mensch maschine

CAD as CAD can

Annual Report 2009

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2005		2006		2007		2008		2009	
Revenue	**147.2**		**170.3**	+16%	**212.9**	+25%	**223.1**	+4.8%	**163.33**	-27%
Germany	39.8	27%	42.2	25%	53.7	25%	57.3	25.7%	39.90	24.4%
International	107.4	73%	128.1	75%	159.2	75%	165.8	74.3%	123.43	75.6%
Revenue per share in EUR	**12.21**		**13.63**	+12%	**16.64**	+22%	**16.44**	-1.2%	**11.20**	-32%
Gross Margin	**42.2**		**46.7**	+11%	**53.6**	+15%	**55.9**	+4.2%	**51.01**	-8.7%
Distribution	23.1	55%	26.8	57%	32.5	60.6%	32.2	57.6%	18.39	36.1%
M+M Software	19.1	45%	19.9	43%	20.5	38.2%	22.9	41.0%	19.20	37.6%
VAR Business					0.7	1.2%	0.8	1.5%	13.41	26.3%
Operating result EBITDA	**8.5**		**8.1**	-5%	**10.7**	+32%	**13.0**	+21%	**1.38**	-89%
EBITDA return from revenue	5.8%		4.8%		5.0%		5.8%		0.8%	
Net result	**0.5**		**3.0**	+500%	**6.0**	+100%	**5.76**	-4.5%	**-4.78**	
Net return from revenue	0.4%		1.8%		2.8%		2.6%		-2.9%	
Net result per share in EUR	**0.04**		**0.24**		**0.47**		**0.42**		**-0.34**	
Dividend in EUR	**0.10**		**0.15**	+50%	**0.20**	+33%	**0.20**		**0.00**	
Total assets	**61.4**		**71.8**	+17%	**80.3**	+12%	**85.0**	+6%	**101.15**	
Shareholders' equity	**10.0**		**14.9**	+49%	**24.4**	+63%	**26.4**	+8%	**24.22**	
Equity ratio	16.3%		20.8%		30.3%		31.1%		23.9%	
Number of shares in million	**12.053**		**12.497**	+4%	**12.800**	+2%	**13.570**	+6%	**13.970**	+2.9%
Number of employees	**307**		**300**	-2%	**327**	+9%	**388**	+19%	**504**	+30%

Content

Dear reader,
For Mensch und Maschine Software SE (MuM) the fiscal year 2009 was a real stress test - with a 27% sales decline (the steepest in the 26 year company history) due to the economic crisis. However we managed to keep both the operating result EBITDA and the operating cash flows in the black.

In addition, we extended our business model - countercyclic to the economy - adding the new Value Added Reselling (VAR) segment through our 'Market Offensive' by switching from indirect to direct sales in the German speaking markets.

To achieve this, we integrated our key reselling partners with the M+M group, generating countrywide and multi-disciplinary presence in Germany, Austria and Switzerland, with 35 locations to date.

The VAR Business segment, from scratch, achieved more than EUR 35 million sales, immediately becoming the largest European VAR (Value Added Reseller) of our main supplier Autodesk.

So we are entering year one after the global economic crisis with a business model that has its added value nearly equally balanced over the three pillars M+M Software, Distribution and VAR Business.

This and an orderly start into the new fiscal year make us confident that we can leave the deep 2009 drop behind us and achieve a sales increase of 10-13% along with EBITDA return between 2.5 and 3.5%.

It will probably take another year or two until we can hit the old 2007/2008 record levels for sales and profit. But we shall persevere!

Wessling, March 2010
The Managing Directors

2009 at a glance

- Global economic crisis leads to steepest sales decline in the company's history
- Operating result EBITDA and operating cash flows stay in the black
- Sales: EUR 163.3 mln / -27%
  - International share: 75.6% (PY: 74.3%)
- Operating result EBITDA: EUR 1.4 mln (PY: 13.0 / -89%)
  - Return from revenue: 0.8% (PY: 5.8%)
- High amortizations and impairments
- Net result: EUR -4.8 mln (PY: 5.8)
  - EPS: EUR -0.34 (PY: 0.43)
- Cash flows EUR 5.7 mln (PY: 9.3)
  - Net bank debt slightly higher than in the previous year
- Group headcount: 504 (PY: 388)
- Successful Market Offensive: Transition Distribution > VAR business in D/A/CH
  - Full area coverage with 35 locations
  - From scratch, sales EUR 35 mln

Adi Drotleff
CEO

Michael Endres
Marketing

Jens Jansen
CIO

Peter Schützenberger
CFO

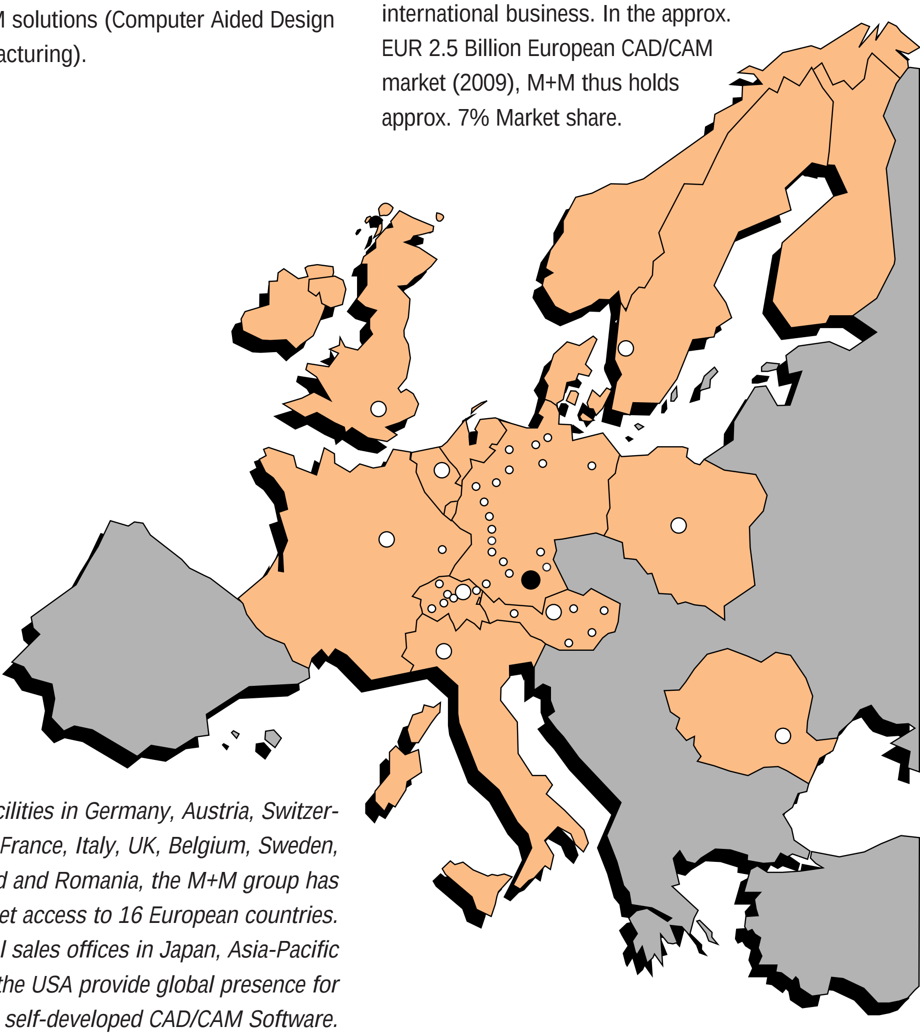
Werner Schwenkert
CTO

Management report 2009

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).

About one quarter of group sales (2009: EUR 163.3 mln) is achieved inside Germany, while the other three quarters come from international business. In the approx. EUR 2.5 Billion European CAD/CAM market (2009), M+M thus holds approx. 7% Market share.



