and more than a dozen former reselling partners were acquired.

Compared to Distribution, the VAR Business provides significantly higher gross yield (Distribution: ~17% / VAR Business: ~41%) and operating margin (EBITDA target margin: Distribution 3-4% / VAR Business 10%), due to a strong service component and higher trading margin for direct vs. indirect sales of Autodesk Software.

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

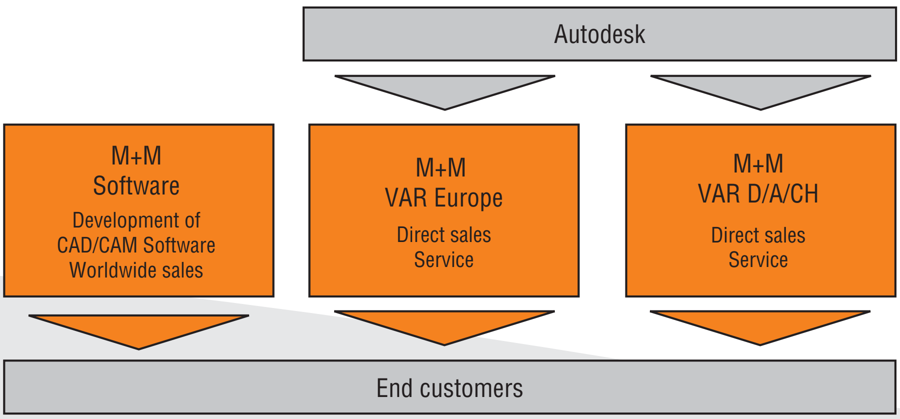
Due to the constantly increasing weight of the Software and VAR segments, the 2011 group gross margin has grown to 36.5%.

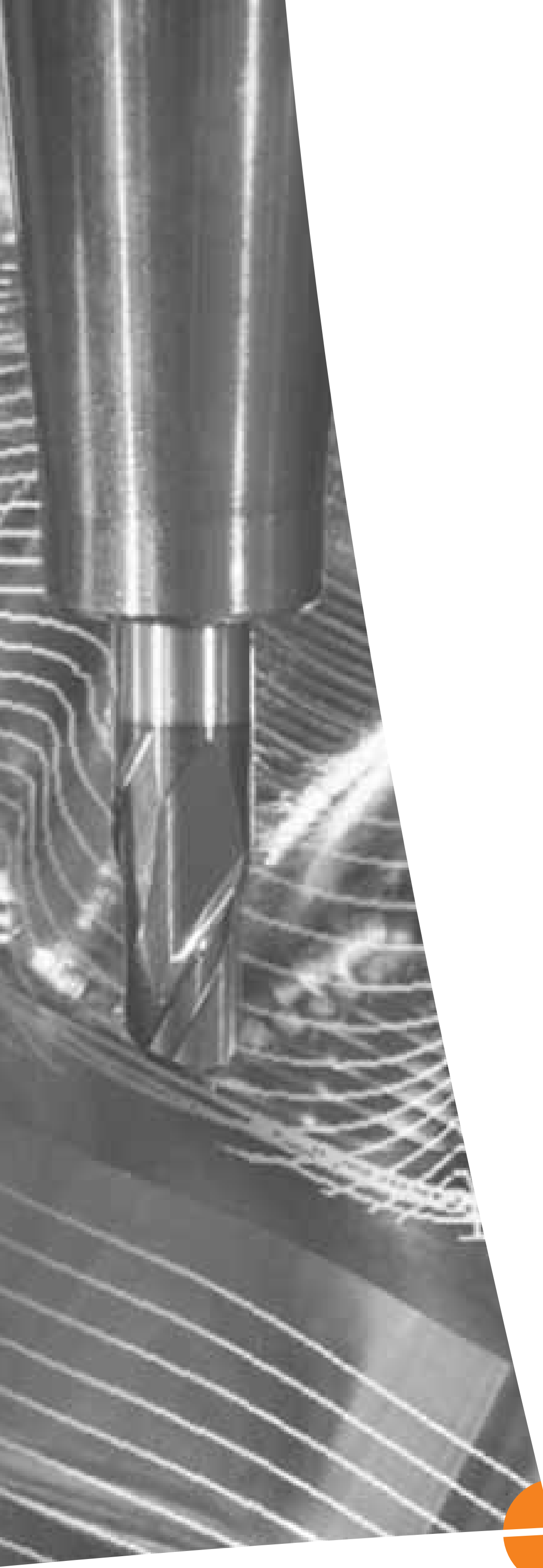
Thus the stage was set for completing the VAD/VAR transition groupwide. As a first step, the European Distribution business was sold to the Tech Data Group by end of October 2011, while M+M has kept the subsidiaries in France, Italy, UK, Belgium, Poland and Romania with approx. 70 of 113 employees.

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

Gross yield will rise to 50%, more than 10% EBITDA margin achievable
With the segments Software, VAR D/A/CH and VAR Europe, the group gross yield will rise to approx. 50% from 2012 onwards, which represents a doubling compared to 2008. The new business model, in the mid term, makes EBITDA margins north of 10% achievable.

The M+M business model 2012: The new and simpler structure enables reaching double digit EBITDA margins.



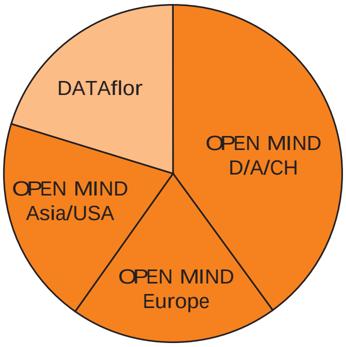


Three segments overview

The following chapters give a detailed overview across the three segments 'M+M Software', 'VAR D/A/CH' and 'Distribution' (old) / 'VAR Europe' (new) forming the M+M business model.

Segment M+M Software

In 2011, over 80% of M+M Software sales continued to come from OPEN MIND AG, while nearly 20% was contributed by DATAflor AG.



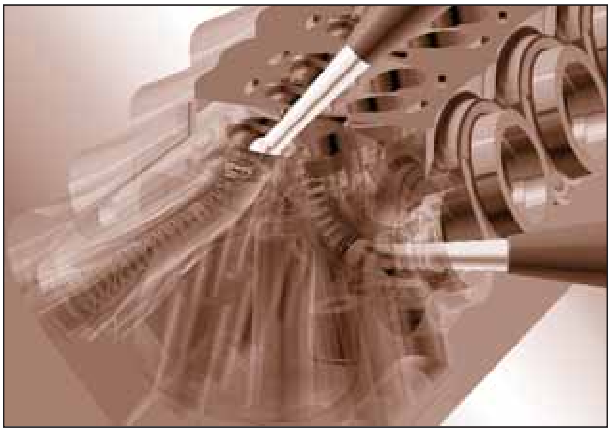
Sales breakdown in the Software segment

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. Nearly half of the sales comes from the German speaking area, while a good quarter is contributed by other European markets (mainly Italy, UK and France). The remaining quarter of the business is achieved through own sales offices in Japan, Singapore, China, Taiwan, India and the USA.

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



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

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

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

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

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

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

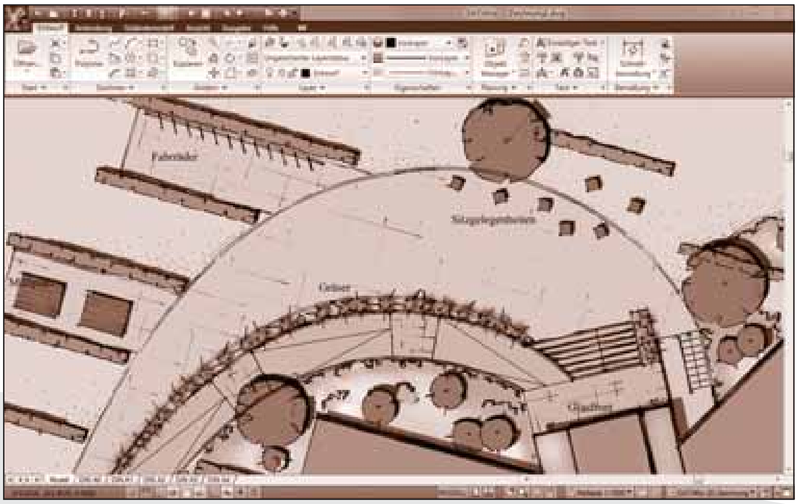
Small volume, high margin

Economically, the Software segment is a standard software developer with just over 29 Million Euro sales (2011), approx. 90% gross yield and 15% EBITDA margin. As a result, the segment pulls a relatively high added value from its only 15.3% share in group sales. In fiscal year 2011, 37.7% of group gross margin was achieved by self developed software technology.

High development investment

M+M in 2011 spent nearly EUR 9.5 mln on maintenance and development of the OPEN MIND and DATAflor software products. Back in 2009, development costs amounted to EUR 5.7 mln, representing 67% increase in two years or approx. 29% growth p.a.

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 D/A/CH

With more than 40 locations in Germany, Austria and Switzerland, M+M today provides full area coverage and can serve the customers interdisciplinary solutions. M+M is an Autodesk Platinum Partner and the largest European Autodesk VAR (Value Added Reseller).

Dynamic growth

In 2009, more than EUR 35 mln sales and 38% gross yield had been achieved from scratch. In 2010, the segment continued to grow dynamically, achieving more than EUR 57 mln sales and nearly 41% gross yield. In the third year after introduction, sales 2011 came in at nearly EUR 68 mln (+18%) and gross yield was exactly 41%.

EBITDA margin, which in 2009 had been at -2.9% due to the economic crisis and the startup conditions, and improved to -0.9% in 2010, was cleary positive at +2.9% in 2011.

Entry via 'Market Offensive'

This enormous development was not just achieved by transitioning the M+M locations in Germany, Austria and Switzerland from Distributor to VAR. In the course of the 'Market Offensive' more than a dozen former key reselling partner companies were integrated into the Group.

Partner acquisitions 2009:

Germany:

- M+M Haberzettl GmbH, Nuremberg / Hockenheim
- M+M LeyCAD GmbH, Reichshof (Cologne) / Weissenhorn (Ulm)
- M+M AtWork GmbH, Osnabrueck
- M+M Dressler GmbH, Friedrichshafen / Witten
- M+M benCon 3D GmbH, Neu Wulmsdorf / Hamburg / Oldenburg / Isernhagen
- M+M Integra GmbH, Limburg
- customX GmbH, Limburg

Austria:

- M+M IT Consulting GmbH, Grosswilfersdorf near Graz
- M+M Personalbereitstellungs GmbH, Fuerstenfeld near Graz

Switzerland:

- M+M CAD-LAN AG, Suhr
- M+M CADiWare AG, Basle/Steinach/Kiesen

Partner acquisitions 2010:

- M+M Zuberbuehler AG, Aesch near Zurich, Switzerland
- M+M CAD-praxis GmbH, Dueren/Schwerte, Germany
- M+M Scholle GmbH, Velbert, Germany

Partner acquisition 2011:

- M+M acadGraph GmbH, Germany

Share swap with multi-year valuation period

The acquisitions were mainly performed via share swaps, transitioning the founders and managing directors to Co-entrepreneurs in the M+M group.

A two step acquisition scheme over a period of two to four years was applied, allowing for a fair final valuation using the earnings development during this period.

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.

Ongoing optimization of 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.

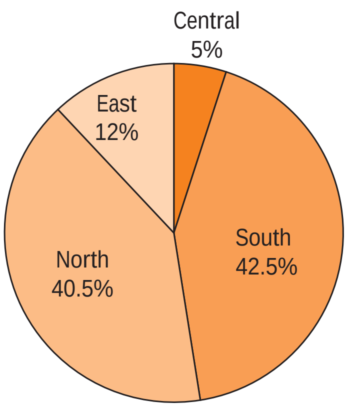
Further optimizations like clustering hotline functions throughout the group or sharing service and training capacity are in constant progress, in order to increase both efficiency and customer benefit.

