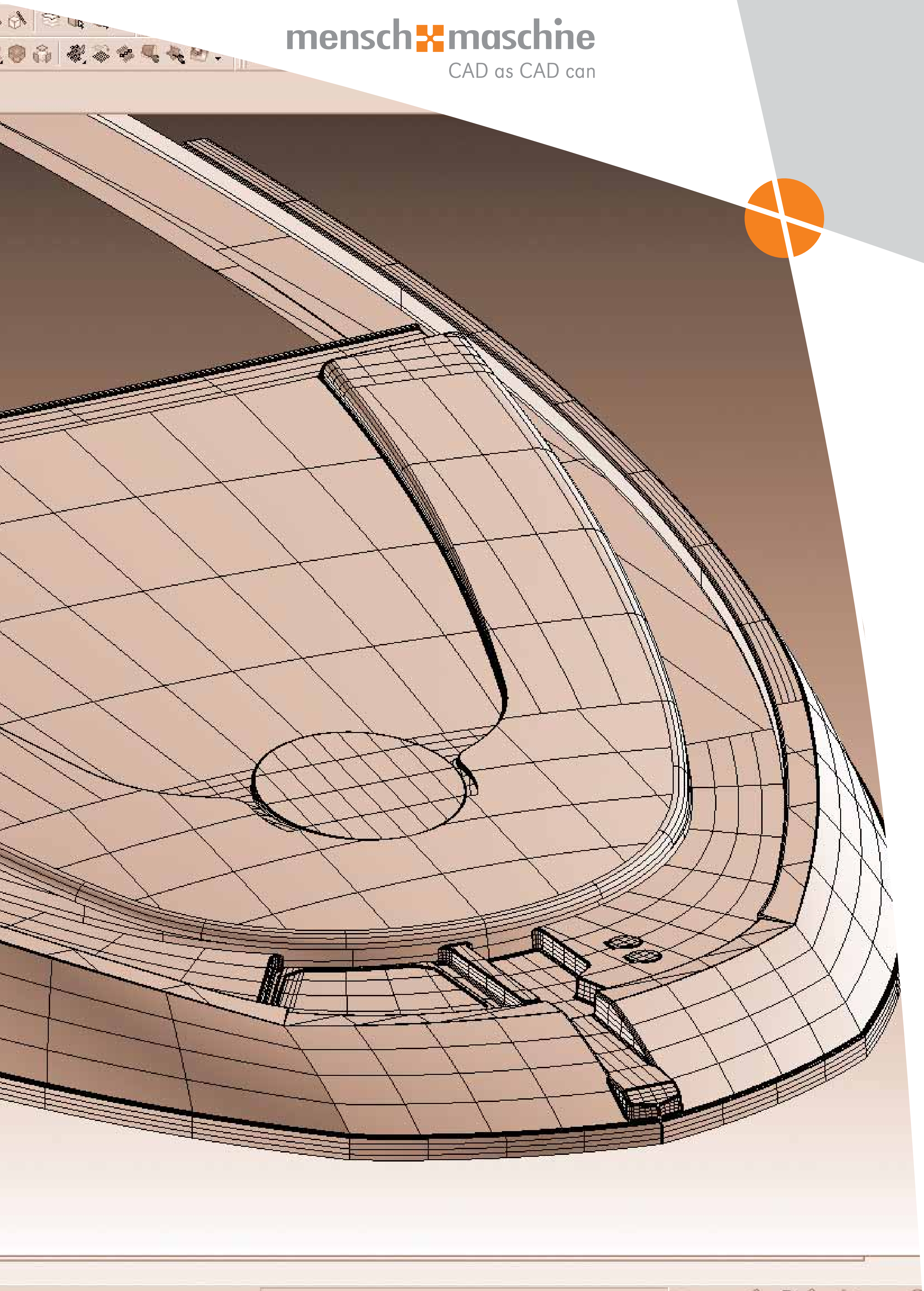
mensch maschine

CAD as CAD can



Annual Report 2007

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2003		2004		2005		2006		2007	
Revenue	**131.0**		**135.5**	+3.4%	**147.2**	+8.7%	**170.3**	+16%	**212.94**	+25%
Germany	48.1	37%	41.5	31%	39.8	27%	42.2	25%	53.73	25%
International	82.9	63%	94.0	69%	107.4	73%	128.1	75%	159.21	75%
Revenue per share in EUR	12.80	-10%	12.35	-4%	12.21	-1%	13.63	+12%	16.64	+22%
Gross Margin	**42.5**		**42.6**	+0.4%	**42.2**	-0.9%	**46.7**	+11%	**53.63**	+15%
Trading products	21.3	50%	20.2	47%	23.1	55%	26.8	57%	31.37	58.5%
M+M Technology + Services	21.2	50%	22.4	53%	19.1	45%	19.9	43%	22.26	41.5%
Operating result EBIT	**-6.4**		**-1.2**		**7.6**		**7.3**		**9.83**	
thereof operating	-2.8		0.8		3.4	+325%	6.8	+102%	10.03	+47%
EBIT return from revenue	-2.1%		0.6%		2.3%		4.0%		4.7%	
non-recurring effects	-3.6		-2.0		4.2		0.4		-0.20	
Net result	**-6.3**		**-9.2**		**0.5**		**3.2**	+489%	**6.15**	+92%
Net return from revenue	-4.8%		-6.8%		0.4%		1.9%		2.9%	
Net result per share in EUR	-0.62		-0.85		0.04		0.24		0.47	
Dividend in EUR	**0.00**		**0.00**		**0.10**		**0.15**	+50%	**0.20**	+33%
Total assets	**80.1**		**69.1**	-14%	**61.4**	-11%	**71.8**	+17%	**80.3**	+12%
Shareholders' equity	**15.2**		**9.3**	-39%	**10.0**	+8%	**14.9**	+49%	**24.4**	+63%
Equity ratio	19.0%		13.4%		16.3%		20.8%		30.3%	
Number of shares in million	**10.232**		**10.972**	+7%	**12.053**	+10%	**12.497**	+4%	**12.800**	+2%
Number of employees	**405**		**355**	-12%	**307**	-14%	**300**	-2%	**327**	+9%
thereof Headquarters	89	22%	79	22%	72	23%	66	22%	66	20%
International subsidiaries	120	30%	102	29%	95	31%	89	30%	94	28%
Technology subsidiaries	196	48%	174	49%	140	46%	145	48%	167	52%

Content

CAD as CAD can

Dear reader,

For Mensch und Maschine Software SE (M+M), the fiscal year 2007 was by far the most successful year in the company's 24 years history:

Sales climbed by 25% and easily surpassed 200 Million Euros, while the operating result EBITA saw a disproportionate increase of 47% to EUR 10 mln.
Net earnings were nearly doubled to EUR 6.1 mln or EUR 0.47 per share.

As in the previous year, the trading segment proved to be the growth driver at +27% for sales and +63% for operating earnings.
But own software development also grew significantly, contributing +12% to sales and +27% to earnings growth.
The M+M business model still remains very well balanced over two supporting pillars.

The development of the balance sheet is also positive: Shareholders' equity jumped by 63%, shifting capital ratio to a solid 30.3% and driving down debt to an absolutely uncritical level.

Though planning to pay out a 33% higher dividend (again tax free), 55% of the profit will be retained - a perfect base for future profitable growth.

Our mid term goal is to increase sales by approx. 15% per year, while making use, step by step, of the remaining margin reserve.

Dependent on this successs, our shareholders will get both a further increasing dividend and a debt free balance sheet by the end of 2009.

Wessling, March 2008
The Managing Directors

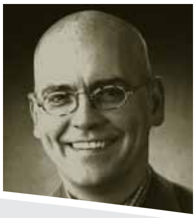
2007 at a glance

- New sales and earnings records
- Sales: EUR 212.9 mln / +25%
  - International share: 75% (PY: 75%)
- Operating profit EBITA: EUR 10.0 mln (PY: 6.8 / +47%)
  - Return from revenue: 4.7% (PY: 4.0)
- Pretax profit: EUR 7.7 mln / +52%
- Net profit: EUR 6.1 mln / +92%
  - Per share: EUR 0.47 (PY: 0.24)
  - Return on equity ROE: 25.2% (PY: 21.5)
- Dividend proposal: 20 Cents / +33%
  - Rate of distribution: 45%
- Shareholders' equity: EUR 24.4 mln / +63%
  - Capital ratio: 30.3% (PY: 20.8)
  - Net bank debt <1.5x EBITDA
- Group headcount: 327 (PY: 300)

Adi Drotleff
CEO

Michael Endres
Marketing

Jens Jansen
CIO



Peter Schützenberger
CFO

Werner Schwenkert
CTO

Management report 2007

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).

Well balanced business model

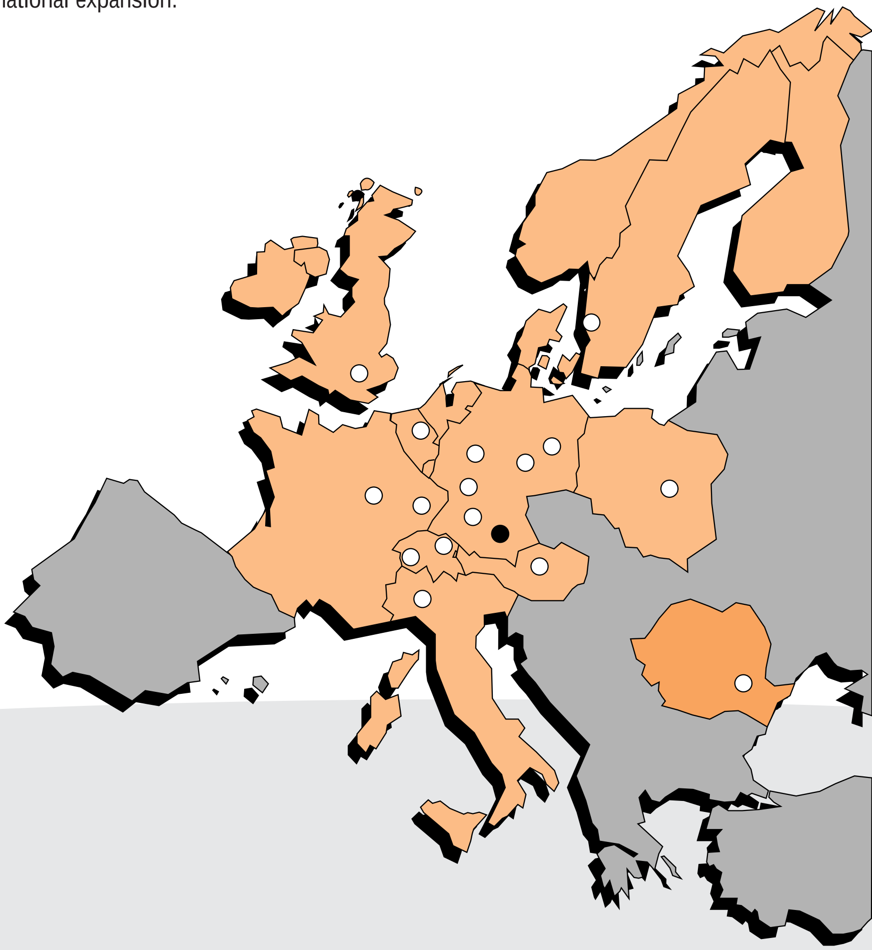
The M+M business model has a relatively broad base within the CAD/CAM market and is equally balanced in three respects:

1. Geographical markets
2. Customers and industry sectors
3. Product portfolio

The distribution over various geographical markets was mainly achieved in the years following the 1997 M+M IPO through a dynamic international expansion.

The good customer and industry sector balance however originated from the early business model, following M+M's foundation in 1984. The product portfolio, which until 1999 had been rather unilaterally focused on Value-Added Distribution of standard CAD software from US vendor Autodesk, was evened out around the turn of the millenium, mainly by a strong growth push in the business unit ‘M+M Technologies and Services’.

Altogether, sales have been more than quadrupled during the ten years since the IPO, from EUR 50.7 Million in the year 1997 to EUR 212.9 Million in the year 2007, at an average annual growth rate of 15 percent.



1. Geographical markets

While in 1997 domestic German business was clearly dominant with international sales of only EUR 12.7 mln or 25% of group revenue, the following decade saw a twelvefold increase of international business which in fiscal year 2007 amounted to EUR 159.2 mln or 75% of total group sales.

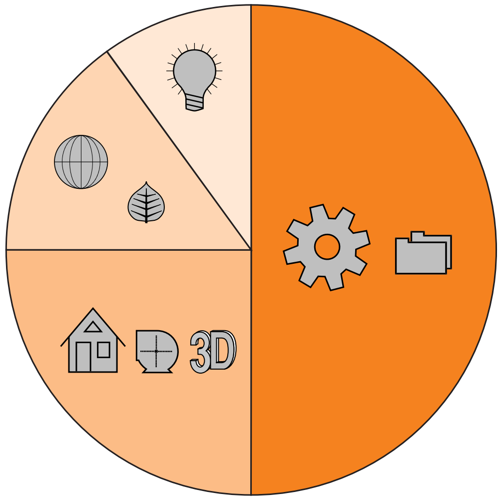
This development was driven by acquisitions in France, Italy, Poland (all 1998), UK, Sweden (2000) and Switzerland (2001) as well as by the foundation of a new subsidiary in Belgium (2002). By taking over Autodesk distribution in Romania in February 2008, M+M has extended the market access to 16 European countries. Additionally, there are sales offices in the USA, Japan and APAC, exclusively marketing M+M Technology.