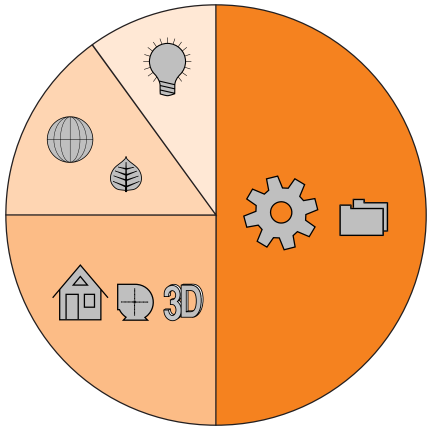
With facilities in Germany, Austria, Switzerland, France, Italy, UK, Belgium, Sweden, Poland and Romania, the M+M group has market access to 16 European countries. Additional sales offices in Japan, Asia-Pacific and in the USA provide global presence for M+M's self-developed CAD/CAM Software.

Good sector balance
In respect of industry sectors, the M+M business is split about half into mechanical engineering and half into the sectors of architecture and the construction industry including building services and visualization (approx. 25%), infrastructure / gardening & landscaping (approx. 15%) and electrical engineering (approx. 10%).
This breakdown is quite similar to the global CAD market, where about 50% of the total market volume is attributed to mechanical.

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

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

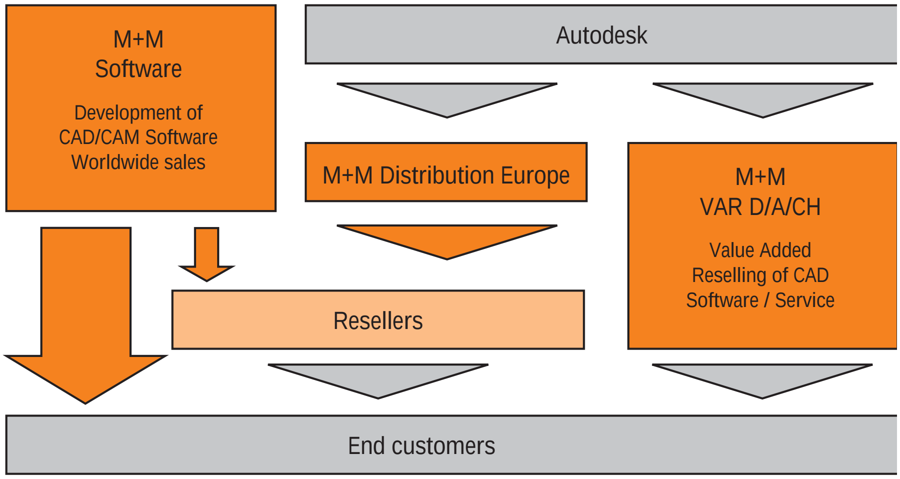
Two thirds new business,
one third recurring revenue
Two thirds of the business is new sales of software seats or subscription/maintenance contracts, the remaining third of the sales is recurring, such us subscription or maintenance renewals and software updates. The relatively high share of new business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



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

Three segment business model

The M+M business model is based on the three segments 'M+M Software', 'Distribution' and 'VAR Business'.



M+M Software segment

In the Software segment, M+M develops sector and niche applications, mainly through the subsidiaries OPEN MIND (CAM) and DATAflor (Gardening / Landscaping). This segment provides the M+M group with the differentiation potential and individual market profile, to be clearly distinguishable from competition.
Sales offices in Japan, Asia-Pacific and in the USA provide global presence for OPEN MIND's CAD/CAM software.

Small volume, relatively high margin

Economically, the Software segment is a standard software developer with just under 22 Million Euro sales (2009), nearly 90% gross yield and approx. 7% EBITDA margin (in the pre-crisis years 2007/2008, 15-20% had been achieved).
As a result, the segment pulls a relatively high added value from its 13.3% share in group sales. In fiscal year 2009, 37.6% of group gross margin was achieved by self developed software technology.

Distribution segment
In the Distribution segment, M+M is focussing on Value-Added Distribution (VAD) of software from global CAD market leader Autodesk. With a purchase volume amounting to approx. EUR 85 million and distribution rights in 16 European countries, M+M is one of the largest Autodesk distributors in the world.

High sales volume
The high volume Distribution segment, with sales amounting to EUR 106.2 Mio (2009), represents the lion's share of group revenue, giving M+M broad market access.
Gross yield at 17.3% (2009) is significantly lower than in the software segment, and the contribution to added value in terms of gross margin in 2009 was 36.1%. EBITDA margin in 2009 dropped to 0.8% due to the crisis - 2007/2008 it had been 3.5-4.0%.

VAR Business segment
Beginning 2009, the M+M business model was extended by a third segment, extensively transitioning from distribution to direct sales in the German speaking markets.
In the course of this 'Market Offensive', Mensch und Maschine integrated several key reselling partners in Germany, Austria and Switzerland with the M+M group.

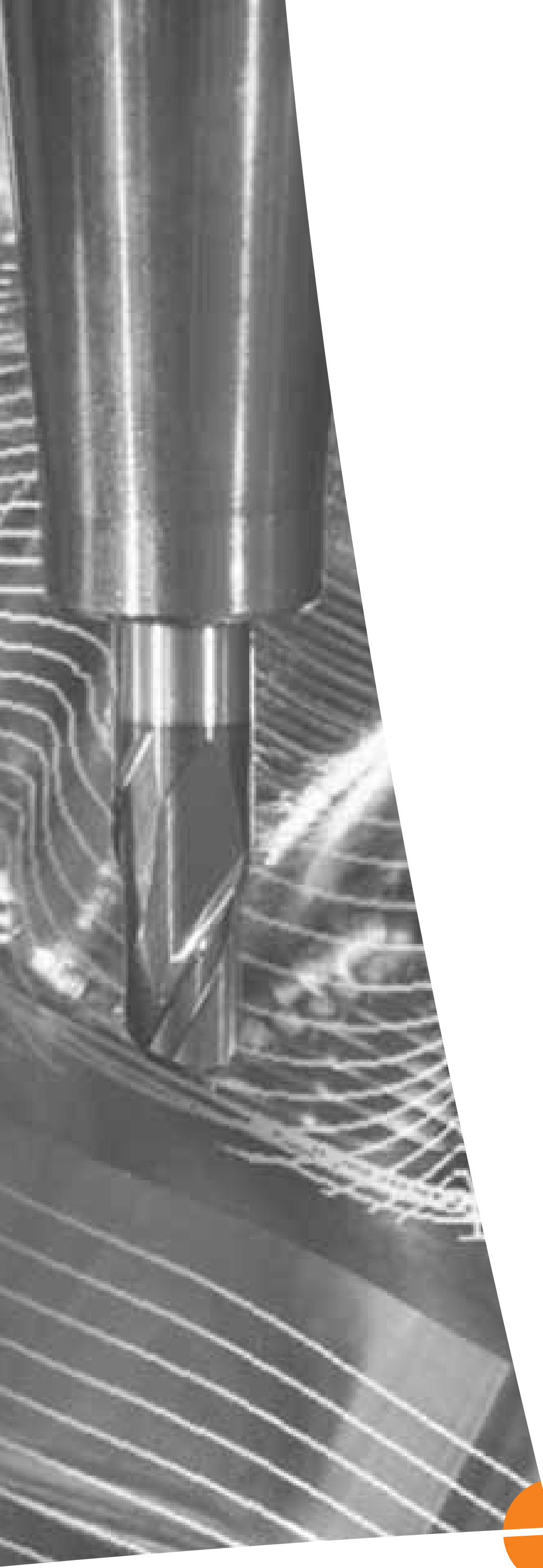
Margin higher than in Distribution
The new business unit economically ranges in the middle between the two other segments. Its gross margin is made up about half from service business (e.g. training, installation, support contracts and customizing) and half from software sales (with higher margin than in Distribution).