A new, fully integrated IT system is in the process of going live. 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

Segment Distribution (until October 2011)
VAR Europe (beginning November 2011)

The Distribution segment consisted of the four regions, Central, South, North and East, in line with the organisation of its main supplier, Autodesk. The VAR Europe segment only consists of the regions South, North and East, as the Central region is now entirely embedded in the VAR D/A/CH segment.



Sales breakdown 2011 in the Distribution / VAR Europe segment

Central: German speaking area

The Central region included Germany, Austria and Switzerland. It was supported from the M+M headquarters in Wessling near Munich and by group member yello! AG, Wiesbaden. Due to the extensive transition to VAR business, this region's contribution to segment sales dropped from nearly 34% (2008) to approx. 5% (2011).

South: France and Italy

The South region consists of France and Italy, which are supported by the M+M subsidiaries in Paris and Vimercate near Milan. South contributed approx. 42.5% to 2011 segment sales.

North: UK, Benelux and Scandinavia
The North region contributed around 40.5% to 2011 segment sales. The largest country in this region is UK, supported from the M+M subsidiary in Thame (Oxfordshire), followed by the Benelux states (M+M Aalst, Belgium) and Scandinavia (M+M Gothenburg, Sweden). In the future, M+M will concentrate on UK and Benelux, the Swedish subsidiary is not actively continued due to its low strategic importance.

East: Poland and Romania
In Eastern Europe, M+M was only present in Poland with a subsidiary in Lodz until 2007. In the beginning of 2008, the Romanian market was entered, through an acquisition of a subsidiary in Bucharest.
The East region in 2011 contributed approx. 12% to segment sales.

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

Distribution: High volume, low margin
In the 10 months until the closing of the sale, the high volume Distribution business contributed the lion's share of 2011 segment sales amounting to approx. EUR 95 mln.

Gross yield at 16.7% was significantly lower than in the other segments, and EBITDA margin at nearly 2.9% was clearly below the margin potential of Software (15-25%) and VAR business (10%).

VAR business: lower volume, higher margin
The transition to a VAR business will move this segment in the course of 2012 to an economical structure similar to the sister segment VAR D/A/CH.

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

For 2012 the new segment 'VAR Europe' is planning sales of approx. EUR 35 Million, of which around one third will be contributed by the M+M subsidiaries and around two third shall come from acquisitions. Segment headcount is expected to reach around 150 by end of 2012.

Sales should double to approx. EUR 70 mln by 2015 with about 200 headcount.

Distribution sale financing VAR transition
Only the first rate of the price from the sale of Distribution, amounting to EUR 12 mln was flowing in 2011. Up to EUR 16 mln of fixed and variable rates will be available to finance the VAR transition in the coming four years.

Other than in the German speaking market, no negative operating margins are expected during transition to the VAR business, as the business can be supported during the transition phase from the sale price rates until it achieves the EBITDA target margin (10%) from its own activities. Thus the VAR Europe segment should provide a positive EBITDA contribution from 2012 on.

Group headcount only slightly increased
The group employed 639 people on average during fiscal year 2011 (PY: 607 / +5%).
At Dec 31, 2011, group headcount was 649, distributed over the segments as follows: M+M Software 229 (35%), VAR D/A/CH 352 (54%) and VAR Europe 68 (11%).
Headcount does not include the current 9 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 28 years since the foundation of the company in 1984, the employees were always seen as ‘Co-Entrepreneurs’ and fully integrated in the decision making process. Whenever acquiring companies in and outside Germany in the course of the intensive expansion since IPO in 1997, M+M always cared for and respected the specific culture of the companies acquired and encouraged them to adopt the M+M corporate culture very gently. This is also, and especially, applied to the practical integration of the new partner companies in the VAR D/A/CH and Europe segments.

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.

Since then, the M+M group has had a classical holding structure with the mother company Mensch und Maschine Software SE acting as a finance holding.
Central management and service functions for the group are executed by subsidiary Mensch und Maschine Management AG, while all operating business is performed by German and international subsidiaries.

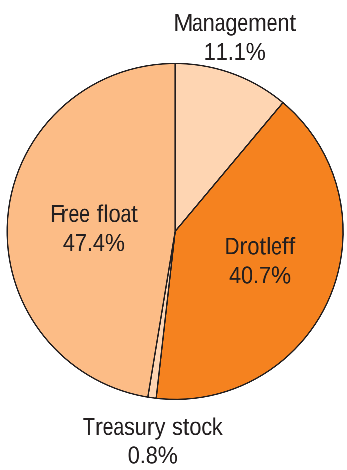
The step to the SE was combined with a streamlining of the management structure to a 'monistic' board system. The founder and main shareholder Adi Drotleff serves as chairman to the Administrative Board (Verwaltungsrat), together with two members of the former Advisory Board, Norbert Kopp (Deputy Chairman)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

Public and private company

Though M+M shares have been listed on the stock market for 15 years, a large portion of the shares are still in the hands of the management. Adi Drotleff, the founder, CEO and Chairman of the Board, holds more than 6.06 million shares or 40.7% of the approx. 14.88 million shares outstanding on Dec 31, 2011. The founders and Managing Directors of the VAR companies, which were integrated with the M+M group through share swaps in the course of the 'Market Offensive', together are holding around 1.65 million M+M shares (approx. 11.1%), which formally belong to free float, as nobody holds a package of 3% or more.

A package of approx. 120,000 shares (approx. 0.8%) was held by MuM SE in treasury stock at Dec 31, 2011. It was bought through the stock repurchase program confirmed by the annual shareholders' meetings 2008, 2009 and 2010 and started by the Administrative Board on Oct 9, 2008. Until Dec 31, 2011, more than 850,000 shares at an average price just above 4 EUR have been repurchased, of which approx. 730,000 shares were re-issued in the course of VAR business acquisitions.

'Pure' free float at Dec 31, 2011, contained about 7.05 million shares or 47.4%. A certain portion thereof was held in smaller packages by other members of the management. M+M thus can be seen as a public and a private company in one.



Listed in Entry Standard and m:access

Since March 31, 2010, the M+M share is listed in the m:access trading segment of Munich stock exchange.
Since Jan 2, 2012, there is an additional listing 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, Entry Standard and m:access 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 Chances

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, valuated and as far as possible controlled. In all business units there are so called risk owners, responsible for the description, valuation 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 valuation of risks which are in conflict with the compliance of the group financial statement. Such risks are actually not visible.

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

In detail, the following risk categories exist:

Credit risks:
Bad debt risks are counteracted with customer credit insurance, individual bad debt provisions, and streamlined receivables management.
Also favourable in this respect, is the fact that sales are divided among many individual customers each of which carries less than 2.5% 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.

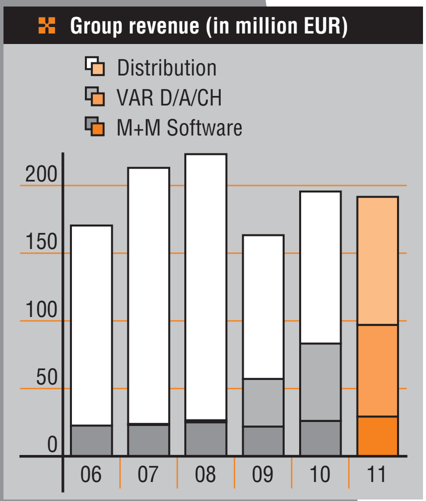
Financing and liquidity risk:
As in any business model not exclusively financed by equity, there is a dependency risk for the debt financed part due to the refinancing capabilities of the financial market. This risk is counteracted by distribution of credit lines at several banks inside and outside Germany. 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.

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

Course of business 2011 and situation of the group

2011 was an extraordinarily successful year for Mensch und Maschine – reaching new historical records for gross margin, operating and net profit, and a significantly improved, nearly debt free balance sheet.

Software and VAR D/A/CH with double digit sales increases
Sales in the unchanged segments Software and VAR D/A/CH rose by 12% / 18% to EUR 29.26 mln (PY: 26.05) / EUR 67.74 mln (PY: 57.25). Due to the Distribution exit per end of October, sales in this segment were 16% lower than 2010 at EUR 94.73 mln (PY: 112.26), resulting in full fiscal year group sales amounting to EUR 191.72 mln (PY: 195.56), slightly lower than in the previous year. With Distribution projected to 12 months, segment sales would have been approximately on previous year's level, resulting in group sales around EUR 210 mln, roughly the level achieved in 2007.

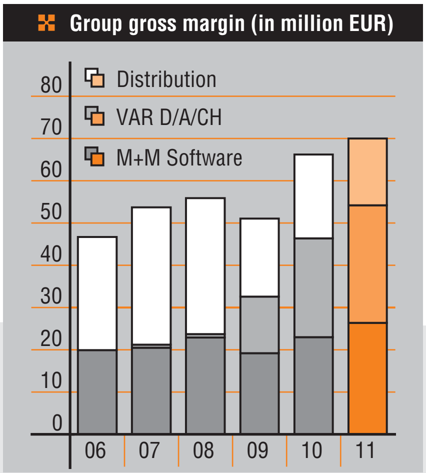


Highest gross margin in company history
In spite of the slight sales slip, added value in terms of gross margin rose to the new group record amount of EUR 70.01 mln (PY: 66.20 / +5.8%). Segment contribution from Distribution decreased by 20% to EUR 15.81 mln (PY: 19.86).

Gross margin from M+M Software increased, better than sales, by 15% to EUR 26.41 mln (PY: 23.00), as did the gross margin from VAR D/A/CH by 19% to EUR 27.79 mln (PY: 23.34).

Gross yield in fourth quarter was 45.2%
The higher weight of margin-richer segments lifted 2011 group gross yield to 36.5% (PY: 33.8%). In the fourth quarter it reached 45.2%, as the Distribution business with its relatively low 16.7% gross yield only was active until end of October, giving way for a domination of Software and VAR D/A/CH segments with significantly higher gross yields at 90.3% and 41.0%, respectively.

Only moderate expense increase
The personnel expenses amounted to EUR 44.55 mln (PY: 40.77 / +9.3%), other operating expenses were at EUR 24.34 mln (PY: 23.58 / +3.2%). Around EUR 1.27 mln of personnel expenses and c. EUR 2.35 mln of other operating expenses are attributed to non-recurring effects from the Distribution sale, so the pure operating expenses in total just increased moderately.



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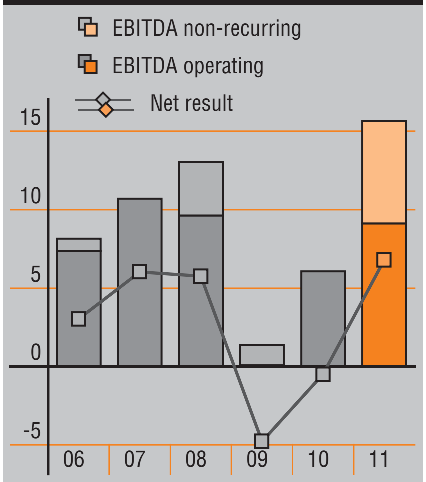
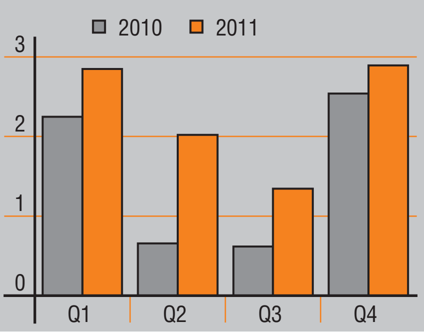
Distribution sale: High other income
The non-recurring gain from the sale of Distribution amounting to EUR 10.14 mln made the other operating income jump to EUR 14.51 mln (PY: 4.21).