2. Customers and industry sectors

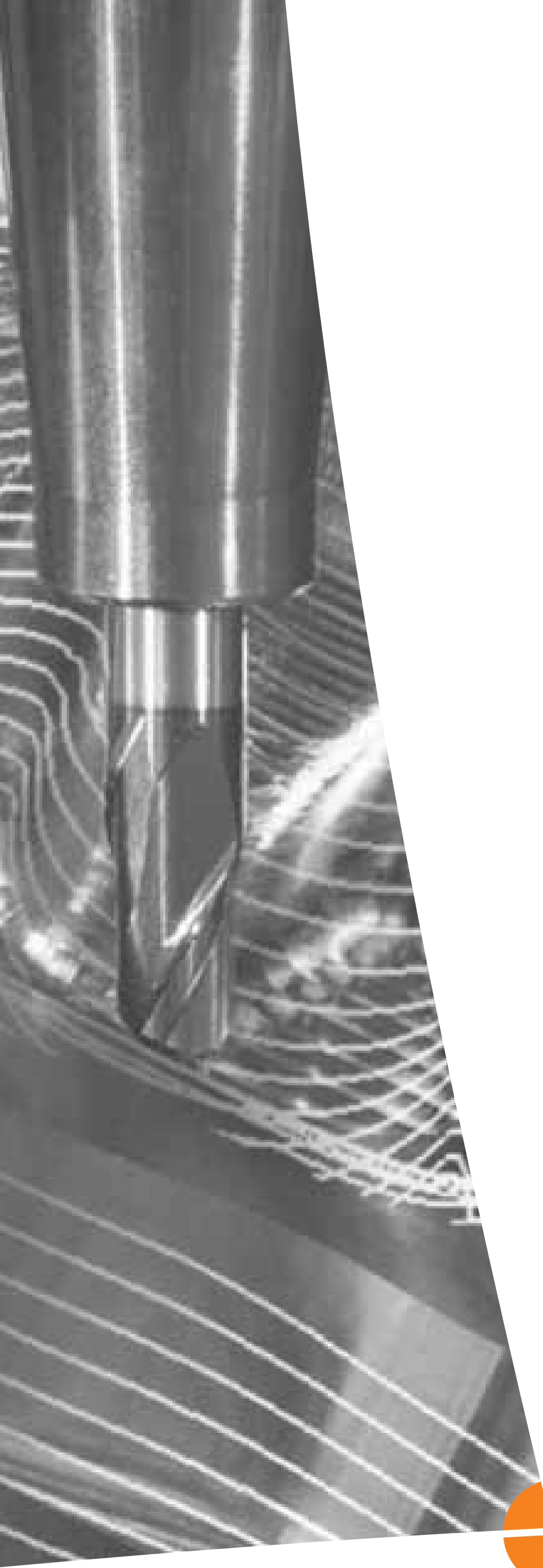
In this respect, the M+M business is split about half into mechanical engineering and half into the sectors of architecture and the construction industry with building services and visualization (approx. 25%), GIS - Geographic Information Systems / gardening and landscaping (approx. 15%) and electrical engineering (approx. 10%). This distribution is quite similar to the global CAD market, where about 50% of the total market volume is attributed to mechanical.

In respect of customers and orders, the distribution of business is even wider. M+M sells software solutions for more than 50,000 CAD/CAM seats per year, mainly through a network of approximately 1,000 authorized resellers, none of whom is achieving more than 3.5% of group sales or 2.5% of group gross margin. Consequently there are no deep dependencies on the customer side from single purchasers.

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.



The M+M group's business divides into four industry segments: One half of the sales is achieved with mechanical engineering and PLM (Product Lifecycle Management) solutions. The other half consists of architecture / construction industry (approx. 25%) including building services and visualization, Geographic Information Systems (GIS) / gardening and landscaping (approx. 15%) and the electrical engineering segment contributing approx. 10% of sales.



3. Product portfolio

The M+M product portfolio covers a wide price/performance range from simple drawing software costing a few hundred Euros through midprice 2D/3D design solutions in the four-digit Euro range up to high end systems for manufacturing and production control with software investment costs 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 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.

Balance between Software Development and Value-Added Distribution

Until 1999, only about 10% of the group gross margin was achieved with M+M Technologies and Services, while the trading business unit was clearly dominant and marked a relatively strong dependence upon main supplier Autodesk.

The M+M Technology gross margin share has grown significantly since and amounted to EUR 22.3 mln or 41.5% of group gross margin in fiscal year 2007. Thus the M+M business model is now balanced across the product portfolio between owned and trading products. This has been possible through a Technology Offensive, in the course of which several software developers, matching M+M's core business, had been acquired during 2001 and 2002.

M+M Technology is differentiation potential

While the trading segment gives M+M broad market access and contributes nearly 90% of sales, the self-developed technologies are responsible for the differentiation potential and give the M+M group an individual market profile, clearly distinguishable from the competition.

In the M+M Technology segment, M+M is a standard software developer with a gross margin yield of approx. 88% (compared to approx. 17% yield in the trade segment) and concentrates on sector and niche applications which are not covered by the large vendors like Autodesk, PTC or Dassault. The revenue in this segment is generated by the technology and service subsidiaries OPEN MIND, DATAflor, ECS, M+M Akademie, EUKLID and (beginning 2008) creaTa, and from the product brands of the CAD*erschwinglich* (CAD affordable) series developed at M+M headquarters.

The M+M product brands
The individual technology subsidiaries and M+M group product brands are introduced as follows in the order of their contribution to the value added.

OPEN MIND Technologies AG
Group member since Q1/2002 (100%)

OPEN MIND
THE CAM COMPANY

OPEN MIND specializes in CAM software solutions and contributed over 70% to the gross margin in the M+M Technology segment, or nearly 30% to the group gross margin in 2007. CAM stands for Computer Aided Manufacturing. 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.

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.

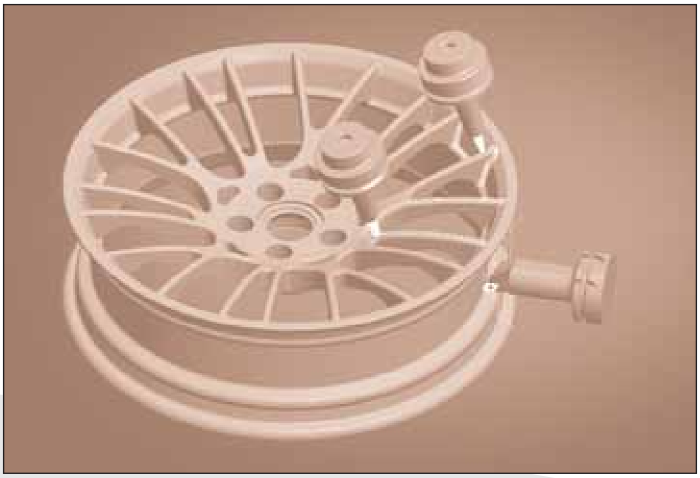
OPEN MIND offers a variety of innovative applications for specific products like tire molds, turbine blades and impellers, in order to enable and simplify the programming of complex handling, as well as to lower handling time and improve finished quality.

The new *hyper*MILL *mill*TURN module now enables the use of modern combined milling/turning machine tools. The complete handling including turning und 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 answers 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 in the prototype manufacturing of renowned automotive companies, as well as by several engine tuners and Formula 1 race teams.

The OPEN MIND CAM solutions are not only sold in Europe, but also, through subsidiaries, in the USA, Asia/Pacific and Japan. With sales of more than EUR 18 mln, the M+M group belongs to the first tier of vendors in the important niche market of CAM solutions.

Innovative CAM strategies enable high savings for the design cycle and machining time: Combined turning and milling using millTURN



DATAflor Software AG

Group member since Q1/2002 (61.5%), since 1999 minority shareholding

DATAflor has a strong position in the German-speaking gardening and landscaping market and contributed approximately 17% to the gross margin in the M+M Technology segment in 2007. The proffered solutions not only contain a graphical planning section but also tools for complete financial calculation and billing such projects. DATAflor was founded in 1982 and maintains evolved customer relationships which are carefully nurtured.

This has enabled DATAflor, in spite of difficult market economies in past years, to further enhance their already high market share in this niche market.

Elektro-CAE Software GmbH (ECS)

Group member since Q1/2002 (60%), since 1998 minority shareholding

ECS is the developer of ecscad, a leading electrical engineering application in the Autodesk world, being exclusively marketed by the M+M group for nearly 15 years and contributing approx. 7% to the gross margin in the M+M Technology segment in 2007.

The emphasis in electrical engineering solutions is not in the graphical but in the database area. Ecscad has its special strength here. Large electrical engineering projects, e.g. at railroad companies, contain up to a thousand or more diagrams which are interlinked by very extensive cross references with each other. These cross references are managed automatically by ecscad in a special database. As a result, the potential for rationalization for such customers is particularly high.

About 20,000 installations of ecscad are existing in all areas of the mechanical and electrical industry. To address even more customers in the future, new modules are constantly being developed, e.g. for the special requirements of TV studios or the energy supply industry.

Mensch und Maschine Akademie GmbH
Group member since 1999 (100%), since 1998 minority shareholding

mensch maschine Akademie

M+M Akademie is the only pure service subsidiary in the group concentrating on the areas of training and customer-specific software applications. In 2007, software projects for important customers like Hydro Building Systems, Deutsche Bahn, Porsche and Siemens were executed and approximately 1,250 people have been trained. The contribution to the gross margin in the M+M Technology segment in 2007 was around 3 percent.

CAD*erschwinglich* product lines

CAD erschwinglich

The CAD*erschwinglich* (CAD affordable) low price product lines have a long inhouse tradition at M+M. Though only contributing approximately one percent to the gross margin in the M+M Technology segment, they create a unique profile for M+M in the low price segment (AutoCAD LT), which meanwhile represents over one quarter of the business in the trading segment.

Symbols and parts libraries
For 20 years, M+M has developed symbols and parts libraries, also called ‘electronic stencils’, offering the CAD user lots of standard parts and symbols for very little money. Currently, the collection includes approx. 26,000 symbols and parts, being edited in 10 library packages, which cover a broad sector bandwidth and are used for illustration of documents of any kind, not only in CAD systems but also in Microsoft Office.

At a list price of 60 Euros (+VAT) and far over 200,000 copies sold, the libraries are the lowest cost, as well as the highest volume, products made by M+M.

AutoCAD*menu*
Priced above the libraries, there are CAD*erschwinglich* product lines AutoCAD-*menu* - three low cost user interfaces and applications for 150 to 300 Euros (+VAT), which make the daily drafting work easier e.g. for mechanical or architectural users. They are compatible with the M+M symbols and parts libraries.

EUKLID Software GmbH
Group member since Q2/2001 (100%), since 2000 minority shareholding

The EUKLID business in the CAD/CAM area has been increasingly transferred to OPEN MIND over recent years.
In parallel, headcount and expenses were reduced dramatically. In the course of 2004 and 2005, nearly all product lines were sold or sublicenced, removing the former overlap with the OPEN MIND product portfolio.

New: creaTa Software GmbH
Group member since Dec 31, 2007 (50.1%)
End of February 2008: Increased to 88.5%

creaTa, located in Potsdam, Germany, offers software and services for recording, calculation, management and supervision of broadband and cable networks. Cable network companies actually see a strong trend towards 'Triple Play' - television, telephone and internet supplied in a single cable. creaTa's Net Information System (NIS) covers all phases of such an infrastructure's lifecycle. Customers can supervise their networks, manage the inventory, and control service and sales.
Additionally, the portfolio includes software for the calculation of networks as well as the dimensioning of subnets and cables. creaTa developed these applications on top of market leading technologies from Autodesk (CAD) and Oracle (Database).

Strategic minority shareholdings
In addition to the technology subsidiaries, M+M has other strategic minority shareholdings, rounding up their market position in some niche markets.

In the architecture/construction area M+M holds shares in CTB GmbH & Co KG, Buchholz near Hamburg (M+M share 19.9%) and in SOFiSTiK AG, Oberschleissheim/ Nuremberg (M+M share 14.3%).
CTB and SOFiSTiK are both offering high-quality software solutions for architecture, civil engineering and statics. A further share is held in BlueCielo BV (formerly Cyco BV), Netherlands (M+M share 7.4%), a supplier of EDM (Electronic Document Management) solutions.

Large target market CAD/CAM software

The worldwide market for CAD/CAM software has an annual sales volume of more than EUR 10 billion (Sources: Daratech, Dressler-Verlag, own) and is segmented into mechanical engineering, PLM, architectural/ construction, visualization, geography, electrical engineering, electronic and structural analysis. Except for the latter two, M+M covers all of the segments.

The volume of M+M's main market, Europe, thus is just over EUR 3 bln, meaning that M+M reaches a direct market share of ~7%. The indirect market share, equal to the sales volume of the M+M reseller network in the market, probably ranges around 15%, because the resellers' sales multiple is estimated to be in the order of magnitude of 2 to 2.5.

Protecting and expanding the market position

Totalling EUR 28.1 mln in fiscal year 2007 (PY: 26.4), sales and marketing continued to hold the largest share (62%) in group operating expenses. As always, around one third of this sum was the marketing budget, primarily used for advertisements, trade shows and other marketing activities to protect and expand M+M's market position.

Marketing budget concurrently optimized

The marketing area is continuously optimized in order to reach as many potential customers as possible with the funds spent. The trend for trade shows has been to be present at more shows whilst using a lower budget per stand (in 2007 M+M attended 47 shows in 14 countries). As an indirect vendor, M+M attends trade shows often partnering suitable resellers. Like all marketing activities offered by M+M, the resellers' trade show expenses are settled via the *PR-Pool*, a revenue-driven marketing fund for authorized M+M partners.

Live presentations via the web

In addition to the classical presentation methods like trade or road shows, the web is playing an increasingly important role in product presentation. Taking this into account, M+M is increasingly using the opportunity of live web presentations. Introduced at the end of 2005, approximately 3,000 prospects have already attended approx. 600 online product presentations in the course of 2007 - indicating a positive future trend. As always, M+M offers this option to authorized dealers for their own presentations.

Important topics:
Address qualification and CRM

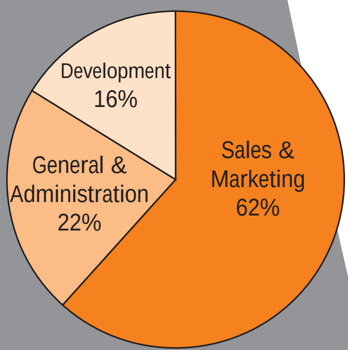
Nothing is more wasteful than trawling through unqualified or duplicated addresses. The target of our web-based CRM system (Customer Relationship Management) and our focused use of telemarketing activities is to keep actuality and compactness of our address database containing approximately 150,000 entries. In addition, an efficient and timely distribution of prospects' leads within the M+M reseller network is essential - including tough control of the resellers' performance to make sure that requests from end users are answered quickly and to the best standard possible.

Strong focus on IT and backoffice
A prerequisite for the efficient use of marketing funds, as well as for a well-functioning supply chain, is an optimized IT and backoffice system.

SAP used as ERP system
Since 1997, M+M is using the SAP ERP system, which in the meantime has been introduced in nearly all group companies and was updated to version 5.0 of mySAP ERP at the end of 2005.

More than 60% of orders through web shop
Along with the growing integration of the individual components, the processes could be optimized. E.g. more than 60% of all orders are coming in electronically through the internet, because authorized resellers can use a web shop fully integrated in mySAP ERP for comfortable ordering round the clock.

Integration with suppliers and customers
The mid range goal in the IT/backoffice area is the full integration of the supply chain in order to further save processing costs and eliminate error sources. This requires an electronic interface not only on the customer but also on the supplier side (Supply Chain Management - SCM).