Over 25% contribution to gross margin
In fiscal year 2009, sales amounting to more than EUR 35 mln and 38% gross yield (Distribution: ~17% / Software: ~90%) were achieved from scratch, resulting in a 26.3% contribution to gross margin.
For the EBITDA margin, which in 2009 was negative due to the economic crisis and the startup conditions, up to 10% is expected after the ramp up phase (Distribution: max. 4% / Software: max. 25%).

Well balanced over three pillars
Until 2008 the Distribution business dominated both sales and gross margin.
In fiscal year 2009, the M+M business model became quite balanced over the three pillars, with gross margin contributions amounting to 37.6% (M+M Software), 36.1% (Distribution) and 26.3% (VAR Business).

Group headcount now above 500
The group employed 504 people on average during fiscal year 2009 (PY: 381), distributed over the segments as follows: M+M Software 187 (37%) / Distribution 142 (28%) / VAR Business 175 (35%).
At Dec 31, 2009, the numbers were already higher: Group 529 / M+M Software 190 (36%) / Distribution 137 (26%) / VAR Business 203 (38%).

The headcount will be further increased by the first time consolidation of three new VAR partners as of Jan 1, 2010, shifting the weighting even more significantly from Distribution to VAR Business. All these headcounts do not include the 13 trainees nor part time employees working up to 20 hours per week nor freelancers.

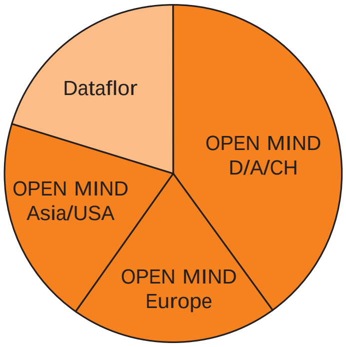


Three segments overview

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

M+M Software

In 2009, 80% of M+M Software sales continued to come from OPEN MIND AG, while 20% were contributed by DATAflor AG.



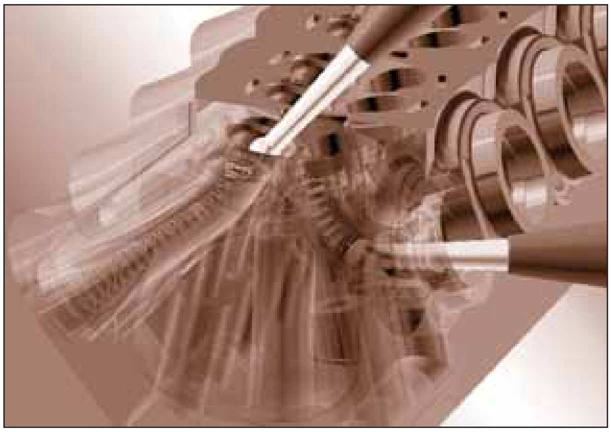
Sales breakdown 2009 in the Software segment

OPEN MIND
THE CAM COMPANY

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

The M+M group belongs to the first tier of vendors in the important niche market of CAM solutions. Approximately half of the sales comes from the German speaking area, while one quarter is contributed by other European markets (mainly Italy, UK and France). The remaining quarter of the business is achieved through own sales offices in Japan, Asia Pacific and the USA.

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



man+machine
CAD as CAD can

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

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

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

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

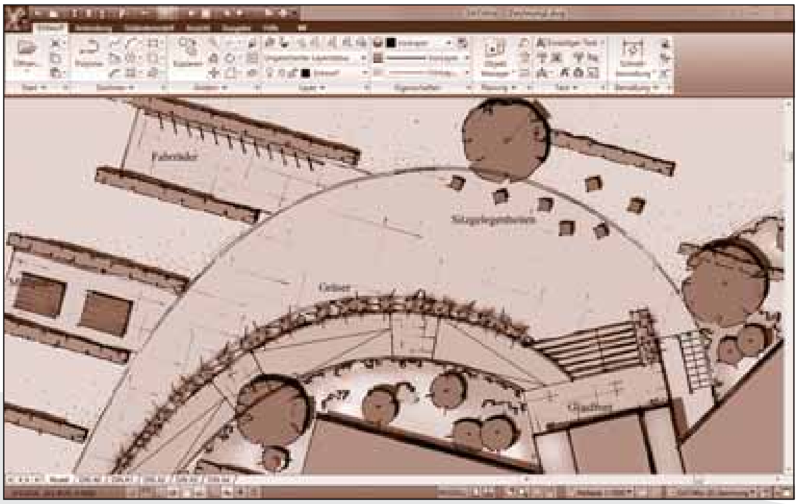
DATAflor has a strong position in the German-speaking gardening and landscaping market. The proffered solutions not only contain a graphical planning section but also tools for complete financial calculation and billing of such projects.

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

High ongoing development investments …
M+M in 2009 spent approx. EUR 5.9 mln for maintenance and development of the OPEN MIND and DATAflor software products.

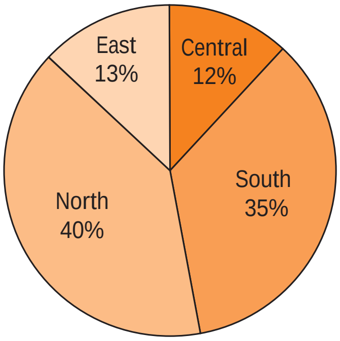
… are not capitalized: software library is a hidden reserve
Capitalization of development costs is not applied by M+M, meaning that the extensive software base of the group containing hundreds of man years of invested development power represents a hidden reserve.

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



Value-Added Distribution

The Distribution segment consists of the four regions Central, South, North and East, comparable with the organisation of main supplier Autodesk.



Sales breakdown 2009 in the Distribution segment

Central: German speaking area

The Central region includes Germany, Austria and Switzerland. It is supported from the M+M headquarters in Wessling near Munich and by group member yello! AG, Wiesbaden. Due to the extensive transition to VAR business, this region's contribution to segment sales dropped from nearly 34% (2008) to less than 12% (2009).

South: France and Italy

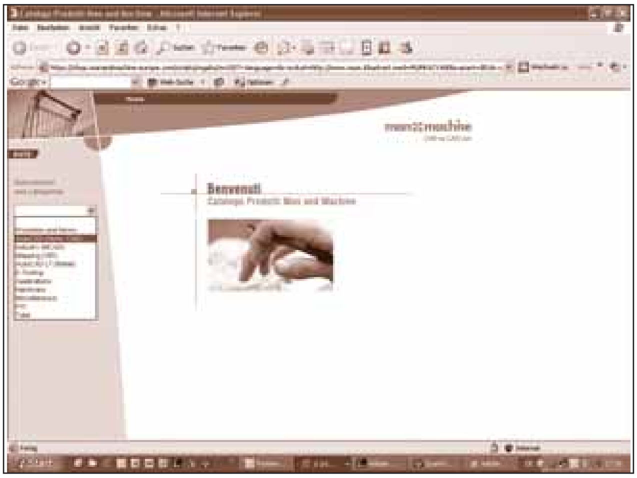
The South region consists of France and Italy, which are supported by the M+M subsidiaries in Paris and Vimercate near Milan. South contributed approx. 35% to 2009 segment sales.

North: UK, Benelux and Scandinavia
The North region, contributing over 40% to segment sales, has now taken the lead in distribution. The largest country in this region is UK, supported from the M+M subsidiary in Thame (Oxfordshire), followed by the Benelux states (M+M Aalst, Belgium) and Scandinavia (M+M Gothenburg, Sweden).