Record operating profit EBITDA
Operating profit EBITDA before depreciation, amortization, interest and taxes marked a new company record at EUR 15.63 mln (PY: 6.06). Thereof around EUR 6.52 mln are attributed to non-recurring effects from the Distribution sale, the purely operating EBITDA came in at around EUR 9.1 mln, approx. 50% above the previous year. Thereof EUR 4.37 mln (PY: 2.82 / +55%) was contributed by the Software segment, EUR 1.96 mln (PY: -0.54) by VAR D/A/CH and EUR 2.78 mln (PY: 3.77) by Distribution. EBITDA margin raised to 8.2%, of which 4.7% (PY: 3.1%) was purely operating.

Earnings (in million EUR)



Quarterly EBITDA (operating, in million EUR)



Normal seasonality: Q1 and Q4 strong
Quarterly seasonality of EBITDA, as usually, saw a strong Q1 at EUR 2.85 mln (PY: 2.25), followed by very solid Q2/Q3 at EUR 2.02 mln (PY: 0.66) / EUR 1.34 mln (PY: 0.62).
In spite of the exit from Distribution end of October, the closing quarter Q4 (operating) came in better than in the previous year at EUR 2.89 mln (PY: 2.54) - in a 12 month projection of Distribution the (operating) EBITDA in Q4 would have amounted to EUR ~3,8 mln, nearly 50% above Q4/2010, and the (operating) full year EBITDA 2011 would have been approx. EUR 10 mln, which is about the level achieved in the previous record years 2007 and 2008.

Depreciation significantly higher, amortization constant
Depreciation on fixed assets climbed rather strongly to EUR 1.68 mln (PY: 1.27 / +32%). Amortization of non-tangible assets from acquisitions at EUR 2.05 mln (PY: 2.04) stayed nearly constant.

EBIT more than quadrupled
The operating earnings EBIT before interest and taxes more than quadrupled to EUR 11.90 mln (PY: 2.75). Thereof approx. EUR 5.38 mln was purely operating, the remainder was a non-recurring effect from the Distribution sale.

Financial result within expectation
The financial result dropped to EUR -1.02 mln (PY: -0.75), but fully remained within the expected range.

Double digit pretax profit
For the first time ever in the history of M+M, a double digit Million pretax profit at EUR 10.88 mln (PY: 2.01) was accounted, of which approx. EUR 4.36 mln came from operating business, more than twice the previous year's amount.

Group tax rate at 34.9%
Total tax load amounted to EUR -3.80 mln (PY: -2.32), resulting in a 34.9% group tax rate. Around EUR 1.68 mln taxes were attributed to the operating business, approx. EUR 2.12 mln to the Distribution sale.

Net profit outperforms 2007 record
Net earnings after tax and minority shares amounting to EUR 6.79 mln (PY: -0.50) outperformed the old company record from the year 2007 amounting to EUR 6.03 mln. This net profit is composed from approx. EUR 2.39 mln operating share and a non-recurring amount of approx. EUR 4.40 mln.

Earnings per share amounting to (undiluted) EUR 0.47 (PY: -0.03) or (diluted) EUR 0.45 (PY: -0.03) were around the 2007 record level of 47 or 46 Cents per share.
Approx. 16.5 Cents per share (undiluted) were earned in the operating business, just over 30 Cents per share were attributable to the Distribution sale.

Dividend doubling to 20 Cents
Management will propose to the annual shareholders' meeting at May 22, 2012 to double the dividend and pay out 20 Cents per share (PY: 10).
The payout amounting to approx. EUR 2.97 mln (the exact amount depends on the then actual number of shares in treasury stock) is taken from 'steuerliche Einlagenkonto' (§27 KStG) as in previous years and does not count as taxable income, but as repayment of capital reserve.

Operating cash flows increased
Operating cash flows rose to EUR 6.37 mln (PY: 3.88 / +64%) or 44 Cents per share (PY: 27), an increase which was about proportionate to that of purely operating net profit.

Positive cash flows from 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.

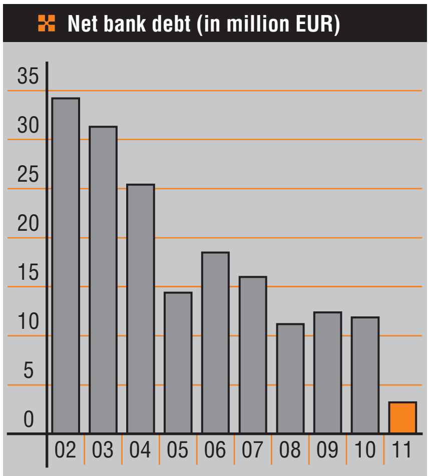
In 2011, a significantly higher amount of EUR 3.73 mln (PY: 1.74) was invested, mainly in IT infrastructure and software.

In addition, there were financial investments amounting to EUR 4.00 mln (PY: 1.09) primarily for the cash components in the acquisitions of VAR businesses.

Due to the Distribution sale, EUR 12.28 mln (PY: 0.19) cash flows were achieved from the sale of other fixed assets.

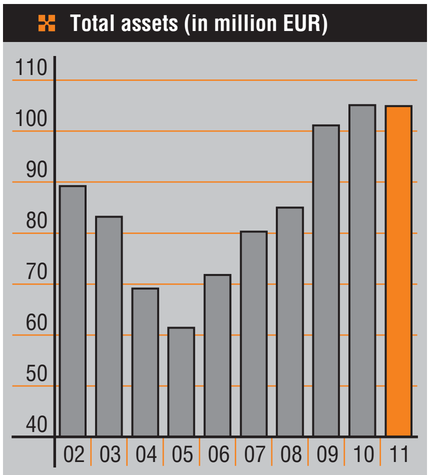
In total, EUR 4.55 mln were provided by investing activities (PY: -2.64 spending).

Net bank debt nearly dropped to zero
Due to the high free cash flows, net bank debt dropped to EUR 3.18 mln (PY: 11.86), just approx. 3% of total assets. This amount consists of current bank debt totalling EUR 19.61 mln (PY: 19.56), plus non-current bank debt totalling EUR 1.53 mln (PY: 1.36), minus cash totalling EUR 17.96 mln (PY: 9.06).



Altogether, M+M has reduced net bank debt by more than EUR 30 Million in the ten years since its all-time-high in 2002.

Total assets not yet significantly lower
Total assets yet remained nearly unchanged at EUR 104.95 mln (PY: 105.10), though accounts receivable and inventories have been reduced significantly after the sale of the Distribution business. However, this has not yet had a visible effect on total assets, as conversely the cash position has significantly increased, in the main. In the course of 2012 this stretching of the balance sheet in the order of magnitude of EUR 10 to 15 Million can be removed by netting cash and current bank debt between different countries and currencies in the group.



High accruals for the transition from Distribution to VAR Business in Europe
Current accruals jumped to EUR 12.99 mln (PY: 6.05) because approx. EUR 6 million from the fixed rate of Distribution sale price were reserved for restructuring in the course of segment transition from Distribution to VAR business in Europe during 2012.

Shareholders' equity strongly increased
Shareholders' equity as of Dec 31, 2011, increased significantly to EUR 33.76 mln (PY: 27.76 / +22%), with capital ratio rising accordingly to 32.2% (PY: 26.4%). Without the stretching of the balance sheet mentioned above, capital ratio would be approx. 35-38 percent.

Due to the IFRS 3 rules minority shares amounting to EUR 2.5 mln from the acquisitions of VAR businesses were not booked as such in shareholders' equity, but partly in current and partly in non-current liabilities, though they can be settled via share swap with M+M shares and require no cash. Adjusted by this dept-to-equity swap effect, shareholders' equity increases to approx. EUR 36.3 mln, capital ratio to 34.6% or, without the stretching of the balance sheet, to 38-40 percent.

Outlook

Beginning 2012, we assume a certain slowdown of the economic environment, and we therefore are just targeting low double digit organic revenue growth in the continued segments M+M Software and VAR D/A/CH.

On the earnings side, though, there is still significant margin potential: For both segments we can imagine an annual margin increase by 2-3% from the 15% and 2.9% EBITDA margins achieved in 2011, until the EBITDA target margins of approx. 20% for Software and approx. 10% for VAR D/A/CH have been reached. Until 2014, this results in an EBITDA doubling potential in the M+M Software segment, and for VAR D/A/CH a quintupling from EUR 1.96 mln (2011) to approx. EUR 10 mln in 2014 is possible.

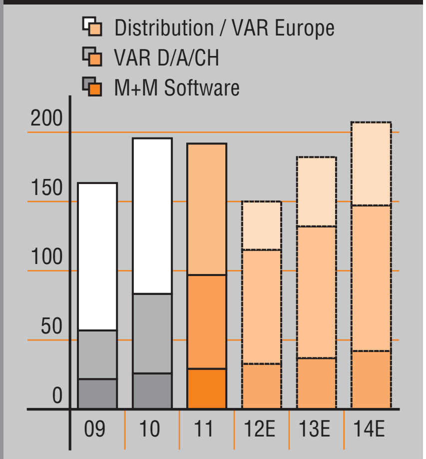
For the VAR Europe segment the 2012 sales target is approx. EUR 35 mln, which is expected to increase to approx. EUR 60 mln until 2014. Segment contribution to EBITDA for the next three years should be in the range of approx. EUR 3-4 mln, as the expected initial operating losses probably will be more than compensated by variable installments from the Distribution sale. The segment should achieve approx. 10% EBITDA target margin from its own activities after five to six years, hence 2016 or 2017.

This forecast model results in 2012 targets of approx. EUR 13 mln (PY: 9.1 operating) for EBITDA and approx. EUR 5 mln (PY 2.4 operating) or 30-35 Cents per share (PY 16.5 operating) for net profit. If we achieve these targets, 30 Cents (+50%) dividend payment is planned.

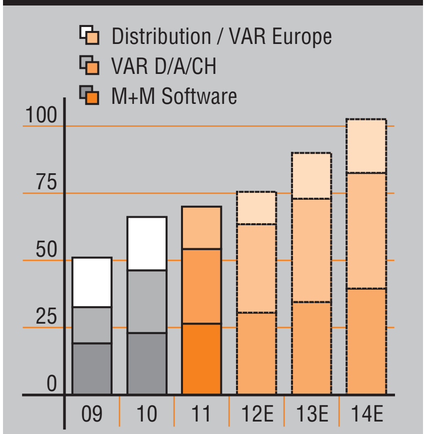
Due to the exit from the Distribution volume business, sales in 2012 are expected to decrease to approx. EUR 150 mln, as opposed to gross margin, where we target an increase to approx. EUR 75 mln (PY: 70.0), as the margin rich segments, Software and VAR D/A/CH, are dominating.

In 2014 we expect to re-pass the EUR 200 mln sales level and group gross margin for the first time exceed EUR 100 mln. EBITDA 2014 is targeted to be north of EUR 20 mln (>10% margin), with net profit above EUR 10 mln, or more than 70 Cents per share.

Group revenue (in million EUR)



Group gross margin (in million EUR)



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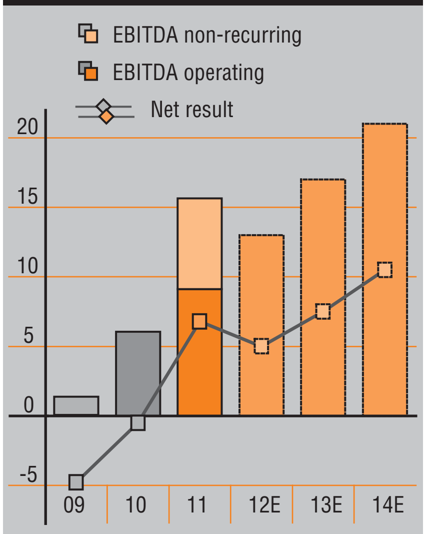
Earnings (in million EUR)



It is planned to raise the dividend payment by 10 Cents per year, resulting in 40 Cents for 2013 and 50 Cents for 2014.