The distribution of operating expenses in the M+M group shows a clear dominance of sales and marketing expenses

Following the installation of a single order entry system by Autodesk our main supplier, after several years of preparation, capacity for electronic ordering and delivery control with the supplier will be significantly increased in 2008. As a consequence the scope for electronic order processing on the customer side is expected to accelerate further, resulting in high potential for cost savings for M+M and our customers.

High ongoing development investments …
With a total amount of EUR 7.3 mln or 16% of operating expenses in 2007 (equalling 39% of segment operating expenses), research and development again represented a significant cost factor in the M+M group. These funds were used for the maintenance and development of M+M software products.

… are not capitalized:
software library is a hidden reserve
Capitalization of development costs according to IAS 38.45 is not applied by M+M, meaning that the extensive software base of the group containing hundreds of man years of invested development power represents a hidden reserve.

man machine
CAD as CAD can

Employees are co-entrepreneurs

Traditionally, there is a very high focus on good corporate culture at M+M. During the 24 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 M+M corporate culture very gently. The decision making structures in the M+M group are as decentralised as possible. The individual entities have a high degree of autonomy in order to achieve the best possible results in the individual markets and to be able to optimally meet the customers' requirements.

Experienced management team

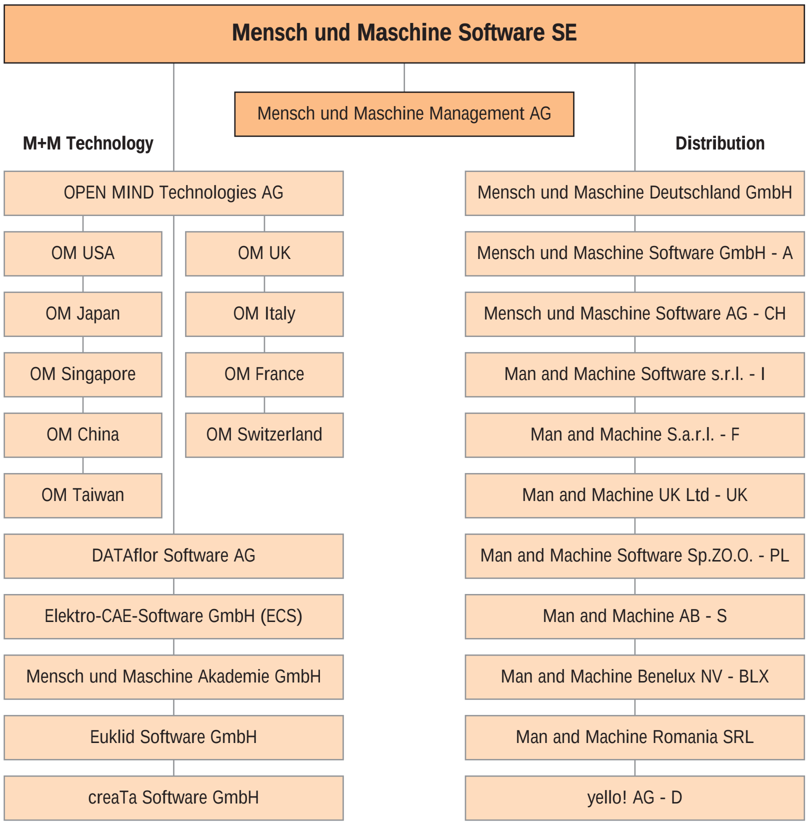
This corporate culture generates a high degree of continuity. Fluctuation in the M+M group is very low, which even during the hype phases of the IT industry prevented a drain of qualified specialists from which other similar companies in IT suffered. As a result, M+M has an experienced management team down to the second and third management level, with team members mostly looking back on an employment period of more than 10 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, including the spin-off of the operating German business from the mother company to the subsidiary Mensch und Maschine Deutschland GmbH.

Thus, the M+M group now has 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 following graphic shows the structure of the M+M group:



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 Drotleff (CEO) plus the four former 'Vorstände' Werner Schwenkert (CTO), Peter Schützenberger (CFO), Michael Endres (Marketing) and Jens Jansen (CIO).

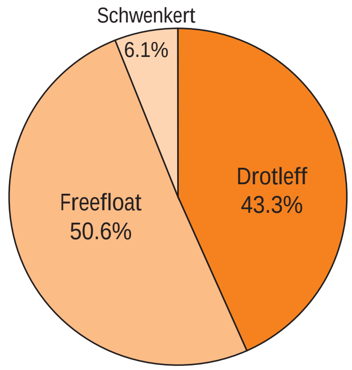
Remuneration of Managing Directors

The remuneration system of the SE is detailled in the notes. Generally, the Managing Directors get a remuneration consisting of a fixed and a variable part. Additionally, there are non-cash components, e.g. company cars. With the exception of Mr. Drotleff, the Managing Directors get share options according to the option program decided by the shareholders' meeting. Their options are assigned by the Administrative Board.

Public and private company

Though M+M shares have been listed on the stock market for over 10 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 nearly 5.9 million shares or 43.3% of the nearly 13.6 million shares outstanding at Dec 31, 2007. A package of 0.8 million shares (6.1%) is owned by CTO Werner Schwenkert. This was created from the acquisition of OPEN MIND AG by the M+M group through a share swap in 2002.

The free float at Dec 31, 2007, contained about 6.9 million shares or 50.6%. 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.



Chances and Risks

The operations and activities of the M+M group are subject to various chances and risks. The risk management is controlled directly by the Managing Directors by monitoring risk relevant parameters from the individual group segments and by comparison with the internal targets, to allow for a timely reaction in case of changes within the enterprise or in the enterprise's environment. Our monitoring system is constantly optimized to maintain an appropriate standard. Chances are resulting from the successful translation of our general strategic concept. Their potential is detailed in the 'outlook' chapter.

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 3.5% of the total group revenue or less than 2.5% of the total group gross margin.

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 comprise 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 as well as 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 in the trading segment 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.

Information to be provided in accordance with section 315, para 4, HGB (German Commercial Code)

Re section 315, para 4, no. 1, HGB
The subscribed capital of Mensch und Maschine Software SE on the balance sheet date was EUR 12,956,464 and the capital is divided into 12,956,464 no-par shares. The shares are registered in the name of the holder. At Oct 24, 2007, the Administrative Board decided to increase the subscribed capital of the company by EUR 620,000 to EUR 13,576,464 by issuing 620,000 new no-par shares, registered in the name of the holder, with a nominal value of EUR 1.00 per share and an issuing price of EUR 5.65 per share with contribution in cash. At balance sheet date, this capital increase was not yet registered. The registering was completed at Feb 18, 2008.

Re section 315, para 4, no. 3, HGB
Mr. Adi Drotleff, Chairman of the Administrative Board (Verwaltungsrat) and Managing Director of the company, holds around 43.3% of the subscribed capital.

Re section 315, para 4, no. 6, HGB
Since the company, under article 20 of the law implementing Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) (SE implementing law - SE-IL), in its articles of association has opted for the monistic system with an administrative body (Verwaltungsrat), the provisions of articles 21 et seq., SE-IL, apply instead of sections 76 to 116 of the AktG German Companies Act.

According to section 28, para 1, SE-IL, appointment of the members of the Administrative Board is governed by Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) (SE-REG). According to article 43, para 3, SE-REG, the members of the administrative body are appointed by the general meeting.

In addition to that, article 10, para 1, of the articles of association of Mensch und Maschine Software SE provides that the Administrative Board is made up of three members elected by the general meeting. Unless otherwise decided by the general meeting, the members of the Administrative Board are elected for the time until the end of the general meeting deciding on the formal approval for the fourth financial year after the start of their term of office. The year in which the term of office starts is not counted.

Members of the Administrative Board elected by the general meeting without linkage to a nomination may in accordance with article 29, para 1, SE-IL, be recalled by the general meeting prior to the end of their term of office. Such a decision requires a majority of not less than three quarters of the votes cast. Supplementing this, article 10, para 4 of the company's articles of association provides that members of the Administrative Board elected by the general meeting without linkage to a nomination are recalled prior to the end of their term of office. The decision can be taken with a simple majority.

According to article 40, para 1, SE-IL, the Administrative Board appoints one or several Managing Directors. Members of the Administrative Board may be appointed Managing Directors provided that the majority of the Administrative Board after the appointment still are non-managing members.

In addition to that, article 14, para 1, of the articles of association of Mensch und Maschine Software SE provides that the Administrative Board appoints one or several Managing Directors. Members of the Administrative Board may be appointed Managing Directors provided that the majority of the Administrative Board after the appointment still are non-managing members.

According to article 40, para 5, SE-IL, Managing Directors may at any time be recalled by a decision of the Administrative Board, unless otherwise provided in the articles of association. According to article 14, para 2, of the company's articles of association, Managing Directors may be recalled at any time by a decision of the Administrative Board. A Managing Director who is at the same time a member of the Administrative Board can only be recalled for an important reason. This goes for Mr. Adi Drotleff.

According to article 51, SE-IL, the articles of association may provide that a simple majority of the votes cast is sufficient for the general meeting to make a decision to change the articles of association, provided that at least half of the share capital is represented. This does not apply to any change to the objects of the company, to a decision in accordance with article 8, para 6, SE-REG, and to cases in which a greater capital majority is required by law.

In addition to this, article 17, para 2, sentence 2, of the articles of association of Mensch und Maschine Software SE provides that, unless imperative legal regulations stand in the way, changes to the articles of association shall require a majority of two thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast.

Re section 315, para 4, no. 7, HGB

Under article 7 of the articles of association, the Administrative Board was authorised at balance sheet date to increase the company's share capital before or on May 29, 2011 once or several times by an aggregate amount of up to EUR 6,050,000 by issuing new no-par shares for cash deposits and/or for contributions in kind, which shares shall be entitled to a share of profits from the beginning of the financial year current at the time of issuance (authorised capital 2006). Shareholders shall be given a subscription right.

The Administrative Board is authorised to exclude the shareholders' subscription rights

- if and in so far as this is necessary to equalise fractional amounts;
- to issue the new shares for contributions in kind, in particular for the purpose of acquiring an enterprise, shares in an enterprise or an interest in an enterprise;
- if the share capital is increased for cash deposits in so far as the share in the share capital allotted to the new shares in aggregate neither exceeds 10 per cent of the share capital existing at the time this authorised capital is registered, nor exceeds 10 per cent in aggregate of the share capital existing at the time the new shares are issued, and the issue price of the new shares is not considerably lower than the stock market price; if the 10% limit is made use of, then the exclusion of the subscription right based on other authorisations under section 186, para 3, sentence 4, AktG, must be included.

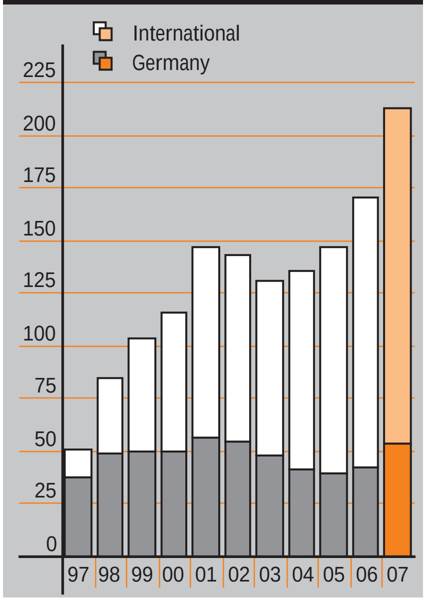
The Administrative Board is authorised to define the details of a capital increase and its execution.

After the capital increase by 620,000 shares dated Oct 24, 2007, which was registered at Feb 18, 2008, the remaining authorised capital 2006 amounts to 5,430,000 shares.

Course of business 2007 and situation of the group

For the M+M group, the fiscal year 2007 was by far the most successful year in the company's history. Sales increased by 25%, operating profit EBITA disproportionately rose by 47%, and net earnings were nearly doubled. In parallel, the balance sheet structure improved significantly.

Group revenue (in million EUR)



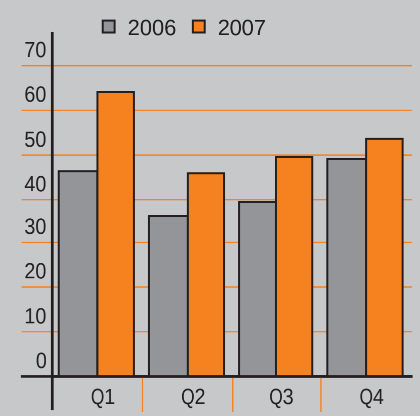
25% sales increase marked a new record

Sales climbed by 25% to EUR 212.9 mln (PY: 170.3), meaning that the growth rate was significantly higher than the continued annual growth rate (CAGR) of 15% in the 10 years since 1997. For the first time during the internationalization, the 26.1% domestic business growth outperformed international business growth at 24.3%. The international share of revenue was 74.8% after 75.2% in the previous year.

The strong revenue development during the past ten years is also visible on a per share basis: Sales per share more than doubled from EUR 6.67 in 1997 to EUR 16.64 in 2007 - an indication of the long term growth of inner value of the share.

(Nearly) typical quarterly seasonality
Quarterly sales seasonality in 2007 widely represented the pattern typical for M+M, including strong beginning and ending quarters and significantly lower sales in Q2 and Q3. Other than in the previous year, highest sales as well as strongest growth were measured in Q1, which was positively impacted by non-recurring effects and came in at EUR 64.2 mln (PY: 46.3 / +38%), while Q2 as in the previous year saw the slowest sales at EUR 45.9 mln (PY: 36.0 / +28%).

Quarterly revenue (in million EUR)



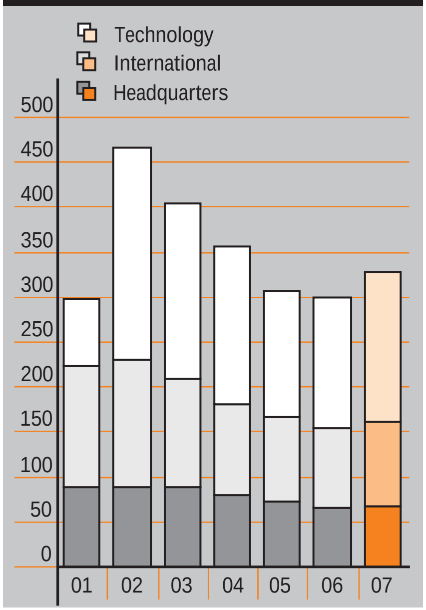
Significant growth in both segments
As in the previous year, the trading segment was the primary growth driver with a 27% growth to EUR 187.6 mln (PY: 147.7). But sales in the own software technology segment also grew significantly by 12% to EUR 25.3 mln (PY: 22.6), though the sale of building services software RoCAD to Autodesk in Q4/2006 reduced segment sales by about EUR 0.4 mln compared to the previous year.