East: Poland and Romania
In Eastern Europe, M+M was only present in Poland with a subsidiary in Lodz until 2007. In the beginning of 2008, the Romanian market was entered through an acquisition of a subsidiary in Bucharest.
The East region in 2009 contributed nearly 13% to Distribution segment sales.

Central service functions for all regions
The entire logistics for the German speaking area, as well as for France, Benelux and Scandinavia, is served by the central M+M warehouse in Wessling.
In addition, important IT services are centralized in Wessling, and most ordering and delivery processes are automated on the basis of the SAP system used by M+M.

Electronic processing rate: 70%
Due to full connection with Autodesk systems, the electronic processing rate in the group has settled at a level as high as 70%. For this purpose, the M+M reselling partners have access to a web shop for convenient ordering round the clock.



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

The M+M reselling partners can use a web shop directly integrated in the SAP system for ordering round the clock (here the Italian version)

VAR Business

With 35 locations in Germany, Austria and Switzerland (Status March 1, 2010), the M+M VAR segment, just one year after the start, reached full area coverage and is able to serve the customers interdisciplinary solutions. In respect of the purchase volume from Autodesk (2009: nearly EUR 20 mln), the M+M group is their largest VAR (Value-Added Reseller) in Europe.

Entry via 'Market Offensive'

This was achieved by the 'Market Offensive', in the course of which more than a dozen former key reselling partner companies were integrated with the group and several former Distribution employees were moved over to the VAR segment, completed by a number of newly hired qualified specialists from the CAD market.

Partner acquisitions 2009:

Germany:

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

Austria:

- M+M IT Consulting GmbH, Großwilfersdorf near Graz
- M+M Personalbereitstellungs GmbH, Ilztal near Graz

Switzerland:

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

Partner acquisitions Q1/2010:

(not yet consolidated in 2009)

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

Share swap
with multi-year valuation period
The acquisitions are mainly performed via share swaps, transferring the founders and managing directors to Co-entrepreneurs in the M+M group. The companies are acquired in two steps (50.1% / 49.9%) over a period of two to four years, allowing for a fair final valuation using the earnings development during this period.

Liquidity saving method
The M+M shares for the share swap in the first phase were mainly taken from a contribution in kind capital increase, with a smaller part being taken from treasury stock. Due to this method the net cash requirement, which was mainly needed for paying out non managing shareholders, for whom share swaps would not make sense, was reduced.

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

Only one year after the start of the 'Market Offensive', the M+M VAR segment can serve their customers in 35 locations in Germany, Austria and Switzerland with nearly full area coverage

Employees are co-entrepreneurs
Traditionally, there is a very high focus on good corporate culture at M+M.
During the 26 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.
This is also and especially applied to the practical integration of the new partner companies in the VAR segment.

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 15 years.

Trading under 'European SE'
In 2006, Mensch und Maschine Software AG was converted to a 'Societas Europaea' SE. In parallel, a pure holding structure was realized.

Since then, the M+M group 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 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

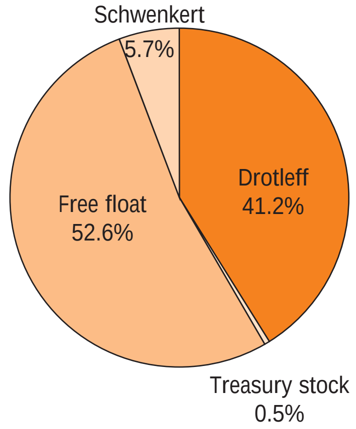
Though M+M shares have been listed on the stock market for nearly 13 years, a large portion of the shares are still in the hands of the management. Adi Drotleff, the founder, CEO and Chairman of the Board, holds approx. 6.0 million shares or 41.2% of the nearly 14.6 million shares outstanding at Dec 31, 2009. A package of 0.8 million shares (5.7%) 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.

A package of more than 71,000 shares (approx. 0.5%) was held by MuM SE in treasury stock at Dec 31, 2009. It was bought through the stock repurchase program confirmed by the annual shareholders' meetings 2008 and 2009 and started by the Administrative Board on October 9, 2008.

The free float at Dec 31, 2009, contained about 7.7 million shares or 52.6%. A certain portion thereof was held in smaller packages by other members of the management. In particular the Managing Directors of the VAR companies, which were integrated with the M+M group through share swaps in the course of the 'market offensive', together are holding over a million M+M shares. M+M thus can be seen as a public and a private company in one.

Change to m:access

On March 31, 2010, the listing of the M+M share is changed from the regulated market to the m:access trading segment at the Munich stock exchange, that prescribes admittance consequential duties, above and beyond the legal requirements, for the companies listed in this segment thus guaranteeing a high degree of transparency. In the view of the company m:access is an ideal market segment for achieving a reasonable cost-benefit ratio of a stock exchange listing in relation to the market capitalisation, protecting the legitimate interests in transparency of the shareholders. Due to the requirements for disclosure and transparency of m:access this market segment represents a fully operational market with protective mechanisms that are very close to that of the regulated market and that guarantee the marketability of the shares. The tradability through Xetra is not impacted by this change.



Risks and Chances

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

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

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

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

In detail, the following risk categories exist:

Credit risks:
Bad debt risks are counteracted with customer credit insurance, individual bad debt provisions, and streamlined receivables management.
Also favourable in this respect, is the fact that sales are divided among many individual customers each of which carries less than 3.5% of the total group revenue.

Warehouse and transport risks:
These risks are generally covered by corresponding insurance contracts.
A risk of loss in value during warehousing can be considered virtually non-existent since the suppliers' software product contracts always 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 and by the spread across several product lines, but risk may not always be fully compensated by these actions.

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

Supplier risks:
Concentration on the main supplier Autodesk 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.

Chances are resulting from the successful translation of our general strategic concept. Their potential is detailed in the 'outlook' chapter.

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 14,587,875 and the capital is divided into 14,587,875 no-par shares. The shares are registered in the name of the holder.

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 41.2% 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 applies to 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 by the May 29, 2008, shareholders' meeting to increase the company's share capital before or on May 28, 2013 once or several times by an aggregate amount of up to EUR 6,788,232 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 2008). 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.

The share capital is conditionally increased (Conditional Capital I) in accordance with § 6 section 1 of the company's articles of association by up to EURO 701,231, divided into up to 701,231 individual shares. The purpose of the conditional capital increase is to provide subscription rights to former members of the board of management of Mensch und Maschine Software AG, to members of the management bodies of affiliated companies and to employees of the company and affiliated companies in accordance with the particular provisions of the enabling resolutions passed by the shareholders' meeting of Mensch und Maschine Software AG on May 17th 1999, May 19th 2003 and June 7th 2005. The conditional increase will only be carried out to the extent that these subscription rights are taken up. The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made.

The share capital is conditionally increased (Conditional Capital II) in accordance with § 6 section 2 of the company's articles of association by up to EURO 300,000, divided into up to 300,000 individual shares. The purpose of the conditional capital increase is to provide subscription rights to managing directors, members of the management bodies of present or future affiliated companies and employees of the company and of present or future affiliated companies in accordance with the particular provisions of the enabling resolutions passed by the shareholders' meeting on May 30th 2006. The conditional increase will only be carried out to the extent that these subscription rights are taken up. The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made.

The share capital is conditionally increased (Conditional Capital III) in accordance with § 6 section 3 of the company's articles of association by up to EURO 191,270 through the issue of up to 191,270 individual shares. The conditional increase will only be carried out to the extent that the holders of convertible bonds which the former board of management of Mensch und Maschine Software AG were entitled to issue by a shareholders' resolution passed on May 24th 2004 exercise their conversion rights or fulfil their obligations to convert. The new shares issued as a result of conversion rights or the fulfilment of conversion obligations are entitled to participate in profits from the beginning of the financial year in which they are created as a result of the exercise of conversion rights or the fulfilment of conversion obligations.