An interesting year mid-term will be 2016, when amortization will drop by more than EUR 1.5 mln, because the seven year amortization period for the 2009 acquisitions from the Market Offensive in the German speaking area will be over.

This has a 1:1 impact on group net profit, allowing it to exceed EUR 15 mln in 2016. EPS can then surpass the one Euro barrier.

All estimates subject to error

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

Expression of thanks

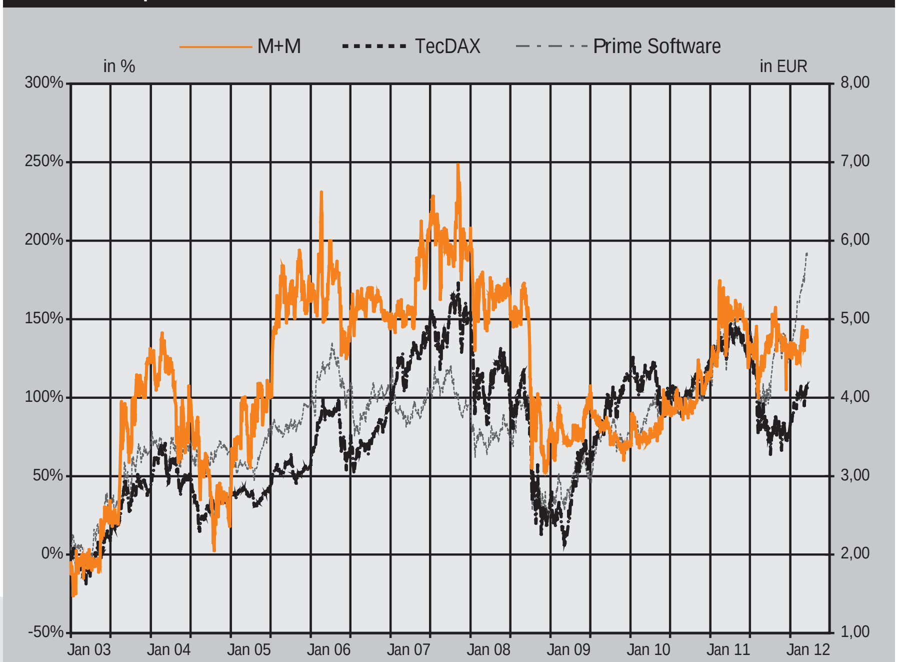
We would like to take the opportunity to thank all employees for their enormous engagement during the past fiscal year, which helped M+M to achieve record results and to further improve our market position.

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 2012
Mensch und Maschine Software SE
The Managing Directors

Since its all-time low at the beginning of 2003, the M+M share mostly outperformed the comparative indexes TecDAX and Prime Software. Through the share repurchasing program, M+M has bought more than 850,000 shares in the market from October 2008 to the end of 2011 and primarily re-issued them for acquisitions.

Development of the M+M share



Statement of income

Amounts in KEUR	Note*	2011		△%	2010	
Revenues		**191,720**	**100%**	**-2.0%**	**195,562**	**100%**
Cost of materials	1	-121,710	-63.5%	-5.9%	-129,366	-66,2%
Gross margin		**70,010**	**36.5%**	**+5.8%**	**66,196**	**33.8%**
Personnel expenses	2	-44,553	-23.2%	+9.3%	-40,768	-20.8%
Other operating expenses	3	-24,342	-12.7%	+3.2%	-23,582	-12.1%
Other operating income	5	14,513	7.6%	+244%	4,214	2.2%
Operating result EBITDA		**15,628**	**8.2%**	**+158%**	**6,060**	**3.1%**
Depreciation	4	-1,584	-0.8%	+25%	-1,272	-0.7%
Impairment	4	-100	-0.1%		0	
Amortisation	4	-2,048	-1.1%	+0.5%	-2,037	-1.0%
Operating result EBIT		**11,896**	**6.2%**	**+332%**	**2,751**	**1.4%**
Financial result	6	-1,016	-0.5%	+36%	-745	-0.4%
Result before taxes		**10,880**	**5.7%**	**+442%**	**2,006**	**1.0%**
Taxes of income	7	-3,802	-2.0%	+64%	-2,322	-1.2%
Net result after taxes		7,078	3.7%		-316	-0.2%
thereof attributable to M+M shareholders		**6,788**	**3.5%**		**-500**	**-0.3%**
thereof attributable to minority shareholders		290	0.2%		184	0.1%
Net income per share (basic)	8	0.4677			-0.0344	
Net income per share (diluted)	8	0.4450			-0.0330	
Weighted average shares outstanding in million (basic)	8	14.514		-0.2%	14.542	
Weightes average shares outstanding in million (diluted)	8	15.254		+0.8%	15.136	

* see notes on pages 51 to 53

Consolidated statement of comprehensive income

Amounts in KEUR		2011		2010
Net result after taxes		7,078		-316
thereof attributable to M+M shareholders		**6,788**		**-500**
thereof attributable to minority shareholders		290		184
Exchange differences on translation of operations		**-316**		**689**
Total comprehensive income		6,762		373
thereof attributable to M+M shareholders		**6,472**		**189**
thereof attributable to minority shareholders		290		184

Statement of income according to IFRS 5

Amounts in KEUR	2011		△%	2010	
Revenues	**96,993**	**100%**	**+16%**	**83,300**	**100%**
Cost of materials	-42,789	-44.1%	+16%	-36,960	-44.4%
Gross margin	**54,204**	**55.9%**	**+17%**	**46,340**	**55.6%**
Personnel expenses	-38,020	-39.2%	+12%	-33,836	-40.6%
Other operating expenses	-13,158	-13.6%	-2.2%	-13,455	-16.2%
Other operating income	3,305	3.4%	+2.0%	3,241	3.9%
Operating result EBITDA	**6,331**	**6.5%**	**+177%**	**2,290**	**2.7%**
Depreciation	-1,145	-1.2%	+20%	-952	-1.1%
Impairment	-100	-0.1%		0	
Amortisation	-1,698	-1.8%	+4.9%	-1,619	-1.9%
Operating result EBIT	**3,388**	**3.5%**		**-281**	**-0.3%**
Financial result	-637	-0.7%	+21%	-526	-0.6%
Result before taxes	**2,751**	**2.8%**		**-807**	**-1.0%**
Taxes of income	-1,100	-1.1%	-16%	-1,304	-1.6%
Result from continuing operations after taxes	1,651	1.7%		-2,111	-2.5%
thereof attributable to M+M shareholders	**1,361**	**1.4%**		**-2,295**	**-2.8%**
thereof attributable to minority shareholders	290	0.3%	+58%	184	0.2%
Discontinued Distribution operations (net of tax)	**5,427**	**5.6%**	**+202%**	**1,795**	**2.2%**
Net result after taxes	7,078	7.3%		-316	-0.4%
thereof attributable to M+M shareholders	**6,788**	**7.0%**		**-500**	**-0.6%**
thereof attributable to minority shareholders	290	0.3%		184	0.2%
Net income per share from continuing operations (basic)	0.0938			-0.1578	
Net income per share from continuing operations (diluted)	0.0891			-0.1516	
Net income per share from discontinued operations (basic)	0.3739			-0.1234	
Net income per share from discontinued operations (diluted)	0.3553			-0.1186	
Weighted average shares outstanding in million (basic)	14.514		-0.2%	14.542	
Weightes average shares outstanding in million (diluted)	15.254		+0.8%	15.136	

The management believes that the sale of the Distribution business is not clearly qualified as discontinued activities according to IFRS 5, because no subsidiaries were sold, but are continued and serve, together with more than half of the former employees, as the base for the transition of the segment to 'VAR Europe'. Furthermore, the previous and future business activities only differ by the change from indirect to direct sales. Therefore we show a P&L including all group activities on page 22 and on this page a P&L according to IFRS 5. The latter only shows the segments M+M Software and VAR D/A/CH which are continued without changes, while all effects from the Distribution segment are shown net of tax in one line as 'discontinued activities'. For further notes according to IFRS 5 see pages 53/54.

Balance sheet

Amounts in KEUR	Note*	Dec 31, 2011		△%	Dec 31, 2010	
Cash and cash equivalents		17,960		+98%	9,061	
Trade accounts receivable	9	20,488		-40%	34,082	
Inventories	10	2,908		-51%	5,959	
Prepaid expenses and other current assets	11	9,869		+165%	3,717	
Total current assets		**51,225**	**48.8%**	**-3%**	**52,819**	**50.3%**
Property, plant and equipment		5,059		+65%	3,059	
Investment properties	12	0		-100%	1,273	
Intangible assets		10,352		-6%	11,049	
Goodwill	13	32,193		+2%	31,658	
Other investments	14	1,816		-5%	1,910	
Deferred taxes	7	4,301		+29%	3,337	
Total non current assets		**53,721**	**51.2%**	**+3%**	**52,286**	**49.7%**
Total assets		**104,946**	**100%**	**-0%**	**105,105**	**100%**
Short term debt and current portion of long term debt	15	19,607		+0%	19,561	
Trade accounts payable		18,249		-40%	30,413	
Accrued expenses	16	12,987		+115%	6,054	
Deferred revenues		1,215		+15%	1,052	
Income tax payable		2,330		+129%	1,017	
Other current liabilities	17	10,594		-9%	11,649	
Total current liabilities		**64,982**	**61.9%**	**-7%**	**69,746**	**66.4%**
Long term debt, less current portion	18	1,532		+13%	1,360	
Deferred taxes	7	2,209		-9%	2,436	
Pension accruals	19	328		+9%	300	
Other accruals	16	678		-11%	761	
Other non current liabilites	20	1,460		-47%	2,737	
Total non current liabilities		**6,207**	**5.9%**	**-18%**	**7,594**	**7.2%**
Share capital	21	14,877		+2%	14,638	
Capital reserve	22	15,641		+8%	14,512	
Other reserves		221		0%	221	
Teasury stock	23	-540		+88%	-287	
Retained earnings / accumulated deficit		644			-4,693	
Equity attributable to non-controlling (minority) interest	24	3,271		-4%	3,415	
Currency conversion		-357			-41	
Total shareholders' equity		**33,757**	**32.2%**	**+22%**	**27,765**	**26.4%**
Total liabilities and shareholders' equity		**104,946**	**100%**	**-0%**	**105,105**	**100%**

* see notes on pages 55 to 61

Statement of cash flows

Amounts in KEUR	2011	2010
Net result	**7,078**	**-316**
Depreciation and amortization	3,732	3,309
Other non cash income / expenses	-855	1,343
Increase/decrease in provisions and accruals	6,878	705
Losses/gains on the disposal of fixed assets	-6,740	0
Change in net working capital	-3,726	-1,162
Net cash provided by (used in) operating activities	**6,367**	**3,879**
Purchase of subsidiaries, net of cash	-4,005	-1,095
Purchase of other fixed assets	-3,730	-1,737
Sale of other fixed assets	12,282	189
Net cash provided by (used in) investing activities	**4,547**	**-2,643**
Purchase of own shares	-253	-685
Dividend payment to M+M shareholders	-1,451	0
Dividend payment to minority shareholders	-491	0
Proceeds from short or long term borrowings	218	1,634
Net cash provided by (used in) financing activities	**-1,977**	**949**
Net effect of currency translation in cash and cash equivalents	-38	-20
Net increase / decrease in cash and cash equivalents	**8,899**	**2,165**
Cash and cash equivalents at beginning of period	**9,061**	**6,896**
Cash and cash equivalents at end of period	**17,960**	**9,061**

see notes on pages Seite 61 and 62

Development of shareholders' equity

Amounts in KEUR	Subscribed Capital	Capital Reserve	Other Reserves	Profit/ Loss	Own shares	Currency conversion	attributable to M+M SE shareholders	Minority interest	Total equity
As of Jan 01, 2010	**14,588**	**14,081**	**221**	**-4,761**	**-234**	**-730**	**23,165**	**1,056**	**24,221**
Share based payment		231					231		231
Capital increase	50	200					250		250
Purchase of own shares					-685		-685		-685
Disposal of own shares					632		632		632
Net result				-500			-500		-500
Minority interest change				568			568	2,359	2,927
Currency conversion						689	689		689
As of Dec 31, 2010	**14,638**	**14,512**	**221**	**-4,693**	**-287**	**-41**	**24,350**	**3,415**	**27,765**
Share based payment		173					173		173
Capital increase	239	956					1,195		1,195
Purchase of own shares					-1,899		-1,899		-1,899
Disposal of own shares					1,646		1,646		1,646
Dividend				-1,451			-1,451	-491	-1,942
Net result				6,788			6,788	290	7,078
Minority interest change				-57			-57	57	0
Currency conversion				57		-316	-259		-259
As of Dec 31, 2011	**14,877**	**15,641**	**221**	**644**	**-540**	**-357**	**30,486**	**3,271**	**33,757**