Gross margin balance between distribution and own technology nearly unchanged
After deduction of purchased goods (trade) or cost of production (M+M Technology), gross margin climbed to EUR 53.6 mln (PY: 46.7 / +15%). The share from M+M technology and service amounted to 41.5% after 42.7% in the previous year, indicating that the balance between own and traded software in gross margin (the parameter for added value) has settled at a healthy level.

Headcount back to growth for the first time
The number of employees, which had jumped from 298 to 467 between 2001 and 2002 in the course of the technology offensive and reduced in the following four years to 300 on a 2006 yearly average through synergy, restructuring programs and disinvestments, increased for the first time, due to business growth, by 9% to 327 on a 2007 yearly average.
51% of the employees in the M+M group worked in technology subsidiaries, 29% in international subsidiaries in the distribution business unit and 20% in the headquarters, covering group holding and management functions as well as distribution in Germany.

Sales per head more than doubled in 5 years
The significant headcount reduction, combined with an increase in business volume, resulted in sales per head more than doubling from KEUR 306 in 2002 to KEUR 651 in fiscal year 2007.

Headcount



Operating expenses slightly increased

The operating expenses developed approximately in line with headcount. At first, the technology offensive caused a strong cost push with operating expenses including depreciation of fixed assets climbing from EUR 33.3 mln in 2001 to EUR 50.6 mln in 2002. The positive effects of synergy, restructuring programs and disinvestments caused a reduction within three years to EUR 40.3 mln in 2005, diminishing the expense base by a total of 20% or more than 10 million.

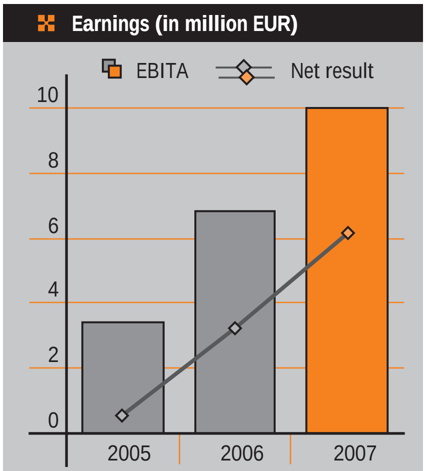
After this significant slimlining, a moderate growth-driven increase of operating expenses followed to EUR 41.3 mln (+2.5%) in 2006 and EUR 45.5 mln (+10%) in 2007. In 2007, the main focus was to strengthen the headcount in development, so the highest expense was seen in R&D to EUR 7.3 mln (PY: 6.0 / +22%).

The operating expenses include notional personnel expenses from the application of the IFRS 2 rules (share based payments) for issuing share options to employees in the amount of EUR 0.21 mln (PY: 0.23).

Other operating income grew to an amount of EUR 1.87 mln (PY: 1.43 / +31%).

Operating profit: Disproportionate increase

The operating result EBITA before interest, taxes, goodwill amortisation/impairment and non-recurring effects increased nearly twice as much as sales to EUR 10.03 mln (PY: 6.84 / +47%). The EBITA return from revenue improved from 4.0% in the previous year to 4.7 percent.



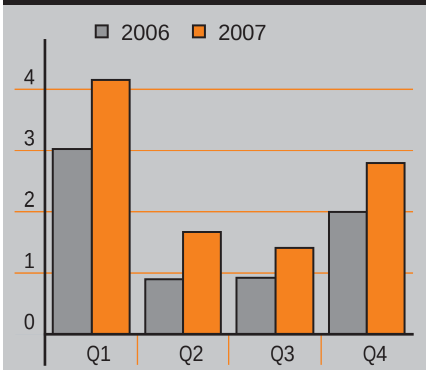
EBITA contains depreciation of fixed assets amounting to EUR 0.86 mln (PY: 0.89), the operating result EBITDA before depreciation and amortization came in at EUR 10.89 mln (PY: 7.73).

Both segments with significant profit growth
Both business segments achieved significant profit growth:
In the trading segment, EBITA jumped to EUR 6.06 mln (PY: 3.72 / +63%), while growing to EUR 4.21 mln (PY: 3,32 / +27%) in the M+M Technology segment.
The achieved returns from revenue climbed to 3.2% (PY: 2.5%) for trade and 16.7% (PY: 14.7%) for M+M Technology, further approaching the mid term target zones of 4-5% (trade) and 20-25% (technology).

High profile in quarterly seasonality
The quarterly seasonality in operating profit EBITA before non-recurring effects was, as usual, highly profiled. The best quarter again was Q1 amounting to EUR 4.16 mln (PY: 3.02 / +38%). Q2 and Q3 were much slower at EUR 1.66 mln (PY: 0.90 / +84%) and EUR 1.41 mln (PY: 0.93 / +51%), respectively, while the final quarter, Q4 came in at EUR 2.78 mln (PY: 1.99 / +40%).

This strong seasonal profile shows that the M+M business model disproportionately profits from higher sales and gross margins above a certain break-even point, due to the relatively constant expense base.
This fact should help during the coming years to increase the operating result significantly faster than sales and to approach the EBITA margin step by step to the mid term target zone of 6 to 7 percent.

Quarterly EBITA (in million EUR)



Non-recurring effects slightly negative
In fiscal year 2007, there were slightly negative non-recurring effects amounting to EUR -0.20 mln (PY: +0.42), resulting in an EBIT amount of EUR 9.83 mln (PY: 7.25).

Minor improvement of financial result
The financial result could be minimally improved to EUR -2.12 mln (PY: -2.17) in spite of the higher demand for financing due to the growth. Adjusted by the included exchange rate differences in the amount of EUR -0.147 mln (PY: +0.035), the finance costs were more than 10% lower than in the previous year. At the end of 2007, the last (relatively expensive) factoring financings were cancelled, which together with more favourable bank financing conditions and the concurrent debt reduction should lead to a significant finance cost decrease in the years to come.

Pretax profit increased by 52%
Earnings before tax amounting to EUR 7.71 mln were 52% higher than in the previous year at EUR 5.08 mln.

Tax rate profits from tax loss carryovers
In spite of the significantly increased pretax result, the total incurred tax burden could be reduced to the moderate amount of EUR 1.56 mln (PY: 1.88). The use of tax loss carryovers was slightly higher than planned, resulting in a 20.2% (PY: 37%) tax rate instead of the estimated 25%.
The available tax loss carryovers in the M+M group at Jan 1, 2008 decreased to EUR 26.1 mln (PY: 28.6).
Also for the years to come, we expect that approximately one third of the annual profit can be set against tax loss carryovers, resulting in a further mid term group tax rate in the order of magnitude of 25 percent.

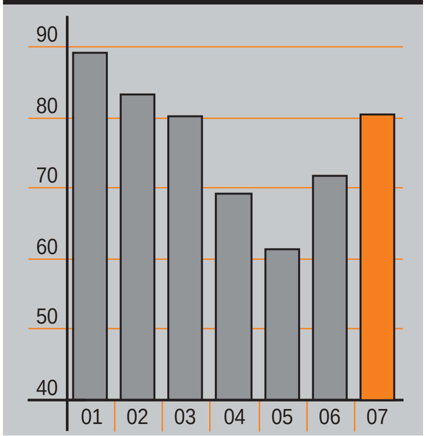
Net profit nearly doubled
Net profit after tax was nearly doubled to EUR 6.15 mln (PY: 3.20 / +92%) before, and EUR 6.03 mln (PY: 3.03 / +99%) after minority shares. The (undiluted) earnings per share jumped to EUR 0.47 (PY: 0.24).

Dividend increase to 20 Cents per share
The management will propose to the annual shareholders' meeting dated May 29, 2008, a dividend payment increase to EUR 0.20 (PY: 0.15) per share. This means that a total amount of EUR 2.7 mln or 45% of net profit will be paid out, while the majority of profit is retained to finance future growth. As in the previous years, the dividend is paid from 'steuerliche Einlagenkonto' (§27 KStG) and does not count as taxable income, but as repayment of capital reserve.

Capital expenditure
As in the M+M business model the main future investment is in the area of software development, the expenses for which are not capitalized, there is only relatively small capital expenditure necessary to keep the fixed assets on an actual status.
During fiscal year 2007, an amount of EUR 0.8 mln (PY: 0.8) was invested.
Additionally, there were financial investments amounting to EUR 2.1 mln (PY: 0.1) for an additional contractual purchase price payment for Open Mind AG and for the majority takeover in creaTa GmbH.

Total assets increased moderately
Total assets grew by 12% to EUR 80.3 mln (PY: 71.8), mainly due to an increase in non current assets to EUR 33.0 mln (PY: 29.2) and higher trade receivables amounting to EUR 34.5 mln (PY: 29.9 / +15%).
The latter was caused to a large extent by the termination of factoring financing, as per Dec 31, 2006, receivables amounting to EUR 3.6 mln had been financed off-balance. Adjusted by this effect, current assets were not significantly increased in spite of the 25% growth in revenue.

Total assets (in million EUR)

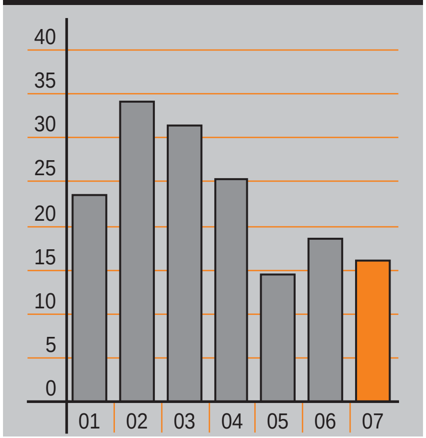


Net bank debt further decreased
Net bank debt decreased to EUR 16.0 mln (PY: 18.5). This amount consists of current bank debt totalling EUR 15.4 mln (PY: 17.7), plus non-current bank debt totalling EUR 2.3 mln (PY: 3.6), minus cash totalling EUR 1.7 mln (PY: 2.8).

Net bank debt as of Dec 31, 2007, equalled less than 1.5 times operating profit EBITDA 2007 (PY: 2.3 times).

Looking at the debt situation, it should be kept in mind that by paying back all of the factoring financings as of Dec 31, 2007, receivables amounting to EUR 3.6 mln which so far have been off-balance, are now booked and financed on-balance. Without this effect, net bank debt would amount to EUR 12.4 mln, representing a 8-year-low.

Net bank debt (in million EUR)



Due to the predominant retaining of profits, the balance sheet should be widely free of bank debt by the end of 2009 if the business develops as estimated.

Convertible loan partly converted to equity
Additionally, a EUR 0.9 mln amount from the convertible loan 2004 was converted to shares in 2007, further lowering total debt in the balance sheet.
The remaining EUR 1.1 mln amount of the convertible loan was moved to current liabilities due to final maturity in July 2008.

Shareholders' equity significantly improved
Shareholders' equity as of Dec 31, 2007, significantly improved to EUR 24.4 mln (PY: 14.9 / +63%), with capital ratio jumping to 30.3% (PY: 20.8%).
The improvement mainly is composed from the net result amounting to EUR 6.0 mln, the cash inflow from a small capital increase in October 2007 and from employee option program executions totalling EUR 4.0 mln, the convertible loan conversion amounting to EUR 0.9 mln minus the dividend payment amounting to EUR 1.9 mln.
In addition, the nominal personnel expenses according to IFRS 2 from the granting of share options to employees increased the capital reserve by EUR 0.2 mln.

Net return on equity (ROE): 25.2%
Due to the jump in net earnings, net return on equity (ROE), in spite of the significantly higher equity, climbed to 25.2% (PY: 21.5%).

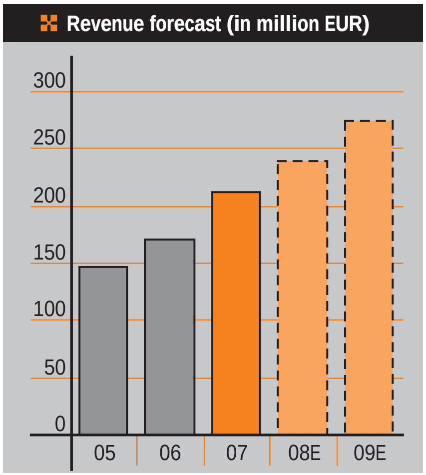
Events after balance sheet date
In early February 2008, business and employees of the sole Romanian Autodesk distributor A&C in Bucharest was acquired and transferred to the newly founded Man and Machine Romania SRL.

The business in Romania in 2008 is expected to contribute sales amounting to approx. EUR 8 mln and an operating profit EBIT in the amount of approx. EUR 0.6 mln. Due to the unique market position, the targeted 7.5% EBIT margin is higher than the average 4-5% normally achievable in the M+M trading segment. The expectation for mid term growth is 30 percent per annum, twice as high as the average in the other countries. M+M has invested immediately approx. EUR 3 mln, an amount which can rise by up to one million during the next three years by a performance dependent component.
The valuation multiple is in the order of magnitude of 5 to 6 on the initial EBIT, whilst the return on investment is estimated to be four to five years.

End of February 2008, M+M increased the share in creaTa GmbH from 50.1% to 88.5% through a EUR 0.5 mln capital increase.

Outlook

M+M's goal for the coming years is to continue the long term annual sales growth around 15%, while further accelerating the profit margin. We deem the latter possible, because the M+M business model is very slim, containing efficiency reserves through economy of scale, as long as the 6-7% target zone for operating return from sales is not yet achieved. Additionally, there is still significant potential for improvement in the financial result, and the tax rate should remain at a moderate 25% for several years due to the existing tax loss carryovers.



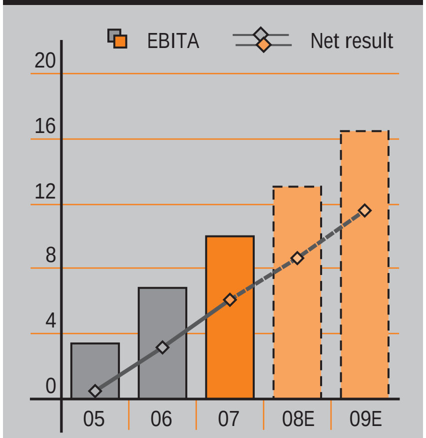
Target 2008: Around 40% net earnings plus

For the current fiscal year 2008 we expect sales to grow to a level above EUR 240 mln and EBIT margin to increase to approx. 5.5% due to economy of scale effects, resulting in a target for operating profit EBIT above EUR 13 mln (approx. +30%). We expect the growth and value drivers to equally come from the M+M Technology and trading segment. The seasonality is estimated to be more linear than in 2007, which included positive non-recurring effects in Q1.