The share capital is conditionally increased (Conditional Capital IV) in accordance with § 6 section 4 of the company's articles of association by up to EURO 4,400,000 through the issue of up to 4,400,000 new shares. The conditional increase will only be carried out to the extent that the holders of convertible bonds which the executive council were entitled to issue by a shareholders' resolution passed on May 30th 2006 exercise their conversion rights or fulfil their obligations to convert. The new shares issued as a result of conversion rights or the fulfilment of conversion obligations are entitled to participate in profits from the beginning of the financial year in which they are created as a result of the exercise of conversion rights or the fulfilment of conversion obligations. The executive council is entitled to establish additional details of the conditional capital increase.

The share capital is conditionally increased (Conditional Capital V) in accordance with § 6 section 5 of the company's articles of association by up to EURO 349,965 through the issue of up to 349,965 new shares. The purpose of the conditional capital increase is to provide subscription rights to managing directors, members of the management bodies of present or future affiliated companies and employees of the company and of present or future affiliated companies in accordance with the particular provisions of the enabling resolution of May 29th 2008. The conditional increase will only be carried out to the extent that these subscription rights are taken up. The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made.

The Company was authorised by the shareholders' meeting on May 28th 2009 to acquire the Company's own shares in accordance with § 71 section 1.8 of the German Companies Act. This authorisation is restricted to the acquisition of the Company's own shares with an arithmetic share of the share capital of up to 10%. The Company or a third party acting on its account may exercise the authorisation wholly or in partial amounts or once or on several occasions. The authorisation remains in force until November 27th 2010. The acquisition will take place through the stock exchange or by way of a public offer to purchase addressed to all the Company's shareholders. Should the acquisition take place through the stock exchange, the counter-value per share paid by the Company (excluding ancillary acquisition costs) may not exceed the average closing prices (XTRA-trading or a comparable successor system) of similarly endowed shares on the Frankfurt Stock Exchange calculated during the last five trading days before the acquisition by more than 10% and may not be lower by more than 20%. Should the acquisition take place by way of a public offer to purchase to all the Company's shareholders, the purchase price per share offered (excluding ancillary acquisition costs) may not exceed the average closing price on the Frankfurt Stock Exchange on the five trading days before the date of publication by more than 10% and may not be lower by more than 20%. The offer to purchase may also provide for additional terms and conditions.

In addition to sale by way of an offer to all shareholders or sale through the Stock Exchange, the executive council was also authorised to dispose of the shares of Mensch und Maschine Software SE acquired as a result of this authorisation

- by offering them as a consideration to third parties as part of company mergers, the acquisition of companies, investments in companies or parts of companies and in the acquisition of receivables due from the Company
- by selling them to third parties. The price at which the Company's shares are sold to third parties may not be materially less than the stock exchange price of the shares at the time of the sale. In using this authorisation, consideration must be given to the exclusion of subscription rights due to other authorisations in accordance with article 9 section 1 c) ii) of the European Company Statute Directive in conjunction with § 186 section 3.4 of the German Companies Act;
- to be used for the granting of shares to managing directors, to members of the management boards of associated enterprises at present or in future, and to employees of the Company and of associated enterprises at present or in future, insofar as these individuals are entitled to take them up on the basis of employee share ownership schemes. Insofar as own shares are to be transferred to managing directors, the decision relating to this shall be the responsibility of the Administrative Board of the Company;
- by withdrawing them, without this withdrawal or its implementation requiring an additional resolution of the shareholders' meeting.

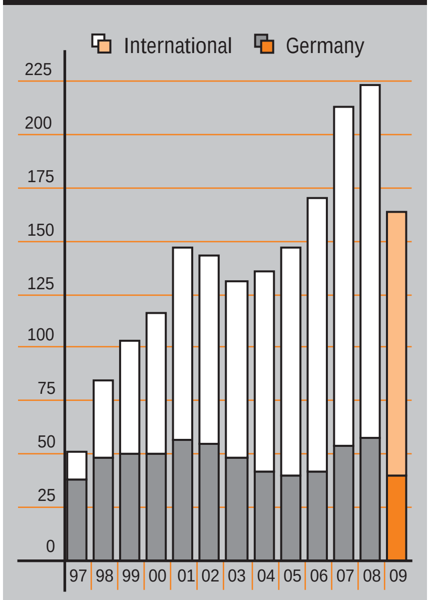
The above authorisation concerning the use of the Company's shares acquired may be exercised once or on several occasions, wholly or in parts and individually and collectively. The rights of shareholders to subscribe to the Company's own acquired shares is excluded to the extent that these shares are used in accordance with the above authorisations. The executive council will inform the shareholders' meeting in each case of the reasons for and the purpose of the acquisition of the Company's own shares, the number of shares acquired, the amount of share capital involved and the counter-value paid for the shares.

The remaining information required in accordance with § 315 section 4 of the German Commercial Code relates to circumstances that are not applicable to Mensch und Maschine Software SE.

Course of business 2009 and situation of the group

The year 2009 was characterized by the deep worldwide economic crisis. M+M could not escape this and experienced the steepest sales decrease in the company history of minus 27%. However, operating profit and cash flows were kept in the black by strict cost management. The bottom of the development was reached in Q3. Towards the year end the situation improved significantly.

Group revenue (in million EUR)



Sales decline by 27% nominally …
Sales declined by 27% to EUR 163.33 mln (PY: 223.10), falling back roughly to the 2006 level.

… or by 25% in local currencies
Adjusted by negative currency effects in the amount of more than EUR 6 mln, the decrease was approx. 25 percent, as the consolidated group sales in Euro were negatively impacted mainly from the weakness of the British Pound.

M+M Software still relatively solid
The development of individual segments in fiscal year 2009 varied significantly: M+M Software sales decreased proportionately less to EUR 21.80 mln (PY: 25.16 / -13%).

New VAR Business: dynamic development
The development of the new VAR Business segment was very dynamic, creating, from scratch, EUR 35.27 mln (PY: 1.45) sales, of which just over EUR 11 mln were contributed by the closing quarter.

Distribution: cannibalization effect
Conversely, Distribution segment sales fell to EUR 106.25 mln (PY: 196.49).
This nominal 46% decrease adjusts to approx. minus 44% in local currencies.
It should be taken into account, however, that the transition to a VAR business in the German speaking countries consequently reduced sales in Distribution. Considering only the subsidiaries in the rest of Europe, which are not affected by this transition, the reduction was approx 28% in Euro and approx. 25% in local currencies.

Equal decline Q1-Q3, recovery in Q4
With -29% each, sales declined equally in the first three quarters, while in the closing quarter the decrease slowed down to -19.5%. In comparison to Q3, this represented a 17% growth. In absolute numbers, the first quarter still had relatively strong sales amounting to EUR 47.96 mln, because the German speaking markets were not yet completely transitioned from Distribution to VAR Business. In the two mid quarters, sales amounting to EUR 37.16 and 36.11 mln were nearly equal, while in the closing quarter sales came in at EUR 42.10 mln.

Quarterly revenue (in million EUR)

Group gross margin only 8.7% lower
The more positive development of the high margin segments M+M Software and VAR Business, which cannibalized the lower margin Distribution, led to an increase of gross yield to 31.1% (PY: 25.1%).
Consequently, gross margin amounting to EUR 51.01 mln was just 8.7% under the previous year's amount of EUR 55.89 mln.
In the last quarter, gross margin amounting to EUR 13.54 mln was slightly higher than the previous year's EUR 13.25 mln – for the first time in 5 quarters and in spite of lower sales.

Added value already well balanced
The contribution of M+M Software to gross margin remained nearly constant at 37.6% (PY: 41.0%), the share of VAR business jumped to 26.3% (PY: 1.5%), while the Distribution segment's contribution was diluted to 36.1% (PY: 57.6%).
Altogether, added value in terms of gross margin was already quite evenly balanced over the three segments.