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 three segments, Distribution (future VAR Europe), VAR D/A/CH and M+M Software.
The Distribution segment was focused on Value-Added Distribution of CAD Software in Europe. Since the Distribution business was sold at end of October 2011, the segment is in transition to a VAR business. The VAR D/A/CH segment covers direct selling of CAD software to end users and associated services in the German speaking areas. 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	2011						2010					
	Distribution		VAR D/A/CH		M+M Software		Distribution		VAR D/A/CH		M+M Software	
Total revenue	96,605		97,519		29,258		113,603		78,637		26,050	
Internal revenue	-1,878		-29,782		-2		-1,341		-21,387		0	
External revenue	**94,727**	**100%**	**67,737**	**100%**	**29,256**	**100%**	**112,262**	**100%**	**57,250**	**100%**	**26,050**	**100%**
share in percent	**49.4%**		**35.5%**		**15.3%**		**57.4%**		**29.3%**		**13.3%**	
Cost of materials	-78,921	-83.3%	-39,942	-59.0%	-2,847	-9.7%	-92,406	-82.3%	-33,911	-59.2%	-3,049	-11.7%
Gross margin	**15,806**	**16.7%**	**27,795**	**41.0%**	**26,409**	**90.3%**	**19,856**	**17.7%**	**23,339**	**40.8%**	**23,001**	**88.3%**
share in percent	**22.6%**		**39.7%**		**37.7%**		**30.0%**		**35.3%**		**34.7%**	
Personnel expenses	-6,533	-6.9%	-22,370	-33.0%	-15,650	-53.5%	-6,932	-6.2%	-20,155	-35.2%	-13,681	-52.5%
Other operating expenses	-11,184	-11.8%	-6,028	-8.9%	-7,130	-24.4%	-10,127	-9.0%	-6,269	-11.0%	-7,186	-27.6%
Other operating income	11,208	11.8%	2,560	3.8%	745	2.5%	973	0.9%	2,550	4.5%	691	2.7%
Operating result EBITDA	**9,298***	**9.8%**	**1,956**	**2.9%**	**4,374**	**15.0%**	**3,771**	**3.4%**	**-536**	**-0.9%**	**2,825**	**10.8%**
**share in percent ** **	**59.5%**		**12.5%**		**28.0%**		**62.2%**		**-8.8%**		**46.6%**	
Depreciation	-439	-0.5%	-637	-0.9%	-508	-1.7%	-320	-0.3%	-463	-0.8%	-489	-1.9%
Impairment	0	0.0%	-100	-0.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Amortisation	-350	-0.4%	-1,698	-2.5%	0	0.0%	-418	-0.4%	-1,619	-2.8%	0	0.0%
Operating result EBIT	**8,509**	**9.0%**	**-479**	**-0.7%**	**3,866**	**13.2%**	**3,033**	**2.7%**	**-2,618**	**-4.6%**	**2,336**	**9.0%**
Segment assets	28,827		44,275		27,543		35,058		39,921		26,789	
Fixed assets	5,954		27,511		15,955		8,158		25,759		15,032	
Investments	741		5,234		1,760		188		2,412		232	
Liabilities	23,261		34,898		10,821		35,258		31,279		10,803	

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

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

Geographical segmentation

Amounts in KEUR	2011		2010	
	Germany	International	Germany	International
Total revenue	77,007	146,375	63,177	155,113
Internal revenue	-21,045	-10,617	-14,403	-8,325
External revenue	**55,962**	**135,758**	**48,774**	**146,788**
share in percent	**29.2%**	**70.8%**	**24.9%**	**75.1%**
Fixed assets	30,123	19,297	29,480	19,469
Investments	2,990	4,745	1,502	1,330

CAD in practice: Architecture

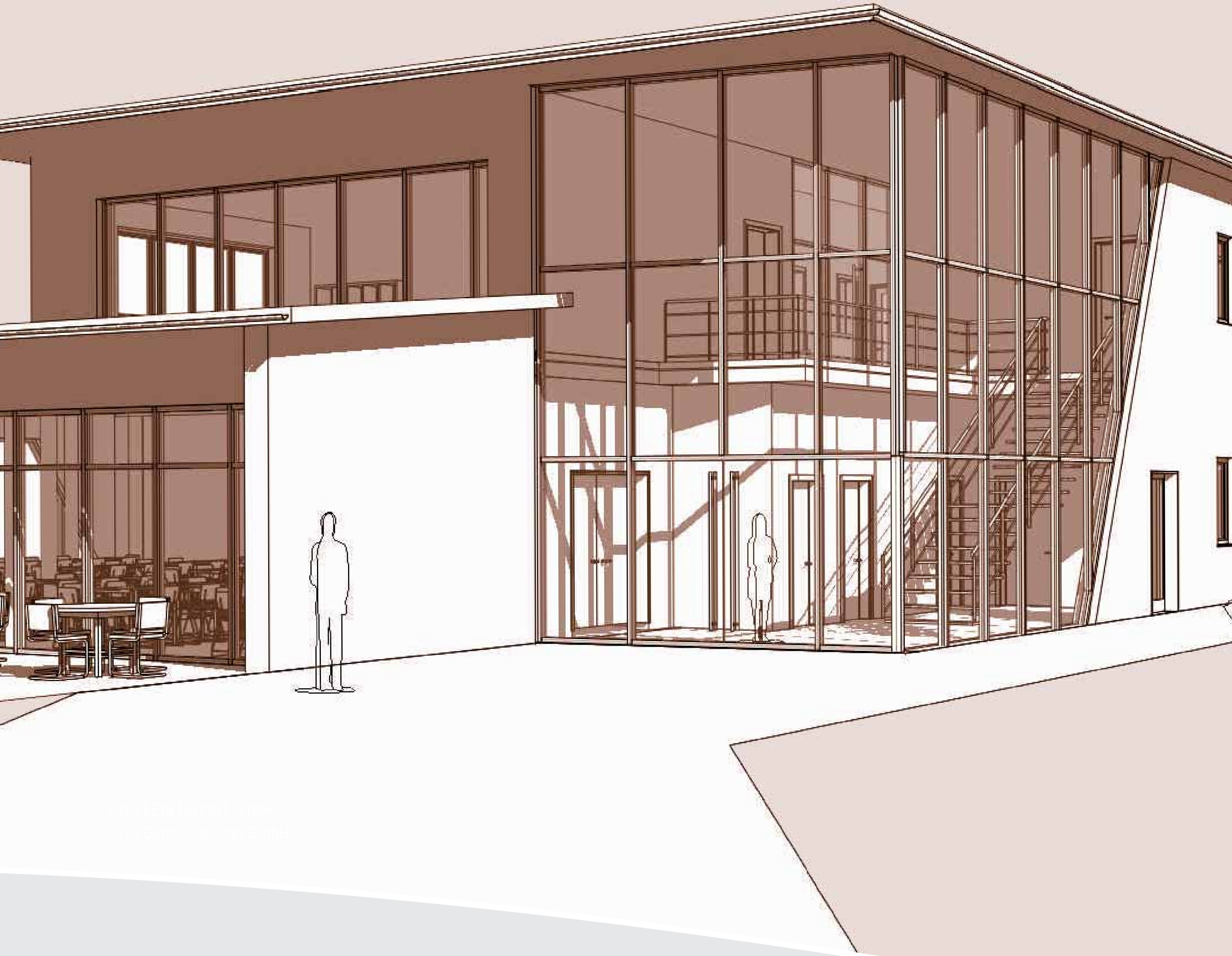
Project: VIP canteen building for Brueckner Group in Siegsdorf, Germany

Customer: Haumann & Fuchs Ingenieure AG, Traunstein

Haumann & Fuchs Ingenieure AG provides all kinds of services around construction – including design, structural engineering, interior design and facilities management for administration, trading or industrial buildings as well as infrastructural projects.

The VIP canteen building for Brueckner Group in Siegsdorf was developed using Autodesk Revit Architecture - a single virtual model for all planning tasks, from the first blueprint to design, quantity survey and facilities management.

This integrated workflow increases planning security. Due to the various options for 2D and 3D visualization in Revit, it is possible to actively involve the client in the planning process, which represents a significant added value, particularly in the early design phase.



General remarks

Basis of the group financial statement

The consolidated financial statement of Mensch und Maschine Software SE, Wessling, Germany has 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 12, 2012 for submission to the company's Administrative Board.
The Administrative Board approved the consolidated financial statements at its meeting on March 23, 2012 and approved for publication on March 26, 2012.

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 2011 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, 2011. M+M is applying the following IFRSs in the reporting period for the first time:

Improvements to IFRS 2010

IAS 1	Presentation of Financial Statements
IAS 24	Related Party Disclosures IAS 27 Consolidated and Separate Financial Statements
IAS 32	Classification of subscription rights
IAS 34	Interim Financial Reporting
IAS 38	Intangible Assets
IAS 39	Embedded derivatives
IFRS 3	Business Combinations
IFRS 7	Financial Instruments
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	Minimum Funding Requirements on a Defined Benefit Asset
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

New accounting policies

The IASB and IFRIC have adopted further standards and interpretations, which were endorsed by the European Union but not yet effective in the 2011 financial year.

IFRS 7	Disclosure of financial instruments and risk reporting
IFRIC 19	Repayment of financial liabilities by equity instruments

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

IAS 1	Representation of components of other comprehensive income
IAS 12	Measurement of actual and deferred tax load
IAS 19	Employee Benefits (Amendment revised 2011)
IAS 27	Financial Statements (revised 2011)
IAS 28	Investments in associates and joint ventures
IAS 32	Offsetting of financial assets and financial liabilities

IFRS 7	Financial Instruments: Disclosures
IFRS 9	Classification and measurement of financial assets
IFRS 10	Consolidated financial statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair Value Measurement

IFRIC 20	Stripping costs

These Standards and Interpretations have to be applied for annual periods beginning after July 1, 2011 or January 1, 2012. 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 2012.

Valuation methods and accounting policies applied

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

In addition to the parent company, the following companies were fully consolidated in the group financial statement of December 31, 2011:

M+M group consolidated companies

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

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

The acquisitions of Mensch und Maschine CAD-LAN AG, Mensch und Maschine CAD-praxis GmbH, Mensch und Maschine IT-Consulting GmbH and Mensch und Maschine Personalbereitstellungs-GmbH were done in a two-step procedure. In the first step the majority was transferred (50.1% or 75.0%). Within the financial year 2011 the remaining shares have been acquired and the final valuation has been made. Due to the final evaluation Goodwill has been adjusted by KEUR 1,239 according to the regulations of IFRS (Business Combinations before January 1, 2010).

For the further extension of the VAR Business, the existing subsidiary EUKLID Software GmbH bought the business of acadGraph CADstudio GmbH, an Architecture/ Infrastructure specialist. Then EUKLID was renamed Mensch und Maschine acadGraph GmbH and 25% of the shares of this company were transferred to the shareholders of acadGraph CADstudio GmbH.