Together with a planned reduction of finance costs to approx. EUR 1.5 mln, the targeted pretax profit 2008 is EUR 11.5 mln (+50%). Estimated tax load is approx. EUR 2.9 mln, leading to a bottom line net earnings target of approx. EUR 8.6 mln (~+40%) or approx. EUR 0.62 per share.

If achieving the above goals, a dividend payment increase to EUR 0.25 per share (tax free) is targeted. This again would allow for retaining approx. 60% the net profit for further improvement of the company's balance sheet structure.

Earnings forecast (in million EUR)



Target 2009: EBIT margin to achieve 6%
For the following fiscal year 2009, we target a sales increase to approx. EUR 275 mln, while the EBIT return rate is intended to improve to approx. 6% by further using economy of scale effects, resulting in an operating profit EBIT target of approx. EUR 16.5 mln. After deduction of EUR 1.0 mln finance costs and a tax burden amounting to EUR 3.9 mln (tax rate 25%), the net earnings target is approx. EUR 11.6 mln (+35%) or approx. EUR 0.84 per share.
In the event of achievement of these goals, the dividend is intended to be EUR 0.30 per share (tax free).

The M+M share has more than tripled in price since its all-time low at the beginning of 2003, outperforming the comparative indexes TecDAX and Prime Software

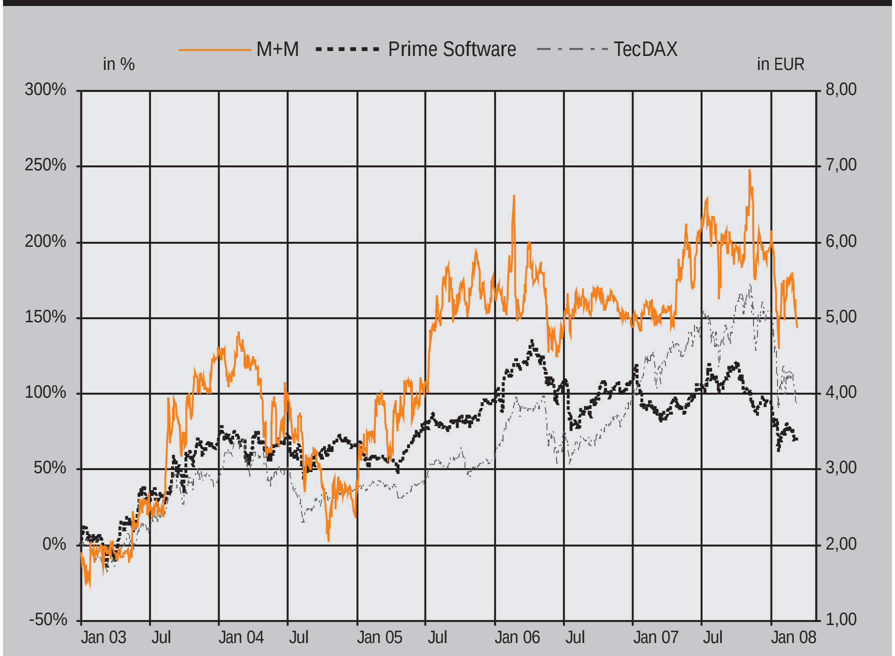
All estimates subject to error
All forward looking statements and targets mentioned herein are subject to market conditions occuring in line with estimations in the planning models set up by the management. Therefore no guarantee can be undertaken for meeting the estimates.
In face of the actual uncertainties on the development of the economy's prosperity to invest, particularly the targets for 2009 are subject to higher imminent risks.

Expression of thanks
We would like to take the opportunity to thank all employees for their enormous and highly efficient engagement during the past fiscal year, which was the main foundation for the achievement of our new sales and earnings records.

In addition, we would like to express our thanks to our customers, suppliers and shareholders for the continued loyalty in the past as well as in the future. We will do our very best to deserve your loyalty every single day in the future.

Wessling, March 2008
Mensch und Maschine Software SE
The Managing Directors

Development of the M+M share



CAD in practice

Architecture

Project: Office building renovation and general redevelopment

Customer: Wuestenrot building society, Salzburg, Austria

Architects: TSB Architekten Ziviltechniker GmbH, Strobl Architekten

The office building of Wuestenrot AG in Salzburg dates back to the sixites. It was decided that the air conditioning was to be generally redeveloped and that the building should get a facelift.

The outcome is a ‘shiny dress’ of approximately 3,000 sqm, which not only looks elegant and modern, but also provides cooling shade in summer. The total construction, consisting of insulation, printed glazing and expanded metal, achieves up to 60% total energy savings.

The project was planned and visualized using Autodesk software. In particular, the variety of 3D applications and visualization functions made the planning process significantly easier and gave the Architect's team (info: www.tsb-architekten.com) a crucial advantage during the bidding process for the project.

Statement of income

Amounts in KEUR	Note*	2007		△%	2006	
Revenues	1	**212,935**	**100%**	**+25%**	**170,338**	**100%**
Cost of revenues	2	-159,309	-74.8%	+29%	-123,610	-72.6%
Gross margin		**53,626**	**25.2%**	**+15%**	**46,728**	**27.4%**
Selling and marketing expenses	3	-28,083	-13.2%	+6.6%	-26,354	-15.5%
General and administrative expenses	4	-10,070	-4.7%	+12%	-8,985	-5.3%
Research and development expenses	5	-7,322	-3.4%	+22%	-5,987	-3.5%
Other operating income	6	1,875	0.9%	+31%	1,435	0.8%
Operating result EBITA before non-recurring effects		**10,026**	**4.7%**	**+47%**	**6,837**	**4.0%**
Disinvestment profit	7	0	0.0%	-100%	794	0.5%
Restructuring expenses	8	-198	-0.1%	-48%	-377	-0.2%
Operating result EBIT before interest and taxes		**9,828**	**4.6%**	**+36%**	**7,254**	**4.3%**
Financial result	9	-2,121	-1.0%	-2.3%	-2,171	-1.3%
Result before taxes		**7,707**	**3.6%**	**+52%**	**5,083**	**3.0%**
Taxes on income	10	-1,558	-0.7%	-17%	-1,878	-1.1%
Net result after taxes		**6,149**	**2.9%**	**+92%**	**3,205**	**1.9%**
thereof attributable to M+M SE shareholders		6,029	2.8%	+99%	3,028	1.8%
thereof attributable to minority shareholders		120	0.1%	-32%	177	0.1%
Net income per share (basic)	11	0.47		+94%	0.24	
Net Income per share (diluted)	11	0.46		+101%	0.23	
Weighted average shares outstanding in million (basic)	11	12.800		+2.4%	12.497	
Weighted average shares outstanding in million (diluted)	11	13.311		+0.3%	13.267	

* see notes on page 51 to 53

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Balance sheet

Amounts in KEUR	Note*	Dec 31, 2007		Δ%	Dec 31, 2006	
Cash and cash equivalents		1,702		-39%	2,788	
Trade accounts receivable	12	34,469		+15%	29,878	
Accounts receivable due from related parties		0		-100%	94	
Inventories	13	7,303		+21%	6,020	
Prepaid expenses and other current assets	14	3,857		+2%	3,793	
Total current assets		**47,331**	**58.9%**	**+11%**	**42,573**	**59.3%**
Property, plant and equipment		2,812		-3%	2,885	
Investment properties	15	1,560		-1%	1,570	
Intangible assets		2,477		+169%	921	
Goodwill	16	19,226		+11%	17,348	
Other Investments	17	1,912		+2%	1,870	
Deferred taxes	10	5,009		+8%	4,644	
Total non current assets		**32,996**	**41.1%**	**+13%**	**29,238**	**40.7%**
Total assets		**80,327**	**100%**	**+12%**	**71,811**	**100%**
Short term debt and current portion of long term debt	18	15,389		-13%	17,652	
Convertible loan	19	1,061		+100%	0	
Trade accounts payable		26,966		+17%	23,094	
Accrued expenses	20	3,968		+20%	3,316	
Deferred revenues		444		+29%	344	
Income tax payable		986		-39%	1,627	
Other current liabilities	21	4,310		-8%	4,672	
Total current liabilities		**53,124**	**66.1%**	**+5%**	**50,705**	**70.6%**
Long term debt, less current portion	22	2,291		-37%	3,642	
Convertible loan	19	0		-100%	1,882	
Deferred taxes	10	64		+121%	29	
Pension accruals	23	258		-44%	463	
Other non current liabilities	20	219		+23%	178	
Total non current liabilities		**2,832**	**3.5%**	**-54%**	**6,194**	**8.6%**
Share capital	24	13,576		+8%	12,612	
Capital reserve	25	9,588		+75%	5,482	
Other reserves		221		0%	221	
Retained earnings / accumulated deficit		-344		+92%	-4,481	
Minority interest		1,482		+46%	1,014	
Currency conversion		-152			64	
Total shareholders' equity		**24,371**	**30.3%**	**+63%**	**14,912**	**20.8%**
Total liabilities and shareholders' equity		**80,327**	**100%**	**+12%**	**71,811**	**100%**

* see notes on page 52 to 59

Statement of cash flows

Amounts in KEUR	Note*	2007	2006
Net result		**6,149**	**3,205**
Depreciation and amortization		865	892
Other non cash income / expenses	26	-477	-416
Increase/decrease in provisions and accruals		367	-524
Losses/gains on the disposal of fixed assets		-27	-32
Change in net working capital		-3,231	-6,082
Net cash provided by (used in) operating activities	26	**3,646**	**-2,957**
Purchase of subsidiaries, net of cash	26	-2,093	-114
Purchase of other fixed assets		-771	-772
Sale of other fixed assets		27	32
Net cash used in investing activities		**-2,837**	**-854**
Proceeds from issuance of share capital		4,858	2,310
Dividend payment		-1,892	-1,211
Proceeds from short or long term borrowings		-4,773	4,457
Net cash provided by (used in) financing activities		**-1,807**	**5,556**
Net effect of currency translation in cash and cash equivalents		-88	45
Net increase / decrease in cash and cash equivalents		**-1,086**	**1,790**
Cash and cash equivalents at beginning of period		**2,788**	**998**
Cash and cash equivalents at end of period		**1,702**	**2,788**

* see notes on page 59

Development of shareholders' equity

Amounts in KEUR	Subscribed Capital	Capital Reserve	Other Reserves	Profit/ Loss	Minority interest	Currency conversion	Total Equity
As of Jan 01, 2006	**12,106**	**3,367**	**221**	**-6,298**	**625**	**-27**	**9,994**
Share based payment		227					227
Capital increase	506	1,888					2,394
Dividend				-1,211			-1,211
Net result				3,028			3,028
Minority interest change					389		389
Currency conversion						91	91
As of Jan 01, 2007	**12,612**	**5,482**	**221**	**-4,481**	**1,014**	**64**	**14,912**
Share based payment		212					212
Capital increase	964	3,999					4,963
Capital costs		-105					-105
Dividend				-1,892			-1,892
Net result				6,029			6,029
Minority interest change					486		468
Currency conversion						-212	-212
As of Dec 31, 2007	**13,576**	**9,588**	**221**	**-344**	**1,482**	**-152**	**24,371**

Segment reporting

The consolidated financial statement comprises a segment report according to IAS 14.

Within the segment reporting, expenses are reported separately for the segments, allowing for a segment specific report of gross profit as well as operating income before amortization of goodwill. Additionally, the distribution of impairments, income from affiliated companies, fixed assets, investments of the fiscal year and liabilities are separately reported for the segments.

Consolidation effects and activities of the holding company which are not allocatable to the segments are disclosed under 'other'.

Primary segmentation

The primary segmentation differentiates M+M technology from trading products. The first category contains all proprietary products developed within the M+M group or exclusively licensed by M+M as well as service revenues, the second category contains all trading products sold by the M+M group.

Geographical segmentation

The secondary segment is geographic and distinguishes product and service revenues by the group companies inside and outside Germany.

Primary segmentation

Amounts in KEUR	2007					2006				
	M+M technology		Trading products		Other	M+M technology		Trading products		Other
Revenues	**25,289**	**100%**	**187,646**	**100%**		**22,642**	**100%**	**147,696**	**100%**	
share in percent	**11.9%**		**88.1%**			**13.3%**		**86.7%**		
Cost of revenues	-3,035	-12.0%	-156,274	-83.3%		-2,703	-11.9%	-120,907	-81.9%	
Gross margin	**22,254**	**88.0%**	**31,372**	**16.7%**		**19,939**	**88.1%**	**26,789**	**18.1%**	
share in percent	**41.5%**		**58.5%**			**42.7%**		**57.3%**		
Selling & marketing expenses	-8,616	-34.1%	-19,467	-10.4%		-8,788	-38.8%	-17,566	-11.9%	
General & administrative expenses	-2,860	-11.3%	-6,970	-3.7%	-240	-2,475	-10.9%	-6,301	-4.3%	-209
Research & development expenses	-7,322	-29.0%	0			-5,987	-26.4%	0		
Other operating income	755	3.0%	1,120	0.6%		634	2.8%	801	0.5%	
Operating result EBITA before non-recurring effects	**4,211**	**16.7%**	**6,055**	**3.2%**	**-240**	**3,323**	**14.7%**	**3,723**	**2.5%**	**-209**
share in percent	**42.0%**		**60.4%**		**-2.4%**	**48.6%**		**54.5%**		**-3.1%**
Disinvestment profit	0		0			794		0		
Restructuring expenses	-80		-118			-27		-350		
Operating result EBIT before interest and taxes	**4,131**	**16.3%**	**5,937**	**3.2%**	**-240**	**4,090**	**18.1%**	**3,373**	**2.3%**	**-209**
Segment assets	25,338		53,277		-4,849	20,652		50,407		-5,462
Fixed assets	14,919		11,508			11,535		11,489		
Depreciation of fixed assets	379		486			371		521		
Investments	471		300			400		372		
Liabilities	20,360		40,445		-4,849	19,801		42,560		-5,462

Secondary segmentation

Amounts in KEUR	2007					2006				
	Germany		International		Other	Germany		International		Other
Revenues	**57,112**	**100%**	**159,208**	**100%**	**-3,385**	**45,285**	**100%**	**128,124**	**100%**	**-3,071**
share in percent	**26.8%**		**74.8%**		**-1.6%**	**26.6%**		**75.2%**		**-1.8%**
Cost of revenues	-33,101	-58.0%	-129,593	-81.4%	3,385	-24,647	-54.4%	-102,034	-79.6%	3,071
Gross margin	**24,011**	**42.0%**	**29,615**	**18.6%**		**20,638**	**45.6%**	**26,090**	**20.4%**	
share in percent	**44.8%**		**55.2%**			**44.2%**		**55.8%**		
Selling & marketing expenses	-10,436	-18.3%	-17,647	-11.1%		-9,588	-21.2%	-16,766	-13.1%	
General & administrative expenses	-2,007	-3.5%	-7,823	-4.9%	-240	-2,343	-5.2%	-6,433	-5.0%	-209
Research & development expenses	-7,322	-12.8%	0			-5,987	-13.2%	0		
Other operating income	1,387	2.4%	488	0.3%		1,115	2.5%	320	0.2%	
Operating result EBITA before non-recurring effects	**5,633**	**9.9%**	**4,633**	**2.9%**	**-240**	**3,835**	**8,5%**	**3,211**	**2.5%**	**-209**
share in percent	**56.2%**		**46.2%**		**-2.4%**	**56.1%**		**47.0%**		**-3.1%**
Disinvestment profit	0		0			794		0		
Restructuring expenses	-80		-118			-27		-350		
Operating result EBIT before interest and taxes	**5,553**	**9.7%**	**4,515**	**2.8%**	**-240**	**4,602**	**10.2%**	**2,861**	**2.2%**	**-209**
Segment assets	33,455		52,839		-12,528	27,054		56,615		-18,072
Fixed assets	16,679		9,748			13,300		9,724		
Depreciation of fixed assets	514		351			507		385		
Investments	414		357			315		457		
Liabilities	41,066		27,418		-12,528	46,595		28,376		-18,072

CAD in practice

Visualization

Project: Product presentation of a new robot system

Customer: Duerr Ecoclean GmbH, Monschau, Germany

Duerr Ecoclean manufactures hightech systems for the cleaning of working parts. The most important application for this is engine and gear manufacturing in the automotive industry, where it is quality critical that all parts are absolutely clean before assembly, because even small pieces of dirt can cause damage. Therefore the systems work in an airtight housing.