Headcount & personnel expenses rise
Due to the high service share, the VAR Business requires significantly more personnel than Distribution. Consequently, headcount rose to 504 (PY: 388 / +30%) on a yearly average, increasing personnel expenses to EUR 32.86 mln (PY: 26.82 / +22.5%).

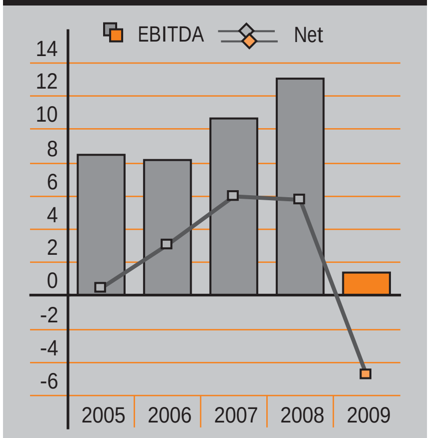
The personnel expenses include a notional amount of EUR 0.25 mln (PY: 0.21) from the application of the IFRS 2 rules (share based payments) for issuing share options to employees.

Other operating expenses lower
Conversely, other operating expenses decreased to EUR 20.63 mln (PY: 22.70 / -9.1%), mainly due to lower marketing spend in the VAR Business segment.

Other operating income including non-recurring effect
Other operating income in the amount of EUR 3.86 mln (PY: 5.39) include a non-recurring effect amounting to EUR 1.30 mln from the sale of Architecture Distribution rights in the German speaking area, which was, however, significantly lower than previous year's non-recurring amount from the sale of the electrical engineering application ecscad (EUR 3.41 mln).

Operating result EBITDA still in the black
Amounting to EUR 1.38 mln, the operating result EBITDA before depreciation, amortization, interest and taxes stayed in the black, though 89% lower than the record amount of EUR 13.04 mln reached in the previous year. The operating margin thus dropped from 5.8% to 0.8%.

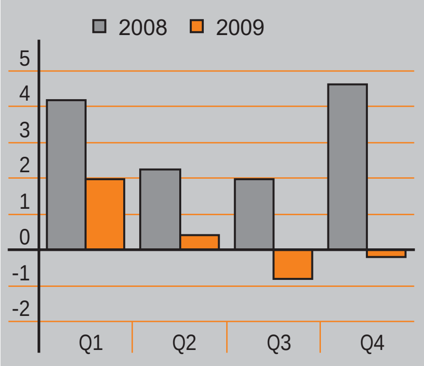
Earnings (in million EUR)



Software and Distribution positive, VAR Business with initial loss

While the continued segments Software at EUR 1.54 mln (PY: 5.91 / -74%) and Distribution at EUR 0.86 mln (PY: 6.91 / -88%) delivered positive contributions to operating result EBITDA, the new VAR segment generated a moderate initial loss amounting to EUR -1.01 mln (PY: +0.22).

Quarterly EBITDA (in million EUR)



Higher depreciation from acquisitions

Due to the first time consolidation of several VAR companies, depreciation on fixed assets climbed to EUR 1.06 mln (PY 0.88 / +20%).

Leap in amortization …

Likewise due to the acquisitions during the fiscal year, there was a leap in amortization of non-tangible assets from acquisitions to EUR 1.62 mln (PY: 0.60).

… plus impairments …

Impairments on goodwill and investment properties totalling to EUR 1.24 (PY: 1.27) put a non-recurring burden on earnings.

… lead to negative EBIT

The operating result EBIT before interest and taxes was negative due to the high depreciation, amortization and impairment, amounting to EUR -2.54 mln (PY: 10.28).

Financial result improved

The financial result improved primarily due to the low interest rates to EUR 1.52 mln (PY: 1.99). This includes EUR -0.23 mln (PY: 0) from minority shares in acquired VAR partners, which could not be booked as such, because according to IFRS 3 these acquisitions have to be treated as if 100% completed, though the second part of the takeovers will be completed in 2 to 4 years after the end of the performance period (see also remark at equity and notes).

Significant pretax loss

Earnings before tax amounted to EUR -4.09 mln (PY: +8.29).

Conservative calculation of deferred taxes

The tax load amounting to EUR 0.66 mln (PY: 2.72) roughly represents the payable taxes, as due to a very conservative calculation there was no relief from deferred taxes in spite of the significant pretax loss, in order to put no load on future net profits.

Net loss primarily due to depreciation, amortization and impairments

Net profit after tax and minority shares was deep in the red, mainly due to the high depreciation, amortization and impairments, amounting to EUR -4.78 mln (PY: +5.76). Earnings per share amounted to (undiluted) EUR -0.34 or (diluted) EUR -0.33 (PY: +0,42 undiluted and diluted).

Excitingly high operating cash flows

In spite of the negative net result, operating cash flows amounting to EUR 5.66 mln (PY: 9.32) were excitingly high, creating a very relaxed balance sheet situation.

Capital expenditure

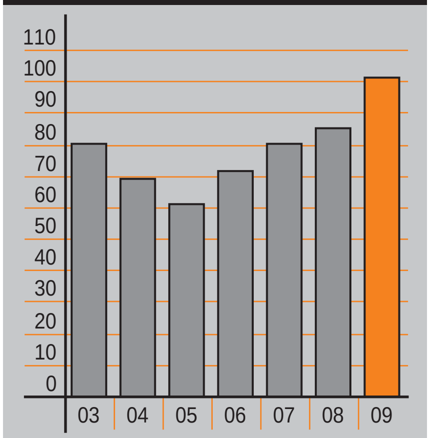
As in the M+M business model the main future investment is in the area of software development, the expenses for which are not capitalized, there is only relatively small capital expenditure necessary to keep the fixed assets on an actual status.
During fiscal year 2009, an amount of EUR 1.05 mln (PY: 0.90) was invested.

In addition, there were financial investments amounting to EUR 2.70 mln (PY: 2.83) primarily for the cash components in the acquisitions of VAR businesses.
In total, EUR 3.70 mln (PY: 0.23) were used for capital expenditure (in the previous year the acquisition of the Romanian subsidiary and the sale of ecscad had nearly offset each other).

Total assets significantly swollen

Total assets are significantly swollen due to the acquisitions and amounted to EUR 101.15 mln (PY: 84.99 / +19%). Conversely, current assets were decreased along with the shrinking business.

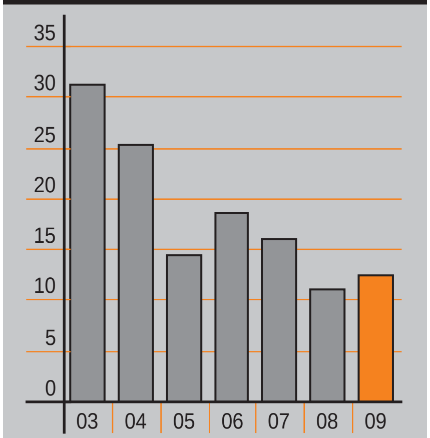
Total assets (in million EUR)



Net bank debt only slightly higher

Net bank debt increased to EUR 12.39 mln (PY: 11.16). This amount consists of current bank debt totalling EUR 17.74 mln (PY: 13.43), plus non-current bank debt totalling EUR 1.55 mln (PY: 1.75), minus cash totalling EUR 6.90 mln (PY: 4.03). The increase was so moderate, because operating cash flows nearly covered both capital expenditure and the dividend paid out for 2008.