The effects of these acquisitions made in 2011 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 2011

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

The difference between the net cash outflow for the acquisitions of KEUR 4,005 and the purchase price of KEUR 2,124, results from the payment of purchase price obligations which have been carried as liability on the balance sheet.

The purchase price allocation reflects all information with respect to revaluation amounts calculated as of the date of acquisition, but has not yet been completed. Therefore, changes may be made in the allocation of the purchase price to the individual assets.

The transaction costs amounting to KEUR 26 are included in the other operating expenses. The first-time consolidation as of September 1, 2011 of the acquired businesses from acadGraph CADstudio GmbH contributed KEUR 2,152 to the sales and decreased the earnings of the Group in 2011 by KEUR 188.

Acquired assets and assumed liabilities in fiscal year 2010 Amounts in KEUR	Net carrying amount at the date of first consolidation	Fair-value adjustment	Net carrying amount after the acquisition
Cash and cash equivalents	686		686
Inventories	36		36
Other current assets	1,368		1,368
Property, plant and equipment	105		105
Other intangible assets	0	1,611	1,611
Deferred taxes	0	-410	-410
Short term debt	0		0
Other currebt liabilities	-1,224		-1,224
Accruals	-194		-194
Net assets	**777**	**1,201**	**1,978**
Liabilities to other shareholders			-479
Minority interest			0
Goodwill			1,175
Purchase price			**2,674**
Share swap by contribution in kind	250		250
Share swap using own shares	630		630
Remaining obligation	950		950
Remaining cash obligation	100		100
Cash and cash equivalents at the time of initial consolidation	686		686
Cash reserved for dividendpayments to former shareholders	-479		-479
Acquired cash and cash equivalents	207		207
Cash outflow for purchase	744		744
Net cash outflow for the acquisitions			**537**

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

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

The following domestic subsidiaries made use in 2011 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
- Mensch und Maschine Deutschland GmbH, Wessling
- OPEN MIND Technologies AG, Wessling

Principles of consolidation

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

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

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

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

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. For M+M, rule IAS 27.35 is applied saying that negative minority shares have to be settled with shareholders equity and that no minority shares, debit or credit shall be applied to group income statement, as long as no positive minority share results which, according to IAS 27.33, has to be shown separately within shareholders' equity.

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 judgments 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 judgment.

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 judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

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

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

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

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

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

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

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management judgment 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. Hereby only those tax loss carry forwards are capitalized by M+M, which can presumably be used within the following five years

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

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

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

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

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

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

Currency conversion

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

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.

Exchange rates

	Average		Year end	
	2011	2010	Dec 31, 11	Dec 31, 10
1 Swiss Franc	0.8117	0.7300	0.8214	0.7984
1 British Pound	1.1474	1.1691	1.1947	1.1601
1 Polish zloty	0.2416	0.2500	0.2246	0.2524
1 Swedish Crown	0.1109	0.1054	0.1120	0.1114
1 Romania Ron	0.2359	0.2372	0.2307	0.2336
1 US Dollar	0.7180	0.7531	0.7722	0.7545
1 Singapore Dollar	0.5714	0.5524	0.5943	0.5843
100 Japanese Yen	0.9003	0.8579	0.9975	0.9253
1 Taiwan Dollar	0.0243	0.0239	0.0245	0.0257
1 Renminbi Yuan	0.1109	0.1048	0.1213	0.1020
1 India Rupie	0.0152	0.0164	0.0142	0.0166

Accounting and valuation methods

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

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

Investment property
Investment property is all real property held to earn rental income or for long-term capital appreciation rather than mainly for use in production or for administrative purposes. This property is measured at depreciated cost. Transaction costs are also included in the initial measurement. Depreciable investment property is depreciated over 50 years using the straight-line method. Fair values of investment property are determined using the gross rental method or are derived from the current market prices of comparable real estate. Impairment losses for investment properties are recognized according to the principles described for intangible assets.

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 depreciated cost.

Business combinations and goodwill
Business combinations are accounted for using the purchase method. Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

According to IFRS 3 (business combinations) goodwill is not amortized, instead it is subjected to an impairment test, at least once every year.

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

The discount rate is determined on the basis of market data and considers credit and market risks. For the cash generating units the pre-tax discount rate amounts between 4.45% and 11.32%, the after-tax basis discount rate amounts between 6.10% and 12.92%.

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 depreciations.

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 amortisation is taken to the income statement through the amortisations.

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 capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Development expenditure on an individual project is capitalized if their future recoverability can reasonably be regarded as assured.

Research costs are expensed as incurred.

Other investments

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

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

In general, the shareholdings are checked for depreciation by means of valuations which are taken as a basis when the shares in shareholdings are transferred. The transactions invoked for the purposes of valuation take place between third parties outside the Group. In addition, DCF methods and industry-specific multipliers are applied for the impairment testing. Actually twice the sustained annual gross margin is taken as the maximum book value of an investment not causing impairment.

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:

	2011	2010
Discount rate	4.90%	4.90%-5.30%
Estimated return on plan assets	4.90%-5.00%	5.00%
Future changes in remunerations	1.50%-3.00%	1.50%-2.00%

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. The service cost is disclosed in staff costs. The actuarial gains and losses are immediately recognized affecting net 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 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10	Tranche 11	
Day of issuance	**Jun 2, 03**	**Jul 12, 05**	**May 31, 06**	**May 4, 07**	**Jun 26, 08**	**May 12, 09**	**May 26, 10**	**Total**
Total number granted	242,908	315,250	249,425	244,507	261,170	256,770	331,712	1,901,742
Strike price (EUR)	2.45	3.59	5.64	5.15	5.23	3.45	3.51	
Vesting period	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	
Outstanding options as of Jan 1, 2011	2,342	145,315	211,235	219,491	250,070	247,710	329,212	1,405,375
In the reporting period								
granted options	0	0	0	0	0	0	0	0
forfeited options	550	7,800	7,950	7,700	9,200	14,830	9,275	57,305
exercised options	1,100	36,645	0	0	0	11,220	0	48,965
expired options	692	1,350	0	0	0	0	0	2,042
Outstanding options as of Dec 31, 2011	0	99,520	203,285	211,791	240,870	221,660	319,937	1,297,063
Exercisable options as of Dec 31, 2011	0	99,520	203,285	211,791	120,435	105,229	0	740,260
Capital increase in KEUR for:								
Exercisable options only	0	357	1,147	1,091	630	363	0	3,588
All options outstanding	0	357	1,147	1,091	1,260	765	1,123	5,743

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 2011, no new options have been issued. In the period 48,965 options have been converted, 2,042 options have expired and 57,305 have forfeited. As of December 31, 2011, 1,297,063 options are outstanding.

The options can also be converted by own shares which was used in 2011 with 17,174 options for the first time. The remaining 31,791 options were redeemed by direct bonus payments to the employees.

Parameters for the calculation

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

The weighted average share price at the exercise date of the converted options within the reporting period was EUR 4.59.

The second possibility for the conversion of the options is by means of a capital increase from the contingent capital, so the conversion price leads to an injection of capital on the one hand and a corresponding increase in the number of shares on the other. In the last two lines of the table, the respective injection of capital for each issue year and overall is listed. The upper line only shows options exercisable as at December 31, 2011, and the lower line reports all outstanding options.

If all 740,260 exercisable options were converted, this would lead to an injection of capital amounting to KEUR 3,588. In terms of the number of shares as at December 31, 2011, amounting to 14,876,875 and the equity as at December 31, 2011, of KEUR 33,757, this would correspond to 4.98% growth in the number of shares and a 10.63% increase in the equity. In terms of the total number of 1,297,063 outstanding options and an associated injection of capital amounting to KEUR 5,743, the following values are derived: number of shares +8.72% and capital growth +17.01%.

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').

The total value of the granted stock options as of December 31, 2011, under IFRS amounts to KEUR 2,036 (PY: 2,036).

As of the balance sheet date a total expense of KEUR 1,559 (PY: 1,386) 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 173 (PY: 221).

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

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

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

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

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

Related Parties

M+M's principal, CEO and Chairman of the Board Adi Drotleff as well as his family members granted M+M loans amounting to KEUR 1,609 (PY: 1,408) and therefore received interest in 2011 of KEUR 51 (PY: 41).

M+M's CFO Peter Schuetzenberger granted M+M loans amounting to KEUR 320 (PY: 320) and therefore received interest in 2011 of KEUR 10 (PY: 2).

KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3% as of December 31, 2011, granted M+M loans amounting to KEUR 2,475 (PY: 2,475) and therefore received interest in 2011 of KEUR 99 (PY: 99).

Notes on the statement of income

1. Cost of materials

Amounts in KEUR	2011	2010
Cost of materials from Autodesk products	-107,876	-116,834
Cost of materials from other vendors	-7,495	-7,554
Cost of outside services	-3,505	-1,558
Licenses and other production costs for proprietary software	-2,834	-3,420
	-121,710	**-129,366**

2. Personnel expenses

This position contains mainly wages and salaries, social security, other pension costs and welfare. Expenses for share-based payments amounts to KEUR 173 (PY: 231).

3. Other operating expenses

Amounts in KEUR	2011	2010
Insurance	-690	-816
Costs of building	-3,756	-3,555
Travel costs	-1,877	-1,609
Car expenses	-2,971	-2,827
Advertising and promotion	-7,697	-8,278
Communication	-888	-884
IT-Budget	-355	-348
Consulting and Lawyer Fees	-1,264	-1,451
Rest of other operating expenses	-4,844	-3,814
	-24,342	**-23,582**

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	2011	2010
Depreciation of property, plant and equipment	-1,254	-1,103
Depreciation of investment properties	0	-29
Amortization due to purchase price allocated intangible assets	-2,048	-2,037
Amortization of other intangible assets	-330	-140
Amortization of other financial assets	-100	0
	-3,732	**-3,309**

5. Other operating income

Amounts in KEUR	2011	2010
Return from private use of cars and telephones	804	721
Rents received	142	223
Income from subsequent price reductions	0	333
Income from the sale of Distribution Business	10,140	0
Marketing funds	1,463	1,226
Other income	1,964	1,711
	14,513	**4,214**

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

6. Financial results

Amounts in KEUR	2011	2010
Interest income	144	92
Interest expense	-1,314	-1,145
Income from investments and participations	78	77
Minority interest in VAR business partners	-237	-438
Other income and expenses	0	-11
Foreign currency exchange gains / losses	313	680
Financial result	**-1,016**	**-745**

Tax reconciliation

Amounts in KEUR	2011	2010
Result before income tax	**10,880**	**2,006**
Legal tax rate	30%	30%
Expected tax load / benefit	**-3,264**	**-602**
Tax rate variances		
Foreign tax rate differential	396	154
Deviation of the taxable base from		
Non deductable expenses	-130	-190
Tax free income from investments	23	23
Taxable depreciation of intangible assets	70	70
Valuation of deferred tax assets		
Non execution of deferred tax assets	145	0
Belated execution of deferred tax assets	-1,056	-1,767
Other	**14**	**-10**
Actual tax load	**-3,802**	**-2,322**
Effective tax rate in percent	**34.94%**	**115.75%**

7. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 4,993 (PY: 2,456), a relief amounting to KEUR 964 (PY: surplus of 377) from further development and revaluation of deferred tax assets, as well as a relief of KEUR 227 (PY: 511) from deferred tax liabilities.

In total there are realizable tax loss carry forwards amounting to KEUR 23,309 (PY: 27,603). This creates gross tax credits of KEUR 6,381 (PY: 8,311). The realization of the tax loss carry forward has been proved by planning forecasts and flexible tax models of optimization. Hereby only those tax loss carry forwards are capitalized, which can presumably be used within the following five years, resulting in deferred tax assets with an amount of KEUR 1,702 (PY: 3,112). This means 26.67% (PY: 37.44%) 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 2,599 (PY: 225) resulting from different valuations of accruals, as well as deferred tax liabilities amounting to KEUR 2,209 (PY: 2,436). 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 on the left side (page 52).