For the presentation of the new integrated robot system EcoCFlex, a 3D stereo computer animation was produced, impressively simulating the facility in action - looking into the housing, which in real life prevents watching the working robot system (Film production: STOEHR+SAUER, Wuerselen).

This is a typical application for animation and visualization software programs - distributed by yello!, a M+M group member - which are also used to create special effect scenes in many movies and computer games.


DÜRR

Notes

General remarks

Basis of the group financial statement

The consolidated financial statement of Mensch und Maschine Software AG, 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 International Financial Reporting Standards (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 business activities are concentrated in the fields of CAD and CAM.

A Declaration of Conformity with the German Corporate Governance Code has been issued pursuant to Section 161 of the German Stock Corporation Act and made available to stockholders.

The Management Directors of M+M SE approved the consolidated financial statements on March 7, 2008 for submission to the company's Administrative Board. The Administrative Board approved the consolidated financial statements at its meeting on March 14, 2008 and approved for publication on March 17, 2008

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 2007 fiscal year (January 1 to December 31).

Changes in accounting policies

The International Accounting Standards Board (IASB) has approved a number of changes to the existing International Financial Accounting Standards (IFRSs) and adopted several new IFRSs, which became effective as of January 1, 2007. M+M is applying the following IFRSs in the reporting period for the first time:

IAS 1	Disclosure of an Entity's Capital
IFRS 7	Financial Instruments: Disclosures
IFRIC 7	Disclosure under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

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

New accounting policies
The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have adopted further standards and interpretations, which were not yet effective in the 2007 financial year.

IAS 1 Changes in equity arising from transactions with owners and with non-owners
IAS 23 Capitalization of Borrowing Costs
IAS 27 and IFRS 3 Business Combinations
IFRS 8 Operating Segments
IFRIC 11 Group and Treasury Share Transactions under IFRS 2
IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes
IFRIC 14 Requirements in Plan Assets

These Standards and Interpretations have to be applied for annual periods beginning after January 1, 2007. 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 2008.

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.

In addition to the parent company, the companies listed opposite were fully consolidated in the group financial statement of December 31, 2007.

M+M group consolidated companies	
Mensch und Maschine Management AG, Wessling, Germany	100%
Mensch und Maschine Deutschland GmbH, Wessling, Germany	100%
Mensch und Maschine Akademie GmbH, Kirchheim, Germany	100%
Mensch und Maschine Software AG, Winkel (Zuerich), Switzerland	100%
Mensch und Maschine Software Ges.m.b.H., Salzburg, Austria	100%
Man and Machine S.a.r.l., Paris, France	100%
Man and Machine Software s.r.l., Vimercate (Milan), Italy	100%
Man and Machine Software Sp.ZO.O., Lodz, Poland	100%
Man and Machine Ltd., Thame, UK	100%
Man and Machine AB, Sundbyberg (Stockholm), Sweden	100%
Man and Machine Benelux NV, Ternat (Brussels), Belgium	100%
yello! Digital production tools AG, Wiesbaden, Germany	83.98%
EUKLID Software GmbH, Wessling, Germany	100%
DATAflor AG, Goettingen, Germany	61.50%
Elektro-CAE-Software GmbH (ECS), Donzdorf, Germany	60%
creaTa Software GmbH, Potsdam, Germany	50.10%
OPEN MIND Technologies AG, Wessling, Germany and 100% shareholding: OPEN MIND Technologies USA Inc., Livonia Detroit/Michigan, USA OPEN MIND Technologies PTE Ltd., Singapore OPEN MIND Technologies Italia s.r.l., Rho (Mailand), Italiy OPEN MIND Technologies France S.a.r.l., Saverne Cedex, France OPEN MIND Technologies UK Limited, Oxford, UK OPEN MIND Technologies Japan Inc., Tokyo, Japan OPEN MIND Technologies China Co.Ltd, Shanghai, China OPEN MIND Technologies Taiwan, Chungli City, Taiwan OPEN MIND Technologies Schweiz GmbH, Bassersdorf, Switzerland	100%

Acquired assets and assumed liabilities in fiscal year 2007			
Amount in KEUR	**Net carrying amount at the date of first time consolidation**	**Fair-value adjustment**	**Net carrying amount after the acquisition**
Cash and cash equivalents	135		135
Inventories	67		67
Other current assets	71		71
Property, plant and equipment	51		51
Other intangible assets	98	1,487	1,585
Financial Liabilities	-688		-688
Other current liabilities	-402		-402
Accruals	-121		-121
Net assets	**-789**	**1,487**	**698**
Minority Interests			-348
Purchase Price			**350**
Acquired cash and cash equivalents			-135
Net cash outflow for the acquisition			**215**

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

The share in yello! Digital production tools AG has been increased from 82.34% to 83.98%. As of December 12, 2007, 50.10% of the shares in creaTa Software GmbH have been bought. CreaTa Software GmbH was included in the consolidated financial statements as of December 31, 2007, for the first time.

The fair-value adjustment amounting to KEUR 1,487 reflects the differences between the previous net carrying amounts and the respective fair values in the M+M balance sheet at the date of acquisition. The adjustment value is composed of the established customer base amounting to KEUR 487 and the acquired software amounting to KEUR 1,000. The period of depreciation for the established customer base and the acquired software is 7 years. 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 yet be made in the allocation of the purchase price to the individual assets.

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 2007 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.

The capital consolidation is performed using the benchmark method, by offsetting the book values of the shares with the pro rata equity of the subsidiaries included in the group consolidated financial statement at the date of acquisition or as a first-time consolidation.

Business combinations are reported according to the purchase method. Pursuant to this method, capital consolidation takes place by offsetting the purchase price against the acquired subsidiaries' re-valued prorated net assets at the time of the acquisition. Subsidiaries' identifiable assets, liabilities and contingent liabilities are measured at full fair value, regardless of the amount of the minority interest. Intangible assets are reported separately from goodwill if they are separable from the company or if they stem from a contractual or other right. In accordance with IFRS 3, no new restructuring provisions are recognized within the scope of the purchase price allocation. Acquisition costs not allocated to assets, liabilities, or contingent liabilities are capitalized as goodwill. Negative goodwill from first time consolidation is included in income.

Date of acquisition is the date at which M+M SE takes the effective control over the company. Normally, this is the time at which the majority of the voting rights is acquired.

The differences arising from the consolidation of capital, to the extent that they are assets, are indicated as goodwill under non-current assets. There were no negative differences in the M+M group.

Minority shares 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. There were no negative minority shares in the M+M group.

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. Deferred taxes were not regarded in cases of semi-permanent differences (goodwill). The total amount of deferred taxes from the individual and consolidated financial statements is included in the item income taxes in the statement of income.

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 an 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. 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.

M+M 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. New acquired Goodwill is translated as an asset of the economically autonomous foreign entity at the exchange rate in effect on the balance-sheet date.

Exchange rates

	Average		Year end	
	2007	2006	Dec 31, 07	Dec 31, 06
1 Swiss Franc	0.6076	0.6342	0.6040	0.6222
1 British pound	1.4547	1.4668	1.3596	1.4908
1 Polish zloty	0.2648	0.2564	0.2786	0.2608
1 Swedish Krona	0.1080	0.1081	0.1061	0.1106
1 US Dollar	0.7295	0.7960	0.6794	0.7574
1 Singapore Dollar	0.4844	0.5011	0.4700	0.4936
100 Japanese Yen	0.6199	0.6845	0.6049	0.6361
1 Taiwan Dollar	0.0221	----	0.0209	----

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 cost-of-sales method. In accordance with IAS 1, the balance sheet is apportioned into current and non-current assets and into current and non-current liabilities. To improve the clarity in the profit and loss statement, the disinvestment profit and restructuring expenses are shown separately. To guarantee the comparability, the previous year was adapted accordingly.

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 10 years.

Low value items are fully written off in the year of purchase.

Investment property
Investment property is all real property held to earn rental income or for long-term capital appreciation rather than 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 stated in the Notes under (6) and 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.

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.

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. This expense is taken to the income statement through various line items.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is not carried forward because its future recoverability cannot reasonably be regarded as assured.

Goodwill and impairment

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 three-year period. This planning is based on experiences from the past as well as on expectations over the future market development.

The growth rate applied to cash flow projections for the three-year planning period is between 5% and 7.5% p.a. for gross margin and between 2.5% and 5% p.a. for expenses.

The discount rate is determined on the basis of market data and considers credit and market risks. For the cash generating units it amounts to 12.35%.

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 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 shareholdings are checked for signs of depreciation (Impairment Test).

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

Inventory

The valuation of the inventory depends on the regulations of IAS 2. This position ontains mainly finished goods which are capitalized at costs. 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 de-recognition 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 M+M operates in and include all facts the Company is aware of.

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. 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 exclusively charged to expenditure.

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 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 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:

	2007	2006
Discount rate	5.00%-5.25%	4.00%-4.25%
Estimated return on plan asset	5.00%-5.10%	4.25%-4.50%
Future changes in remuneration	1.50%-2.00%	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 are disclosed in staff costs.

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 other income and expenses. 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.

Business combinations
IFRS 3 defines company acquisitions if one enterprise, the acquirer, obtaining control over the net assets and operations of another enterprise, the acquiree, whereby control presents the opportunity to govern the financial and business policies of a company so as to obtain benefits from its activities. In the reporting period. The share in yello! Digital production tools AG has been increased from 82.34% to 83.98%. As of December 12, 2007, 50.10% of the shares in creaTa Software GmbH have been bought. CreaTa Software GmbH was included in the consolidated financial statements as of December 31, 2007, for the first time.

Development of stock option rights

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	
Day of issuance	**Jun 1, 99**	**Jun 2, 00**	**Jun 5, 01**	**Jun 3, 02**	**Jun 2, 03**	**Jul 12, 05**	**May 31, 06**	**May 4, 07**	**Total**
Total number granted	181,800	177,000	226,296	249,268	242,908	315,250	249,425	244,507	1,886,454
Strike price (EUR)	15.00	12.47	6.85	6.21	2.45	3.59	5.64	5.15	
Vesting period	6/8 years	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 January 1, 2007	58,900	49,600	121,300	163,704	100,610	278,140	245,225	0	1,017,479
In the reporting period									
granted options	0	0	0	0	0	0	0	244,507	244,507
forfeited options	0	400	800	400	400	5,850	4,370	0	12,220
exercised options	0	0	0	0	88,272	106,875	0	0	195,147
expired options	58,900	0	60,250	0	0	0	0	0	119,150
Outstanding options as of Dec 31, 2007	0	49,200	60,250	163,304	11,938	165,415	240,855	244,507	935,469
Exercisable options as of Dec 31, 2007	0	49,200	60,250	163,304	11,938	29,270	0	0	313,962
Capital increase in KEUR for:									
Exercisable options only	0	614	413	1,014	29	105	0	0	2,175
All options outstanding	0	614	413	1,014	29	594	1,358	1,259	5,281

Stock option plans
Mensch und Maschine offers its Managing Directors and other employees stock options in the form of an option plan relaunched each year. The subscription price per share is 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 2007, 244,507 new options have been issued and 195,147 options have been converted. In the period 119,150 options have expired and 12,220 have forfeited.
As of December 31, 2007, 935,469 options are outstanding.

Parameters for Black-Scholes-Merton model

	Tranche 5		Tranche 6		Tranche 7		Tranche 8	
	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	2.43	2.43	4.65	4.65	4.59	4.59	5.57	5.57
Life of the option on the grant date	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	2 years	4 years	3 years	4 years	3 years	4 years
Exercise price on the expected exercise date in EUR	2.45	2.45	3.59	3.59	5.64	5.64	5.15	5.15
Expected dividend yield	0.00%	0.00%	4.30%	4.30%	5.45%	5.17%	3.59%	4.04%
Risk-free interest rate for the life of the option	2.21%	2.70%	2.23%	2.75%	3.52%	3.61%	4.18%	4.18%
Expected volatility of the share price	74.32%	74.32%	45.29%	45.29%	37.58%	37.58%	27.61%	27.61%
Expected fluctuation of option holders during the option's life	19.69%	29.19%	12.52%	21.27%	5.50%	15.50%	6.70%	16.70%

The options are converted 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 correspon-ding 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, 2007, and the lower line reports all outstanding options.

If all 314,062 exercisable options were converted, this would lead to an injection of capital amounting to KEUR 2,175. In terms of the number of shares as at December 31, 2007, amounting to 13,576,464 and the equity as at December 31, 2007, of KEUR 24,371, this would correspond to 2.31% growth in the number of shares and a 8.92% increase in the equity. In terms of the total number of 935,469 outstanding options and an associated injection of capital amounting to KEUR 5,281, the following values are derived: number of shares +6.89% and capital growth +21.67%.

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 for accounting years beginning on or after January 1, 2005. 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 are 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, 2007, under IFRS amounts to KEUR 1,240 (PY: 949).