Net bank debt (in million EUR)



Equity nominally lower due to IFRS special

Shareholders' equity as of Dec 31, 2009, dropped 8% to EUR 24.22 mln (PY: 26.40), with capital ratio falling to 23.9% (PY: 31.1%). However it should be taken into account that due to the IFRS 3 rules minority shares amounting to EUR 7.94 mln from the 2009 acquisitions of VAR businesses were not booked as such in shareholders' equity, but in non-current liabilities, though most of them will be settled via share swap with M+M shares and require no cash.
Adjusted by this dept-to-equity swap effect, shareholders' equity increases to approx. EUR 32 mln, capital ratio to 31.7 percent.

Events after balance sheet date

In the course of the 'Market Offensive', further VAR companies in Germany and Switzerland were acquired.
Details are described in the first part of this management report.

Outlook

Short term: The new fiscal year's start was orderly, so from the actual point of view we target for 2010 approx. 10-13% sales increase to approx. EUR 180-185 mln, along with EBITDA margin in the 2.5 to 3.5 percent range. This would result in a band-width of EUR 4.5 to 6.5 mln for EBITDA, with net profit ranging from EUR 0.5 to 2.0 mln and EPS from 3 to 14 Cents.

Achieving this earnings corridor together with positive operating cash flows would enable us, after one year without dividend, to consider a dividend payment of approx. 10 Cents.

Mid term: After the deep 2009 drop it will probably take another year or two until we can hit the 2008 record marks of EUR 223 mln for sales and EUR 13.0 mln for EBITDA and the 2007 EPS record mark of 47 Cents, but we want to reach this target at the latest by 2012. The better margin potential of the VAR business compared to distribution, which has dominated so far, should help us to increase the group's EBITDA margin (2008: 5.8%) towards the 6-7% range.

For 2011, preliminary guidance could be sales above EUR 200 mln, EBITDA around 5% or EUR 10 mln and EPS around 30 Cents. For 2012 then, sales above EUR 230 mln could be targeted, together with EBITDA ranging around 6.5% or EUR 15 mln and EPS above 50 Cents.

All estimates subject to error

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

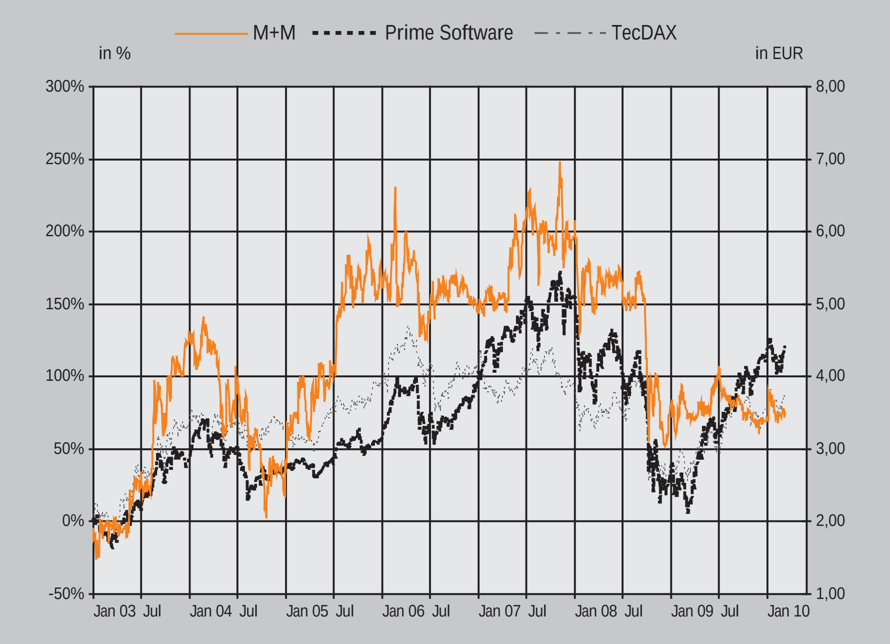
Expression of thanks
We would like to take the opportunity to thank all employees for their engagement during the past fiscal year, which helped M+M to navigate relatively well through the most difficult market environment since the company's foundation, and to manage the transition of business model in parallel.

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

Wessling, March 2010
Mensch und Maschine Software SE
The Managing Directors

Since its all-time low at the beginning of 2003, the M+M share mostly outperformed the comparative indexes TecDAX and Prime Software

Development of the M+M share



Statement of income

Amounts in KEUR	Note*	2009		△%	2008	
Revenues		**163,326**	**100%**	**-27%**	**223,099**	**100%**
Cost of materials	1	-112,319	-68.8%	-33%	-167,205	-74.9%
Gross margin		**51,007**	**31.2%**	**-8.7%**	**55,894**	**25.1%**
Personnel expenses	2	-32,859	-20.1%	+23%	-26,820	-12.0%
Other operating expenses	3	-20,631	-12.6%	-3.7%	-21,424	-9,6%
Other operating income	5	3,861	2.4%	-29%	5,390	2.4%
Operating result EBITDA	5	**1,378**	**0.8%**	**-89%**	**13,040**	**5.8%**
Depreciation	4	-1,058	-0.6%	+20%	-884	-0.4%
Amortisation	4	-1,625	-1.0%	+170%	-601	-0.3%
Impairment	4	-1,238	-0.8%	-2.9%	-1,275	-0.6%
Operating result EBIT		**-2,543**	**-1.6%**		**10,280**	**4.6%**
Financial result	6	-1,552	-1.0%	-22%	-1,989	-0.9%
Result before taxes		**-4,095**	**-2.5%**		**8,291**	**3.7%**
Taxes of income	7	-665	-0.4%	-76%	-2,721	-1.2%
Net result after taxes		-4,760	-2.9%		5,570	2.5%
thereof attributable to M+M shareholders		**-4,778**	**-2.9%**		**5,760**	**2.6%**
thereof attributable to minority shareholders		18	0.0%		-190	-0.1%
Net income per share (basic)	8	-0.3420			0.4245	
Net income per share (diluted)	8	-0.3314			0.4179	
Weighted average shares outstanding in million (basic)	8	13.970			13.570	
Weightes average shares outstanding in million (diluted)	8	14.416			13.856	

* see notes on pages 55 to 57

Consolidated statement of comprehensive income

Amounts in KEUR		2009		2008
Net result after taxes		-4,760		5,570
thereof attributable to M+M shareholders		**-4,778**		**5,760**
thereof attributable to minority shareholders		18		-190
Exchange differences on translation of operations		**-158**		**-393**
Total comprehensive income		-4,945		5,177
thereof attributable to M+M shareholders		**-4,963**		**5,367**
thereof attributable to minority shareholders		18		-190

Balance sheet

Amounts in KEUR	Note*	Dec 31, 2009		△%	Dec 31, 2008	
Cash and cash equivalents		6,896		+71%	4,025	
Trade accounts receivable	9	30,542		-9%	33,435	
Inventories	10	8,236		-17%	9,864	
Prepaid expenses and other current assets	11	4,487		+5%	4,291	
Total current assets		**50,161**	**49.6%**	**-3%**	**51,615**	**60.7%**
Property, plant and equipment		3,122		+22%	2,549	
Investment properties	12	1,031		-33%	1,543	
Intangible assets		11,097		+283%	2,897	
Goodwill	13	30,135		+49%	20,210	
Other invetments	14	1,893		+1%	1,871	
Deferred taxes	7	3,714		-14%	4,301	
Total non current assets		**50,992**	**50.4%**	**+53%**	**33,371**	**39.3%**
Total assets		**101,153**	**100%**	**+19%**	**84,986**	**100%**
Short term debt and current portion of long term debt	15	17,737		+32%	13,428	
Trade accounts payable		31,165		+3%	30,125	
Accrued expenses	16	5,960		+44%	4,134	
Deferred revenues		655		-3%	672	
Income tax payable		1,217		+14%	1,067	
Other current liabilities	17	7,628		+24%	5,958	
Total current liabilities		**64,362**	**63.6%**	**+16%**	**55,384**	**65.2%**
Long term dept, less current portion	18	1,550		-12%	1,752	
Deferred taxes	7	2,098		+322%	497	
Pension accruals	19	240		+147%	97	
Other accruals	16	210		+12%	187	
Other non current liabilites	20	8,472		+1206%	667	
Total non current liabilities		**12,570**	**12.4%**	**+300%**	**3,200**	**3.8%**
Share capital	21	14,588		+7%	13,589	
Capital reserve	22	14,081		+43%	9,838	
Other reserves		221		0%	221	
Teasury stock	23	-234		-55%	-517	
Retained earnings / accumulated deficit		-4,761			2,701	
Minority interest		1,056		-5%	1,115	
Currency conversion		-730		+34%	-545	
Total shareholders' equity		**24,221**	**23.9%**	**-8%**	**26,402**	**31.1%**
Total liabilities and shareholders' equity		**101,153**	**100%**	**+19%**	**84,986**	**100%**