8. Calculation of shares outstanding and earnings per share

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

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

	2011	2010
Net result KEUR	6,788	-500
Weighted number of shares	14,513,599	14,542,010
Non diluted earnings per share EUR	0.4677	-0.0344
Diluted net result KEUR	6,788	-500
Diluted number of shares	15,253,859	15,135,732
Diluted earnings per share EUR	0.4450	-0.0330

Notes on the statement of income according to IFRS 5

(Discontinuing Operations)

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

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

The subsidiaries in these countries, together with approximately 70 of 113 employees, remain in the M+M group and serve as a basis for developing the VAR business.

Like in the German speaking countries acquisitions of selected reselling partners shall complement the own subsidiaries.

The management believes that the sale of the Distribution Business is not clearly qualified as discontinued activities according to IFRS 5. Therefore we show a P&L including all group activities on page 22 and on page 23 a P&L according to IFRS 5. The latter only shows the segments M+M Software and VAR D/A/CH which are continued without changes, while all effects from the Distribution segment are shown net of tax in one line as 'discontinued activities'.

The result of the Distribution segment is shown in the following income statement:

Statement of Distribution segment income according to IFRS 5

Amounts in KEUR	2011	2010
Revenues	**94,727**	**112,262**
Cost of materials	-78,921	-92,406
Gross margin	**15,806**	**19,856**
Personnel expenses	-5,260	-6,932
Other operating expenses	-8,834	-10,127
Other operating income	1,068	973
Operating result EBITDA	**2,780**	**3,770**
Depreciation	-439	-320
Amortisation	-350	-418
Operating result EBIT	**1,991**	**3,032**
Financial result	-379	-219
Result before taxes	**1,612**	**2,813**
Taxes of income	-584	-1,018
Result of the Distribution segment after taxes	**1,028**	**1,795**
Sale of the Distribution business net of tax	**4,399**	**0**
Net result after taxes	**5,427**	**1,795**

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

The variable purchase price components are dependent on the buyer's business development in the next three years and each are recorded in the year in which the amount is certain.

The net result after tax of the discontinued business amounts to KEUR 5,449 (PY: 1,795) of which KEUR 4,399 (PY: 0) reflects the gain on disposal. The results of discontinued operations are fully attributable to the shareholders of M+M SE.

The composition of the net realizable gain is shown in the following table:

Amounts in KEUR	**2011**
Fixed purchase price component collected in 2011	12,000
Fixed purchase price component due in 2012	6,000
Disposal of customer base and goodwill	-1,860
Accrual for restructuring	-6,000
Personnel expenses during restructuring	-1,273
Other restructuring expenses	-2,350
Profit from the Distribution business sale before taxes	**6,517**
Income taxes	-2,118
Profit from the Distribution business sale after taxes	**4,399**

A strict separation between the discontinued operations and the continued business operation is not possible, because aside from some intangible assets no assets have been sold in connection with the sale of distribution business.

Accordingly, a meaningful determination of net cash flows from operating, investing and financing activities for the discontinued operations is not feasible.

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 1,227 (PY: 616).

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	2011	2010
As of Jan 1	616	598
Translation differences	2	16
Consolidation effect	0	9
Addition	733	211
Disposal	-85	-218
Reversing	-39	0
As of Dec 31	**1,227**	**616**

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, 2011	20,488	16,601	1,228	1,013	757	493	396
As of Dec 31, 2010	34,082	28,711	2,827	430	389	910	815

Fixed assets register 2010

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 10	Consolida-tion effect	Currency	Addition	Disposal	Dec 31, 10	Jan 01, 10	Consolida-tion effect	Currency	Addition	Disposal	Dec 31,10	Jan 01, 10	Dec 31, 10
I. Tangible assets	**10,719**	**238**	**9**	**1,049**	**-2,914**	**9,101**	**7,597**	**146**	**-61**	**1,103**	**-2,743**	**6,042**	**3,122**	**3,059**
II. Investment Properties	**1,574**	**0**	**0**	**271**	**0**	**1,845**	**543**	**0**	**0**	**29**	**0**	**572**	**1,031**	**1,273**
III. Other intangible assets	**17,263**	**1,660**	**179**	**361**	**-662**	**18,801**	**6,166**	**36**	**17**	**2,177**	**-644**	**7,752**	**11,097**	**11,049**
1. Purchase price allocation	13,653	1,611	243	0	0	15,507	3,605	0	-35	2,037	0	5,607	10,048	9,900
2. Other	3,610	49	-64	361	-662	3,294	2,561	36	52	140	-644	2,145	1,049	1,149
IV. Goodwill	**42,144**	**1,175**	**348**	**0**	**0**	**43,667**	**12,009**	**0**	**0**	**0**	**0**	**12,009**	**30,135**	**31,658**
V. Financial assets	**3,788**	**0**	**0**	**17**	**0**	**3,805**	**1,895**	**0**	**0**	**0**	**0**	**1,895**	**1,893**	**1,910**
1. Financial assets	3,692	0	0	9	0	3,701	1,895	0	0	0	0	1,895	1,797	1,806
2. Other	96	0	0	8	0	104	0	0	0	0	0	0	96	104
(all amounts in KEUR)	**75,488**	**3,073**	**536**	**1,698**	**-3,576**	**77,219**	**28,210**	**182**	**-44**	**3,309**	**-3,387**	**28,270**	**47,278**	**48,949**

10. Inventories

This position predominantly contains purchased goods amounting to KEUR 1,255 (PY: 3,382), software licenses amounting to KEUR 1,052 (PY: 2,013), progress payments amounting to KEUR 0 (PY: 11) and work in process amounting to KEUR 644 (PY: 593). The inventory is reduced by a specific allowance amounting to KEUR 43 (PY: 40).

11. Other current assets

This position primarily comprises tax credits, loans and creditor receivables from pending reimbursements.

Non current assets

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

12. Investment Properties

Due to the completion of the modernization of the building which was held as investment property, this property is now mainly used for own purposes.

Accordingly the building has been reclassified from investment property to tangible assets at historical acquisition cost of KEUR 1,845 and accumulated depreciation of KEUR 572.

Fixed assets register 2011

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

* CS / RC: Consolidation / Reclassification

13. Goodwill

Individual goodwill development during the year under review was as follows:

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

The adjustment amounting to KEUR 1,239 is the result of the acquisition of the remaining shares in the companies Mensch und Maschine CAD-LAN AG, Mensch und Maschine IT-Consulting GmbH and Mensch und Maschine Personalbereit-stellungs-GmbH.

Furthermore, due to the Market offensive II (transition to VAR business in Europe), Man and Machine AB, Sweden was closed down, the goodwill was abandoned.

Goodwill development

Amounts in KEUR	Dec 31, 2010	Addition / Impairment	Currency	Dec 31, 2011
VAR Business D/A/CH	12,190	1,239	-4	13,425
OPEN MIND	9,341			9,341
M+M UK	2,982			2,982
M+M Romania	1,610			1,610
M+M Switzerland	1,265			1,265
DATAflor	1,216			1,216
M+M Italy	1,116			1,116
M+M Poland	474			474
M+M Germany	350			350
M+M France	333			333
M+M Austria	81			81
M+M Sweden	700	-700		0
Total	**31,658**	**539**	**-4**	**32,193**

14. Other investments

Other investments mainly include strategic shareholdings. As of December 31, 2011, the following investments existed:

Investments

Amounts in KEUR	Dec 31, 2011 in %	Dec 31, 2011 Book value	Dec 31, 2010 in %	Dec 31, 2010 Book value
CTB GmbH & Co KG, Buchholz	19.9	100	19.9	200
SOFiSTiK AG, Oberschleissheim	14.4	905	14.4	905
BlueCielo ECM Solutions, Netherlands	7.4	700	7.4	700

M+M is performing current evaluations of the financial assets. For this purposes DCF models as well as industry-specific multipliers, which are multiplied by the shareholding's sustained gross margin are used to verify possible impairments. Actually twice the sustained annual gross margin is taken as the maximum book value of an investment not causing impairment.

Based on this assessment model an impairment of KEUR 100 has been made for the CTB GmbH & Co KG, Buchholz.

The maximum loss risk is the amount of the respective net book value. As of Dec 31, 2011, there were no loans given to shareholdings.

Liabilities

Current liabilities

15. 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.

16. 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.

Table of accrual development

Amounts in KEUR	Dec 31, 2010	Disposal	Addition	Dec 31, 2011
Personnel accruals	2,150	-2,150	3,014	3,014
Outstanding bills	1,346	-1,346	1,577	1,577
Accruals for restructuring VAR Europe			6,000	6,000
Other	2,558	-2,588	2,396	2,396
Total current accruals	**6,054**	**-6,054**	**12,987**	**12,987**
Personnel accruals	195	-85	0	110
Other accruals	566	0	2	568
Total non current accruals	**761**	**-85**	**2**	**678**
Total accruals	**6,815**	**-6,139**	**12,989**	**13,665**

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 43.6 million. M+M does not pay commitment fees on unused credit lines.

The non current accruals mainly relate to provisions for guarantees. In the column disposal, there are no major reversals.

17. Other current liabilities

This position contains a loan of KEUR 2,475 (PY: 2,475) from KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3 per cent as of December 31, 2011 and a loan of KEUR 1,609 (PY: 1,408) from M+M's principal, CEO and Chairman of the Board Adi Drotleff and family members as well as a loan of KEUR 320 (PY: 320) from M+M's CFO Peter Schuetzenberger.

The companies of the market offensive are mainly acquired in two steps. In the first step the majority was transferred. The expected purchase price for the remaining shares which will be transferred within one year amounting to KEUR 1,249 is included in the other current liabilities. Thereof a portion of KEUR 1,089 can be acquired via share swaps and reclassified to equity.

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

Non current liabilities

18. Long term debt, less current portion

This position contains bank loans for financing the properties, maturing within 5 years. They are secured by mortgages.

Bank debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of Dec 31, 2011				
Bank debt	21,139	19,607	1,532	0
Financial liability	**21,139**	**19,607**	**1,532**	**0**
As of Dec 31, 2010				
Bank debt	20,921	19,561	1,360	0
Financial liability	**20,921**	**19,561**	**1,360**	**0**

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 328 (PY: 300), of which an amount of KEUR 328 (PY: 300) represents the determined cash value of the performance-oriented obligation not financed via funding. The overabsorption amounting to KEUR 0 (PY: 173) has not been applied. The cash value determined as at the balance sheet date of the performance-oriented obligations financed via funds amounts to KEUR 2,152 (PY: 2,405). 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 101 (PY: 96), interest expenses amounting to KEUR 109 (PY: 127) and current time of service expenditure amounting to KEUR 55 (PY: 50). The stated expenses and income are included in the general and administrative expenses. In the financial year, pension has been paid in the amount of KEUR 57 (PY: 44). The Benefits to be paid comprise the obligations to the family of a deceased pension beneficiary which is included in other liabilities. The expected contribution to the plan asset for the financial year 2012 amounts to KEUR 75.

Pension benefits payable in the future are estimated as follows:

Amounts in KEUR	2011	2010
Benefit obligation at start of year	2,705	2,416
Interest cost	109	127
Service cost	55	50
Benefits paid	-57	-55
Benefits to pay	-367	0
Net actuarial gain	35	167
Benefit obligation at end of year	**2,480**	**2,705**
Plan assets at start of year	2,405	2,176
Adjustment of the overabsorption	173	41
Received contributions	-491	-55
Insurance contributions	76	113
Actual return on plan assets	101	96
Net actuarial gain	-112	34
Plan assets at end of year	**2,152**	**2,405**
Net recognized liability	**328**	**300**

Pension benefits payable in the future are estimated as follows:

Year	Amounts in KEUR
2012	58
2013	59
2014	60
2015	70
2016	71
2017 - 2020	301

20. Other non current liabilities

The companies of the market offensive are mainly acquired in two steps. In the first step the majority was transferred. The expected purchase price for the remaining shares which will not be transferred within one year are included in the other non current liabilities amounting to KEUR 1,366 (PY: 2,615). Most of these remaining shares can also be acquired via share swap and reclassified into equity.