For the purpose of stock option valuation a modified Black-Scholes-Merton formula was applied, based on the parameters and expected volatilities shown in the table above.

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 reason for the early exercise is related to tax privileges for option holders since due to present tax regulations in Germany the difference between the exercise price and the present share price has to be taxed as pecuniary advantage whereas stock price gains are tax free after one year.

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 to consider 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 are based on historical 12 months volatilities.

Related Parties

The CTO Werner Schwenkert is also Managing Director of Follow Me GmbH. Transactions with this company are carried out on an arm's length basis. Business with this company was not material from the viewpoint of M+M SE.

M+M SE was not a party to any transaction of an unusual nature or structure that was material to us or to companies or persons closely associated with us, nor does it intend to be party to such transactions in the future.

M+M's CEO and Chairman of the Board Adi Drotleff subscribed the convertible loans 2004 amounting to KEUR 824 and converted them into 143,253 shares. Mr. Drotleff got interest of the convertible loans amounting to KEUR 47 (PY: 47). In the prior year he granted M+M an interest free shareholder loan amounting to KEUR 271 as of December 31, 2006, which have been returned in 2007.

KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of 3.58% as of December 31, 2007, granted M+M loans amounting to KEUR 2,475 (PY: 2,475) and therefore received interest of KEUR 134 (PY: 165).

Notes on the statement of income

1. Revenues

This position contains trade sales amounting to KEUR 212,067 (PY: 169,421) and sales of business services amounting to KEUR 868 (PY: 917).

2. Cost of revenues

This position contains predominantly purchases of standard software products. Raw materials and external services play a very subordinate role.

3. Selling and marketing expenses

This position contains personnel expenses amounting to KEUR 13,139 (PY: 12,895), other operating expenses amounting to KEUR 14,459 (PY: 12,922), and depreciation amounting to KEUR 485 (PY: 537).

4. General and administrative expenses

This position contains personnel expenses amounting to KEUR 4,526 (PY: 3,922), other operating expenses amounting to KEUR 5,351 (PY: 4,857) and depreciation amounting to KEUR 193 (PY: 206).

5. Research and development expenses

This position contains personnel expenses amounting to KEUR 5,971 (PY: 4,808), other operating expenses amounting to KEUR 1,164 (PY: 1,030) and depreciation amounting to KEUR 187 (PY: 149).

6. Other operating income

Other operating income contains the returns from private use of cars and telephones in the amount of KEUR 585 (PY: 563), rents received amounting to KEUR 156 (PY: 92) and other income amounting to KEUR 1,134 (PY: 780).

7. Disinvestment profit

In the previous year this position contained the gain on disposal of the RoCAD technology.

8. Restructuring expenses

This position mainly implies restructuring costs amounting to KEUR 198 (PY: 302). Consulting and other costs related to restructuring did not occur (PY: 75).

9. Financial result

KEUR	2007	2006
Interest income	84	56
Interest expense	-1,833	-1,740
Income from other investments and participations	32	37
Foreign currency exchange gains / losses	-147	35
Other financial expenses	-257	-559
Financial result	**-2,121**	**-2,171**

The other financial expenditures essentially contain mainly bank charges.

10. Taxes on income

This item encompasses tax expenses amounting to KEUR 1,856 (PY: 2,195), a relief amounting to KEUR 333 (PY: 330) from further development and revaluation of deferred tax assets, as well as a surplus of KEUR 35 (PY: 13) from deferred tax liabilities.

Tax reconciliation

Amounts in KEUR	2007	2006
Result before income tax	**7,707**	**5,083**
Legal tax rate	37%	37%
Expected tax load	**-2,852**	**-1,881**
Tax rate variances		
Foreign tax rate differential	130	-62
Deviation of the taxable base from		
Non deductable expenses	-137	-167
Tax free income from investments	12	0
Taxable depreciation of intangible assets	480	246
Valuation of deferred tax assets		
Non execution of deferred tax assets	51	0
Belated execution of deferred tax assets	1,313	0
Change of tax rate	-537	0
Other	**-18**	**-14**
Actual tax load	**-1,558**	**-1,878**
Effective tax rate in percent	**20.22%**	**36.95%**

In total there are realizable tax loss carry forwards amounting to KEUR 26,127 (PY: 28,624). This creates deferred tax assets of KEUR 8,112 (PY: 10,152). 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 4,893 (PY: 4,117). This means only 60.32% (PY: 40.56%) of the total realizable tax loss carry forwards 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 116 (PY: 527) resulting from different valuations of intangible assets, as well as deferred tax liabilities amounting to KEUR 64 (PY: 29). The changes have been booked as tax expenditure or proceeds.

The transition between the expected taxes and the actual tax proceeds are explained by the reconciliation on the left side.

11. 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.

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. In accordance with IAS 33, net income is adjusted for the after tax effect of the interest of KEUR 78 (PY: 78) recognized for the convertible loan.

	2007	2006
Net result KEUR attributable to M+M shareholders	6,029	3,028
Weightes number of shares	12,799,803	12,497,358
Non diluted earnings per share EUR	0.4710	0.2423
Diluted net result KEUR	6,109	3,106
Diluted number of shares	13,311,429	13,267,055
Diluted earnings per share EUR	0.4590	0.2341

Notes on the balance sheet

Assets

Current assets

12. 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 498 (PY: 725).

As of December 31, 2007, M+M did not use factoring financing any more and all receivables were on balance. In the prior year, receivables amounting to KEUR 3,647 were off balance due to factoring.

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:

	2007	2006
As of Jan 1	725	769
Addition	212	367
Disposal	-203	-152
Reversing	-236	-259
As of Dec 31	498	725

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 selling 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 follwing periods				
	book value		30<60	60<90	90<180	180<360	>360
As of Dec 31, 2007	34,469	29,778	2,829	405	324	564	73
As of Dec 31, 2006	29,878	23,212	4,443	829	262	464	72

Fixed assets register 2006

	Acquisition costs					Accumulated depreciation				Net book value	
	Jan 1,06	Consolidation effects	Addition	Disposal	Dec 31,06	Jan 1,06	Addition	Disposal	Dec 31,06	Jan 1,06	Dec 31,06
I. Tangible assets	**7,543**	**101**	**570**	**0**	**8,214**	**4,493**	**836**	**0**	**5,329**	**3,050**	**2,885**
II. Investment Properties	**0**	**1,574**	**0**	**0**	**1,574**	**0**	**4**	**0**	**4**	**0**	**1,570**
III. Other intangible assets	**2,693**	**421**	**200**	**-32**	**3,282**	**2,309**	**52**	**0**	**2,361**	**384**	**921**
IV. Goodwill	**28,619**	**0**	**0**	**0**	**28,619**	**11,271**	**0**	**0**	**11,271**	**17,348**	**17,348**
V. Financial assets	**4,164**	**-401**	**2**	**0**	**3,765**	**1,895**	**0**	**0**	**1,895**	**2,269**	**1,870**
1. Financial assets	4,118	-427	0	0	3,691	1,895	0	0	1,895	2,223	1,796
2. Affiliated companies	0	0	0	0	0	0	0	0	0	0	0
3. Other	46	26	2	0	74	0	0	0	0	46	74
(all amounts in KEUR)	**43,019**	**1,695**	**772**	**-32**	**45,454**	**19,968**	**892**	**0**	**20,860**	**23,051**	**24,594**

13. Inventories

This position predominantly contains purchased goods amounting to KEUR 5,281 (PY: 4,857), software licences amounting to KEUR 1,615 (PY: 903) and work in process amounting to KEUR 407 (PY: 260). The inventory is reduced by a specific allowance amounting to KEUR 285 (PY: 263).

14. 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.

15. Investment property

As of December 31, 2007, the fair value of investment property amounted to KEUR 1,569 (PY: 1,579). The fair value of investment property is derived from the current market prices of comparable real estate or determined using the gross rental method. The property is used partially for own purposes. Rental income generated in the reporting period amounted to KEUR 61 (PY: 48). Direct operating expenses totalled KEUR 21 (PY: 18).

Fixed assets register 2007

Acquisition costs					Accumulated depreciation				Net book value	
Jan 1,07	Consolidat-ion effects	Addition	Disposal	Dec 31,7	Jan 1,07	Addition	Disposal	Dec 31,07	Jan 1,07	Dec 31,07
8,214	**51**	**670**	**0**	**8,935**	**5,329**	**794**	**0**	**6,123**	**2,885**	**2,812**
1,574	**0**	**0**	**0**	**1,574**	**4**	**10**	**0**	**14**	**1,570**	**1,560**
3,282	**1,585**	**32**	**0**	**4,899**	**2,361**	**61**	**0**	**2,422**	**921**	**2,477**
28,619	**0**	**1,878**	**0**	**30,497**	**11,271**	**0**	**0**	**11,271**	**17,348**	**19,226**
3,765	**0**	**69**	**-27**	**3,807**	**1,895**	**0**	**0**	**1,895**	**1,870**	**1,912**
3,691	0	1	0	3,692	1,895	0	0	1,895	1,796	1,797
0	0	0	0	0	0	0	0	0	0	0
74	0	68	-27	115	0	0	0	0	74	115
45,454	**1,636**	**2,649**	**-27**	**49,712**	**20,860**	**865**	**0**	**21,725**	**24,594**	**27,987**

16. Goodwill

The addition of the OPEN MIND AG goodwill is due to the additional payment to some of the old shareholders, which was payable, because the M+M share price did not achieve a level of EUR 15.25 per share until April 1, 2007.

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

Goodwill development

Amounts in KEUR	Dec 31, 2006	Addition	Dec 31, 2007
OPEN MIND	7,463	1,878	9,341
M+M UK	2,982		2,982
M+M Sweden	1,438		1,438
M+M Switzerland	1,265		1,265
DATAflor	1,135		1,135
M+M Italy	1,116		1,116
ECS	711		711
M+M Poland	474		474
M+M Akademie	350		350
M+M France	333		333
M+M Austria	81		81
Total	**17,348**	**1,878**	**19,226**

17. Other investments

Other investments mainly include strategic shareholdings. As of December 31, 2007, the following investments existed:

Investments

Amounts in KEUR	Dec 31, 2007 in %	Dec 31, 2007 Book value	Dec 31, 2006 in %	Dec 31, 2006 Book value
CTB GmbH & Co KG, Buchholz	19.9	200	19.9	200
SOFiSTiK AG, Oberschleissheim	14.3	896	14.3	896
BlueCielo ECM Solutions (formerly: Cyco BV), 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.

The maximum loss risk is the amount of the respective net book value. As of Dec 31, 2007, there were no loans given to shareholdings.

Liabilities

Current liabilities

18. 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.

19. Convertible loan

As of July 15, 2004, 348,599 unregistered convertible loans have been issued with a nominal amount of EUR 1.00. The loans were issued at EUR 5.75 each. The convertible loan has a running time of maximum four years and interest is paid annually with 5.75% of the issuing amount from July 15, 2004 (included) till July 14, 2008 if not paid back or converted. The interest is paid annually due on July 15 of the years 2005 to 2008. The loans are paid back at the latest July 15, 2008 if not paid back or converted before. Each loan creditor has the irrevocable right during the conversion window (one month after July 15, 2005, 2006, 2007 and last from June 1 to 30, 2008) to convert each loan held in the nominal amount of EUR 1.00 in 1 (one) ordinary share with a par value of EUR 1.00 of M+M SE. 149,785 conversion rights were exercised in 2007.

M+M's CEO and principal shareholder Adi Drotleff signed convertible loans amounting to KEUR 824 and converted them into 143,253 shares.

The market value of the liability component and the equity component was determined as of the date of issuing of the loan. The market value of the liability component, which is contained in non current liabilities, was determined on the basis of a market interest rate of 9.0% for an appropriate straight loan. The remaining value of KEUR 211 (less transaction costs of KEUR 7), which represents the equity component, has been transferred to the capital reserve.

Consequently, the liability component will be measured at cost up to the conversion or maturity of the loan. In the fiscal year non cash interest expenditures of KEUR of 48 (PY: 48) has been allocated to the loan capital. However the equity component measured at the date of issuing of the loan remains unchanged.

Because of the final maturity as of July 15, 2008, the convertible loan was reclassified to the current liabilities.

20. 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.

In the column disposal, there are no major reversings.

Table of accrual development

Amounts in KEUR	Dec 31, 2006	Disposal	Addition	Dec 31, 2007
Personnel accruals	1,307	-1,307	1,208	1,208
Outstanding bills	1,069	-1,069	1,357	1,357
Othr	940	-940	1,403	1,403
Total current accruals	**3,316**	**-3,316**	**3,968**	**3,968**
Personnel accruals	178	0	41	219
Total non current accruals	**178**	**0**	**41**	**219**
Total accruals	**3,494**	**-3,316**	**4,009**	**4,187**

21. Other current liabilities

This position contains an loans of KEUR 2,475 from the KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of 3.58 per cent as of December 31, 2007. Furthermore this position includes debts from VAT and tax on wages and salaries, outstanding social security costs and deferred income.

Non current liabilities

22. Long term debt, less current portion

The term structure of the long term debt is shown in the table below:

Debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of Dec 31, 2007				
Bank debt	17,680	15,389	2,291	0
Convertible loan	1,061	1,061	0	0
Financial liability	**18,741**	**16,450**	**2,291**	**0**
As of Dec 31, 2006				
Bank debt	21,294	17,652	3,642	0
Convertible loan	1,882	0	1,882	0
Financial liability	**23,176**	**17,652**	**5,524**	**0**

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

23. 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 258 (PY: 463), of which an amount of KEUR 258 (PY: 463) represents the determined cash value of the performance-oriented obligation not financed via funding. The cash value determined as at the balance sheet date of the performance-oriented obligations financed via funds amounts to KEUR 3,007 (PY: 2,251). 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 100 (PY: 83), interest expenses amounting to KEUR 113 (PY: 104) and current time of service expenditure amounting to KEUR 55 (PY: 55). 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 39 (PY: 39).

The status of the defined benefit obligations is as follows:

KEUR	2007	2006
Benefit obligation at start of year	2,714	2,384
Interest cost	113	104
Service cost	55	55
Benefits paid	-39	-39
Net actuarial gain	422	210
Benefit obligation at end of year	3,265	2,714
Plan assets at start of year	2,250	1,777
Employer contributions	-39	-39
Actual return on plan assets	100	83
Net actuarial gain	696	430
Plan assets at year end	3,007	2,251
Net recognized liability	**258**	**463**

Pension benefits payable in the future are estimated as follows:

	in KEUR
2008	51
2009	52
2010	53
2011	54
2012	55
2013 - 2017	523

24. Share capital

The subscribed capital of M+M SE as of Dec 31, 2007, comprised 13,576,464 (PY: 12,611,532) shares, with a calculated stake of EUR 1.00 per share. In 2007, 195,147 options and 149,785 convertible loans have been converted. Additionally the subscribed capital was increased through the issuance of 620,000 new shares.

25. Capital reserve

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

KEUR	2007	2006
Capital Reserve as of Jan 1	5,482	3,367
Capital increase	3,288	1,882
Convertable loan	711	6
Share based payments	212	227
Cost of capital increase	-105	0
Capital Reserve as of Dec 31	9,588	5,482

M+M has contingent capital, which serves to grant the members of the Board of Directors and other employees stock options. In 2007, 195,147 options have been converted with a premium amounting to KEUR 405 and 149,785 convertible loans with a premium amounting to KEUR 711 have been allocated to the capital reserve.

Furthermore the capital reserve includes the premiums from the 2007 capital increase amounting to KEUR 2,883.

26. 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 from interest income of KEUR 1,833 (PY: 1,740) and cash flows used for interest expenses of KEUR 84 (PY: 56)
- KEUR 1,856 (PY: 2,195) in taxes on income paid (less income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 32 (PY: 23)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR -365 (PY: -690) and the change of deferred revenues of KEUR 100 (PY: 240).

Cash flows from financing activities include KEUR 1,892 (PY: 1,211) which was paid out to M+M shareholders.

Cash and cash equivalents of KEUR 135 (PY: 452) stemming from acquisitions are offset against capital expenditure on financial assets.

KEUR	2007	2006
Purchase Price	350	565
Cash outflow for purchase	350	565
Invested cash	135	452

The acquired or disposed assets and liabilities are shown below:

KEUR	2007	2006
Fixed Assets	51	1,643
Current Assets	138	1,039
Accruals	121	38
Liabilities	554	716

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 9,856 (PY: 10,669). In the current financial year, rent and leasing payments are contained amounting to KEUR 3,047 (PY: 3,031).

The due dates of payments are as following:

	in KEUR
2008	2,614
2009	2,029
2010	1,450
2011	1,200
2011	1,129
Following years	1,434
Total	**9,856**

Material leasing contracts mainly apply to office buildings at several locations, SAP software 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, financing, and operating activities. Foreign-currency risks in the financing area are caused by financial liabilities in foreign currency and loans in foreign currency that are extended to Group entities for financing purposes. Treasury hedges these risks in full. Cross-currency swaps and currency derivatives are used to convert financial obligations and intra-group loans denominated in foreign currencies into the Group entities' functional currencies.

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 reasonably 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).

KEUR	2007	2006
Increase of 5%	-328	-269
Decrease of 5%	328	269

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 reasonably 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).

KEUR	2007	2006
Increase of 100 basis points	-189	-173
Decrease of 100 basis points	189	173

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 December 31, 2007. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Liquidity risks 2007

Amount in KEUR	book value	Cash flows 2008		Cash flows 2009		Cash flows from 2010	
	Dec 31,2007	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	17,680	255	15,389	112	906	126	1,385
Convertible loan	1,061	33	1,061				
Other current liabilities	3,262	0	3,262				
Financial liability	**22,003**	**288**	**19,712**	**112**	**906**	**126**	**1,385**

Liquidity risks 2006

Amount in KEUR	book value	Cash flows 2007		Cash flows 2008		Cash flows from 2009	
	Dec 31,2006	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	21,294	388	17,654	163	1,556	237	2,084
Convertible loan	1,882	108	0	33	1,882		
Other current liabilities	3,705	0	3,705				
Financial liability	**26,881**	**496**	**21,359**	**196**	**3,438**	**237**	**2,084**

All instruments held at December 31, 2007, 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 operative 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 a 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."

Liquidity risks 2007

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2007	Fair Value Dec 31, 2007	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2007
Cash and cash equivalents	LaR	1,702	1,702	1,702		1,702
Trade accounts receivable	LaR	34,469	34,469	34,469		34,469
Accounts receivable due from related parties	LaR	0	0	0		0
Other current assets	LaR	2,421	2,421	2,421	1,436	3,857
Liabilities						
Bank debt	FLAC	17,680	17,738	17,680		17,680
Convertible loan	FLAC	1,061	1,095	1,061		1,061
Tradeaccounts payable	FLAC	26,966	26,966	26,966		26,966
Other current liabilities	FLAC	3,262	3,262	3,262	1,048	4,310
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		38,592	38,592	38,592		
Financial Liabilities Measured at Amortised Cost (FLAC)		48,969	49,061	48,969		

Liquidity risks 2006

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2006	Fair Value Dec 31, 2006	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2006
Cash and cash equivalents	LaR	2,788	2,788	2,788		2,788
Trade accounts receivable	LaR	29,878	29,878	29,878		29,878
Accounts receivable due from related parties	LaR	94	94	94		94
Other current assets	LaR	3,059	3,059	3,059	734	3,793
Liabilities						
Bank debt	FLAC	21,294	21,458	21,294		21,294
Convertible loan	FLAC	1,882	1,979	1,882		1,882
Tradeaccounts payable	FLAC	23,094	23,094	23,094		23,094
Other current liabilities	FLAC	3,705	3,705	3,705	967	4,672
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		35,819	35,819	35,819		
Financial Liabilities Measured at Amortised Cost (FLAC)		49,975	50,236	49,975		

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 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.

Net gain/loss by category 2007

Amounts in KEUR	from interest	from subsequent measurement			from derecognition	Net gain(loss)
		at Fair value	Currency translation	Impairment		Dec 31, 2007
Loans and Receivables (LaR)	84		18	-93		9
Financial Liabilities Measured at Amortised Cost (FLAC)	-1,833		-165			-1,998
	-1,749	**0**	**-147**	**-93**	**0**	**-1,989**

Net gain/loss by category 2006

Amounts in KEUR	from interest	from subsequent measurement			from derecognition	Net gain(loss)
		at Fair value	Currency translation	Impairment		Dec 31, 2006
Loans and Receivables (LaR)	56		24	138		218
Financial Liabilities Measured at Amortised Cost (FLAC)	-1,740		11			-1,729
	-1,684	**0**	**35**	**138**	**0**	**-1,511**

Interest from financial instruments is recognized in finance costs. M+M recognizes the other components of net gain/loss in other financial income/expense, except for impairments/reversal of impairments of trade receivables that are classified as "loans and receivables" which are reported under general and administrative expenses.

Interest expenses from financial liabilities measured at amortized cost primarily consist of interest expense on bonds and other financial liabilities.

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, 2007, M+M did not hold any material investments to be classified as "available-for-sale".

Credit risk

M+M trades only with recognised, credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant. The maximum exposure is the carrying amount. There are no significant concentrations of credit risk. With respect to credit risk arising from the other financial assets, which comprise cash and cash equivalents, available-for-sale financial investments, loan notes and certain derivative instruments, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Capital management

The primary objective of the capital management of M+M is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise 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. At the moment there is no active capital management.

The following table shows the change of the equity components within the capital management:

KEUR	Share capital	Capital reserve
As of Jan 1, 2006	**12,106**	**3,367**
Capital increase	506	1,888
As of Jan 1, 2007	**12,612**	**5,255**
Capital increase	964	3,999
As of Dec 31, 2007	**13,576**	**9,254**

Employees
The group's average number of employees (excluding temporary workers and trainees) during the fiscal year was 327 (PY: 300). The number of trainees was 9 (PY: 7). The personnel expenses amounted to KEUR 23,636 (PY: 21,625).

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 predecessor Mensch und Maschine Software AG provides that the Administrative Board is made up of three members. The general meeting of Mensch und Maschine Software SE on May 30, 2006 elected the following persons to the Administrative Board for the duration according to the articles of association:

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

Managing Directors
The following gentlemen were appointed Managing Director during fiscal year 2007:

Adi Drotleff, Diplom-Informatiker,
Munich (CEO)
Michael Endres, Diplom-Informatiker (FH),
Fuerstenfeldbruck (Marketing)
Jens Jansen, Diplom-Ingenieur, MBA
Munich (CIO)
Peter Schuetzenberger, Kaufmann,
Landsberg (CFO)
Werner Schwenkert, Diplom-Kaufmann,
Munich (CTO)

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

Remuneration of Managing Directors and Administrative Board
Remuneration for the Managing Directors amounted to KEUR 778 (PY 732), of which an amount of KEUR 160 (PY: 120) was variable. Additionally the Directors received non cash remuneration (e.g. company cars, pension commitments, life insurances) amounting to KEUR 177 (PY: 164). The Directors were granted share options during the period of KEUR 24 (PY: 28). The modified Black-Scholes-Merton-Model was applied in assessing the fair value of the options.

KEUR	fix	variable	noncash	Options
Adi Drotleff	160	32	67	0
Michael Endres	109	32	27	6
Peter Schuetzenberger	109	32	25	6
Jens Jansen	108	32	28	6
Werner Schwenkert	132	32	30	6

The pension obligation for the Managing Directors amounts to KEUR 1,115 (PY: 1,216) as of December 31, 2007.

Remuneration for the Administrative Board totalled KEUR 16 (PY: 39). The Chairman Mr. Drotleff got no remuneration, the other members Mr. Becker and Mr. Kopp KEUR 8 (PY: 10) each.

Directors' shareholdings and options

On Dec 31, 2007, the Managing Directors owned 6,785,742 shares (PY: 6,314,052) and 142,600 options (PY: 307,253) in Mensch und Maschine Software SE. Stock ownership of the members of the Administrative Board as of Dec 31, 2007, was 5,000 shares (PY: 5,000), the option ownership of the members of the Administrative Board was 0 (PY: 0).

Stock and option ownership of Directors and Board members as per Dec 31, 2007, is shown in the following table:

Directors' holdings Dec 31, 2007

Directors	Shares	Options
Adi Drotleff	5,875,285	15,400
Michael Endres	24,000	34,000
Jens Jansen	24,657	33,400
Peter Schuetzenberger	30,000	37,600
Werner Schwenkert	831,800	22,200
Administrative Board		
Norbert Kopp	5,000	0
Thomas Becker	0	0

Other Advisory Board memberships of Administrative Board members

On December 31, 2007, Mr. Becker also served as a member of the Advisory Board for DATAflor AG, Goettingen.

On December 31, 2007, Mr. Drotleff also served as chairman of the Advisory Board of DATAflor AG, Goettingen, and was a member of the Advisory Board for SOFiSTiK AG, Munich.

On December 31, 2007, Mr. Kopp also served as a member of the Advisory Board of Foris AG, Bonn, of EasyMeter GmbH, Bielefeld, of RB Folien GmbH, Lohmar, as well as GUV Gesellschaft für Umwelttechnik und Vertrieb GmbH, Saarbruecken.

Group accountant fee volume

The required disclosure of the group accountant fee volume is as follows:

KEUR	2007	2006
Audit	109	97
Tax consulting	40	45
Other	10	8
Total	**159**	**150**

Events after balance sheet date

In February 2008, business and employees of the sole Romanian Autodesk distributor A&C in Bucharest was acquired and transferred to the newly founded Man and Machine Romania SRL.

At the end of February 2008, M+M increased the share in creaTa GmbH from 50.1% to 88.5%.

Responsibility statement

required by section 37y (1) of the WpHG in conjunction with sections 297(2) no.3 and 315(1) no.6 of the HGB

„To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal op-portunities and risks associated with the expected development of the group."

The Managing Directors

Adi Drotleff

Michael Endres

Jens Jansen

Peter Schuetzenberger

Werner Schwenkert

Independent Auditor´s Report

‘We have audited the consolidated financial statements prepared by Mensch und Maschine Software SE, Wessling, comprising the income statement, balance sheet, cash flow statement, statement of recognized income and expense and the notes to the consolidated financial statements, together with the group management report, for the business year from January 1, 2007, to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the e.u., and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftspruefer (Institute of Public Auditors in Germany) (idw) and additionally observed the International Standards on Auditing (isa). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Stuttgart, March 7, 2008

A W T
AUDIT WIRTSCHAFTS - TREUHAND AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Hahn
Wirtschaftsprüfer

Huber
Wirtschaftsprüfer

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 2007, five Administrative Board meetings took place on March 1, March 29, May 24, October 18 and December 20.

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
- Acquisitions creaTa and Romania
- Use of exisiting tax loss carryovers and tax optimisation
- Debt restructuring from factoring to more favourable bank credits
- Equity development and preparation of the capital increase in October 2007
- 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.

The Managing Directors and the Administrative Board explicitly commited to the recommendations for responsible corporate governance fixed in the German Corporate Governance Codex in April 2007 in accordance with §161 AktG. This commitment is permanently accessible by the shareholders on the company's website.

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 Administrative Board received a declaration of independence from the auditors according to chapter 7.2.1 of the German Corporate Governance Codex.

The annual report of Mensch und Maschine Software SE as of December 31, 2007, including the management report, as well as the group annual report as of December 31, 2007, including the management report for the group was set up by the Managing Directors and audited by AWT Audit Wirtschafts-Treuhand AG Wirtschaftspruefungsgesellschaft (auditing firm), Stuttgart, and endorsed with an unqualified audit opinion.

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

The auditor took part in the annual fiscal year report meetings on February 28 and March 14, 2008, 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 2007.

Wessling, March 2008
The Administrative Board
Adi Drotleff
Chairman

Events

April 28, 2008	Quarterly report Q1/2008
May 29, 2008	Annual shareholders' meeting
July 28, 2008	Half year report 2008
October 27, 2008	Quarterly report Q3/2008
March 16, 2009	Annual report 2008
March 16, 2009	Analysts' conference

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CAD/CAM in practice: Building ocean-going yachts

Project: CNC programming for the manufacturing of boat parts

Customer: Azimut-Benetti Spa, Avigliana, Italy

From micro machining to creating wing ribs for widebody aircrafts - the CAM technology of M+M group member OPEN MIND is used in many industries across the globe. Materials processed range from tool steel, titanium and ultra-hard nickel alloys such as Inconel, all the way to ceramics and modern composite materials like those used in Formula 1 or in aircraft construction.

When it comes to manufacturing boat hulls, Azimut-Benetti, which claims leadership in yacht manufacturing in Europe, also employs light but very robust fibreglass composites. Yachts are highly emotional products. Anyone ready to pay their price expects not just outstanding technology but also excellent design and functionality. In order to optimally meet these requirements, the company decided to program their CNC machines using hyperMILL from OPEN MIND.

hyperMILL allows the company to use its large portal milling machines for milling the mould negatives as well as for further processing the surfaces of the hulls and superstructures laminated with the mould negatives. This results in highly smooth surfaces for minimal water resistance, which makes the boats faster and also helps to reduce fuel consumption.

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