Shareholders’ equity

21. Share capital

The subscribed capital of M+M SE as of Dec 31, 2011, comprised 14,876,875 (PY: 14,637,875) shares, with a calculated stake of EUR 1.00 per share. The subscribed capital increased by the amount of KEUR 239 (PY: 50) due to the acquisition participations by contribution in kind.

As of Dec 31, 2011 the approved capital amounts to 5,551 (PY: 5,749). It was authorized by the general meeting on May 29, 2008 and expires on May 28, 2013.

22. Capital reserve

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

Amounts in KEUR	2011	2010
Capital reserve as of Jan 1	14,512	14,081
Contribution in kind	956	200
Share based payments	173	231
Capital reserve as of Dec 31	**15,641**	**14,512**

The capital reserve mainly includes the premium from the contribution in kind of the acquisitions of participations.

23. Treasury stock

The board of administration of M+M SE resolved to start the share buyback program at October 9, 2008. As of Dec 31, 2011, M+M held 120,295 (PY: 75,167) shares of treasury stock. This is 0.81% (PY: 0.51) of the issued capital. Treasury shares are carried at cost amounting to KEUR 540 (PY: 287).

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

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

Notes on the cash flow statement

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

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

Among other items, cash flows from operating activities include:

- cash flows used for interest expenses of KEUR 1,314 (PY: 1,145) and cash flows from interest income of KEUR 143 (PY: 91)
- KEUR 3,680 (PY: 2,283) paid for taxes on income (less income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 78 (PY: 77)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR 1,191 (PY: 715) and the change of deferred revenues of KEUR 163 (PY: 397) as well as the expenses for share base payments of KEUR 173 (PY: 231).

In the cash flows from financing activities dividends paid out to M+M shareholders amounting to 1,451 (PY: 0) are included. This corresponds to EUR 0.10 per share.

In the prior year cash and cash equivalents of KEUR 686 stemming from acquisitions were offset by KEUR 207 against capital expenditure on financial assets.

The remainder of KEUR 479 was cash intended for the distribution to former shareholders.

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

Amounts in KEUR	2011	2010
Purchase price	2,124	2,674
Selling price	18,000	0
Cash outflow for purchase	4,005	744
Cash in for sale	12,000	0
Acquired cash	0	686
Disposed cash	0	0

The acquired original assets and liabilities are shown below:

Amounts in KEUR	2011	2010
Fixed assets	755	105
Current assets	217	1,404
Accruals	87	194
Liabilities	0	1,224

The disposed assets and liabilities are shown below:

Amounts in KEUR	2011	2010
Fixed assets	1,860	0
Current assets	0	0
Accruals	0	0
Liabilities	0	0

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

Other supplementary information

Other financial obligations and contingent liabilities

The other financial obligations are mainly the result of long term rental and operating lease contracts for the group as a whole. The minimum financial obligation for non discounted rental and lease payments is KEUR 7,178 (PY: 9,083). In the current financial year, rent and leasing payments are contained amounting to KEUR 4,251 (PY: 4,267).

The due dates of payments are as following:

Year	Amounts in KEUR
2012	3,755
2013	2,291
2014	728
2015	240
2016	98
Following years	66
Total	**7,178**

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

Risk management

Principles of risk management

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

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

Currency risks

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

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

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

Amounts in KEUR	2011	2010
Increase of 5%	-72	-287
Decrease of 5%	72	287

Interest rate risks

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

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

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

Amounts in KEUR	2011	2010
Increase of 100 basis points	-167	-130
Decrease of 100 basis points	154	75

Liquidity risks

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

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 2011

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

Liquidity risk 2010

Amounts in KEUR	Book value	Cash flows 2011		Cash flows 2012		Cash flows from 2013	
	Dec 31, 2010	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	20,921	130	19,653	48	214	145	1,054
Trade accounts payable	30,413		30,413				
Other current liabilities	11,816		9,079		1,971		766

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

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 2011

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

Fair Values 2010

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2010	Fair Value Dec 31, 2010	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2010
Cash and cash equivalents	LaR	9,061	9,061	9,061		9,061
Trade accounts receivables	LaR	34,082	34,082	34,082		34,082
Other current assets	LaR	2,014	2,014	2,014	1,703	3,717
Liabilities						
Bank debt	FLAC	20,921	21,017	20,921		20,921
Trade accounts payable	FLAC	30,413	30,413	30,413		30,413
Other current liabilities	FLAC	11,816	11,739	11,816	2,570	14,386
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		45,157	45,157	45,157		
Financial Liabilities Measured at Amortized Cost (FLAC)		63,150	63,169	63,150		

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, 2011, M+M did not hold any material investments to be classified as 'available-for-sale'.

Credit risk

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

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

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

Capital management

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

The gearing ratio enhanced from 1.96 to 0.20 and the equity ratio rose from 26.4% to 32.2%.

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, 2011.

Research and development expenses
The research and development expenses for the financial year amounted to KEUR 9,452 (PY: 7,564) concerning subsidiaries in the M+M Software segment OPEN MIND and DATAflor. Thereof KEUR 8,582 was expensed (PY: 7,564) and KEUR 870 (PY: 0) 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 639 (PY: 607). The number of trainees was 10 (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, Leverkusen,
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 2011:

Adi Drotleff, Diplom-Informatiker, Munich (CEO)
Michael Endres, Diplom-Informatiker (FH), Fuerstenfeldbruck (COO Leitung)
Peter Schuetzenberger, Kaufmann, Munich (CFO)
Werner Schwenkert, Diplom-Kaufmann, Munich (CTO), until February 5, 2011

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 amounts to KEUR 809 (PY: 1,017).
It composed of a fix salary of KEUR 436 (PY: 648), a variable component of KEUR 243 (PY: 117), non-cash salary components of KEUR 130 (PY: 179), stock options amounting to KEUR 0 (PY: 20) and severance payments of KEUR 0 (PY: 53).

The fair value of the share options was measured by applying a binomial model.

The pension obligation for the Managing Directors amounts to KEUR 1,234 (PY: 1,492) as of December 31, 2011.

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	2011	2010
Audit	196	170
Tax consulting	32	20
Other	10	14
Total	**238**	**204**

Appropriation of net income

M+M SE has unappropriated retained earnings amounting to KEUR 3,686 as of December 31, 2011.

The administrative board will propose to the shareholders meeting a dividend of EURO 0.20 per share. With consideration of the 246,452 own shares acquired till March 11, 2012, the total dividend payment amounts to KEUR 2,926. The remaining balance of KEUR 760 is carried forward. If the number of own shares should change before the shareholders' meeting on May 22, 2012, 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, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the e.u., and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (‘Handelsgesetzbuch’: German Commercial Code) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, March 16, 2012

A W T
AUDIT WIRTSCHAFTS - TREUHAND AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Hahn
Wirtschaftspruefer (Auditor)

Huber
Wirtschaftspruefer (Auditor)

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

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

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

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

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

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

During fiscal year 2011, five Administrative Board meetings took place on March 10, March 18 (by phone), May 24, July 22 and October 19.

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

- Development and maintenance of the group's own software technology
- Improvement of the individual subsidiaries' operating profitability
- Execution of the Market Offensive to introduce a VAR Business segment
- Sale of the Distribution business
- Planning of the Market Offensive II 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, 2011, including the management report, as well as the group annual report as of December 31, 2011, including the management report for the group was set up by the Managing Directors and audited by AWT Audit Wirtschafts-Treuhand AG Wirtschaftspruefungs - gesellschaft (auditing firm), Stuttgart, and endorsed with an unqualified audit opinion.

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

The auditor took part in the annual fiscal year report meetings on March 19 and 23, 2012, 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 2011.

Wessling, March 2012
The Administrative Board
Adi Drotleff
Chairman

Addresses

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	Wandersmannstrasse 68	D-65205 Wiesbaden	+49 (0) 6 11 / 9 99 93 12	+49 (0) 6 11 / 9 99 93 19	
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	Oststrasse 88	22844 Norderstedt	+49 (0) 40 / 43 25 79 - 0	+49 (0) 40 / 43 25 79 - 79	
	Otto-Brenner-Strasse 196	33604 Bielefeld	+49 (0) 5 21 / 2 81 - 63	+49 (0) 5 21 / 2 81 - 64	
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Mensch und Maschine CADiware AG	Dornacherstrasse 393	CH-4043 Basel	+41 (0) 61 / 6 43 00 90	+41 (0) 61 / 6 43 00 91	www.cadiware.ch
	Bahnhofstrasse 34	CH-3629 Kiesen	+41 (0) 31 / 7 71 38 48	+41 (0) 31 / 7 71 38 45	
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Events

April 23, 2012	Quarterly report Q1/2012
May 22, 2012	Annual shareholders' meeting
July 23, 2012	Half year report 2012
October 22, 2012	Quarterly report Q3/2012
March 25, 2013	Annual report 2012
March 25, 2013	Analysts' conference

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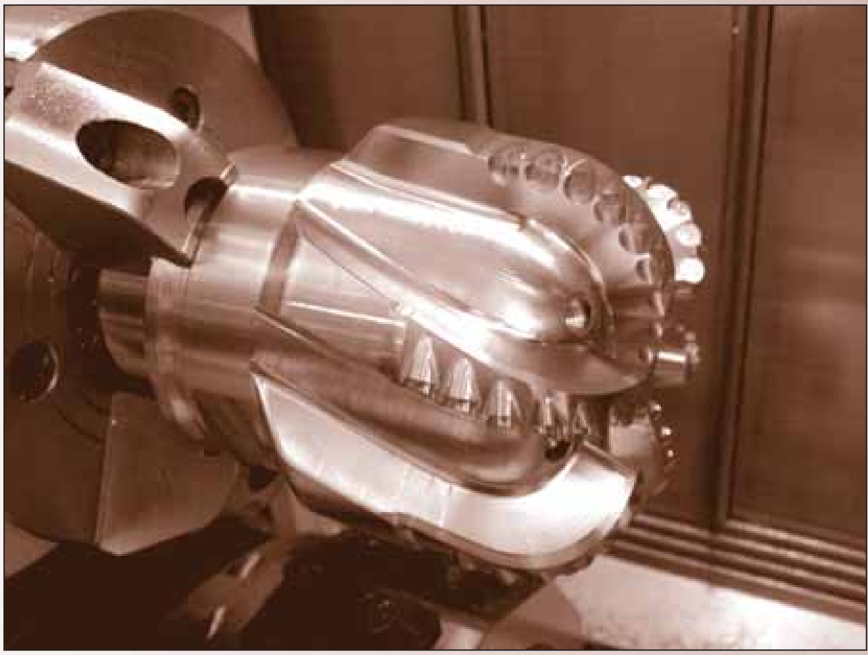

CAD/CAM in practice: CNC programming

Project: Turning and Milling in one operation

Customer: MORI SEIKI, Japan / Germany

MORI SEIKI is one of the global leaders in precision machine tool manufacturing. In order to offer the customer the machine best fitting to its components and its workflow, MORI SEIKI has an exceptionally broad product portfolio.
In the application department, components like this oil wellhead are programmed and manufactured to find the optimal solution for the individual customer.
The MORI SEIKI application department uses the CAM solution hyperMILL® developed by the M+M group for CNC programming.

The broad spectrum of processing strategies - from turning to 5Axis simultaneous milling - provides optimal conditions for the complete processing of the oil wellhead on a precision tool which combines turning and milling.

An increasing number of manufacturing companies have begun to use this combined technology which makes the manufacturing process much more profitable due to shorter machining time and higher precision.

mensch maschine
CAD as CAD can

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