*see notes on page 57 to 63

Statement of cash flows

Amounts in KEUR	2009	2008
Net result	**-4,760**	**5,570**
Depreciation and amortization	3,921	2,760
Other non cash income / expenses	-757	-727
Increase/decrease in provisions and accruals	1,992	-27
Losses/gains on the disposal of fixed assets	0	0
Change in net working capital	5,259	1,740
Net cash provided by (used in) operating activities	**5,655**	**9,316**
Sale of subsidiaries	0	3,076
Purchase of subsidiaries, net of cash	-2,704	-2,829
Purchase of other fixed assets	-1,050	-900
Sale of other fixed assets	50	420
Net cash provided by (used in) investing activities	**-3,704**	**-233**
Proceeds from issuance of share capital	0	54
Purchase of own shares	-314	-517
Dividend payment	-2,684	-2,715
Proceeds from short or long term borrowings	3,915	-3,561
Net cash provided by (used in) financing activities	**917**	**-6,739**
Net effect of currency translation in cash and cash equivalents	3	-21
Net increase / decrease in cash and cash equivalents	**2,871**	**2,323**
Cash and cash equivalents at beginning of period	**4,025**	**1,702**
Cash and cash equivalents at end of period	**6,896**	**4,025**

see notes on page 63 and 64

Development of shareholders’ equity

Amounts in KEUR	Subscribed Capital	Capital Reserve	Other Reserves	Profit/ Loss	Own shares	Currency conversion	attributable to M+M SE shareholders	Minority interest	Total equity
As of Jan 01, 2008	**13,576**	**9,588**	**221**	**-344**	**0**	**-152**	**22,889**	**1,482**	**24,371**
Share based payment		209					209		209
Capital increase	13	41					54		54
Purchase of own shares					-517		-517		-517
Dividend				-2,715			-2,715		-2,715
Net result				5,760			5,760		5,760
Minority interest change							0	-367	-367
Currency conversion						-393	-393		-393
As of Dec 31, 2008	**13,589**	**9,838**	**221**	**2,701**	**-517**	**-545**	**25,287**	**1,115**	**26,402**
Share based payment		248					248		248
Capital increase	999	3,995					4,994		4,994
Purchase of own shares					-305		-305		-305
Disposal of own shares					588		588		588
Dividend				-2,684			-2,684		-2,684
Net result				-4,778			-4,778		-4,778
Minority interest change							0	-59	-59
Currency conversion						-185	-185		-185
As of Dec 31, 2009	**14,588**	**14,081**	**221**	**-4,761**	**-234**	**-730**	**23,165**	**1,056**	**24,221**

Segment reporting

In November 2006, the International Accounting Standards Board (IASB) issued IFRS 8 'Operating Segments.' IFRS 8 replaces IAS 14 'Segment Reporting' and must be applied to reporting periods beginning on or after January 1, 2009. M+M has opted for early adoption of IFRS 8, in the financial year 2008. According to IFRS 8, reportable operating segments are identified based on the 'management approach'. This approach stipulates external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the chief operating decision maker.

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

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

Segment assets include in particular intangible assets; property, plant and equipment; trade and other receivables; and inventories. Segment liabilities include in particular trade and other payables, and significant provisions. Segment investments include additions to intangible assets and property, plant and equipment.

The M+M business model is based on the three segments Distribution, VAR Business and M+M Software. The Distribution Segment is focused on Value-Added Distribution of CAD Software, which is operated Europe-wide. The VAR Business, covers the retail trade with CAD software as well as the associated service in the German-speaking area. The M+M Software segment contains the own developments of CAD/CAM software.

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

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

Segmentation

Amounts in KEUR	2009						2008					
	Distribution		VAR Business		M+M Software		Distribution		VAR Business		M+M Software	
Total revenue	108,917		46,915		21,803		199,047		1,452		25,571	
Internal revenue	-2,669		-11,640		0		-2,558		0		-413	
External revenue	**106,248**	**100%**	**35,275**	**100%**	**21,803**	**100%**	**196,489**	**100%**	**1,452**	**100%**	**25,158**	**100%**
share in percent	**65.1%**		**21.6%**		**13.3%**		**88.1%**		**0.7%**		**11.3%**	
Cost of materials	-87,859	-82.7%	-21,858	-62.0%	-2,603	-11.9%	-164,313	-83.6%	-637	-43.9%	-2,255	-9.0%
Gross margin	**18,390**	**17.3%**	**13,417**	**38.0%**	**19,200**	**88.1%**	**32,176**	**16.4%**	**815**	**56.1%**	**22,903**	**91.0%**
share in percent	**36.1%**		**26.3%**		**37.6%**		**57.6%**		**1.5%**		**41.0%**	
Personnel expenses	-8,728	-8.2%	-11,733	-33.3%	-12,398	-56.9%	-12,312	-6.3%	-557	-38.4%	-13,951	-55.5%
Other operating expenses	-9,865	-9.3%	-4,727	-13.4%	-6,039	-27.7%	-14,119	-7.2%	-396	-27.3%	-6,909	-27.5%
Other operating income	1,059	1.0%	2,029	5.8%	773	3.5%	1,166	0.6%	359	24.7%	3,865	15.4%
Operating result EBITDA	**856**	**0.8%**	**-1,014**	**-2.9%**	**1,536**	**7.0%**	**6,911**	**3.5%**	**221**	**15.2%**	**5,908**	**23.5%**
share in percent	**62.1%**		**-73.6%**		**111.5%**		**58.7%**		**1.9%**		**50.2%**	
Depreciation	-405	-0.4%	-283	-0.8%	-370	-1.7%	-395	-0.2%	-5	-0.3%	-484	-1.9%
Amortisation	-373	-0.4%	-1,252	-3.5%	0	0.0%	-389	-0.2%	0	0.0%	-212	-0.8%
Impairment	-1,238	-1.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-1,275	-5.1%
Operating result EBIT	**-1,160**	**-1.1%**	**-2,549**	**-7.2%**	**1,166**	**5.3%**	**6,127**	**3,1%**	**216**	**14.9%**	**3,937**	**15.6%**
Segment assets	40,324		29,194		27,921		59,766		243		24,977	
Fixed assets	11,033		20,633		16,093		10,383		21		18,666	
Investments	141		712		197		431		150		319	
Liabilities	44,263		19,107		13,562		44,109		855		13,620	

Geographical segmentation

Amounts in KEUR	2009		2008	
	Germany	International	Germany	International
Total revenue	47,654	129,981	60,607	165,832
Internal revenue	-7,756	-6,553	-3,340	0
External revenue	**39,898**	**123,428**	**57,267**	**165,832**
share in percent	**24.4%**	**75.6%**	**25.7%**	**74.3%**
Fixed assets	24,529	23,230	17,481	11,589
Investments	567	483	459	441

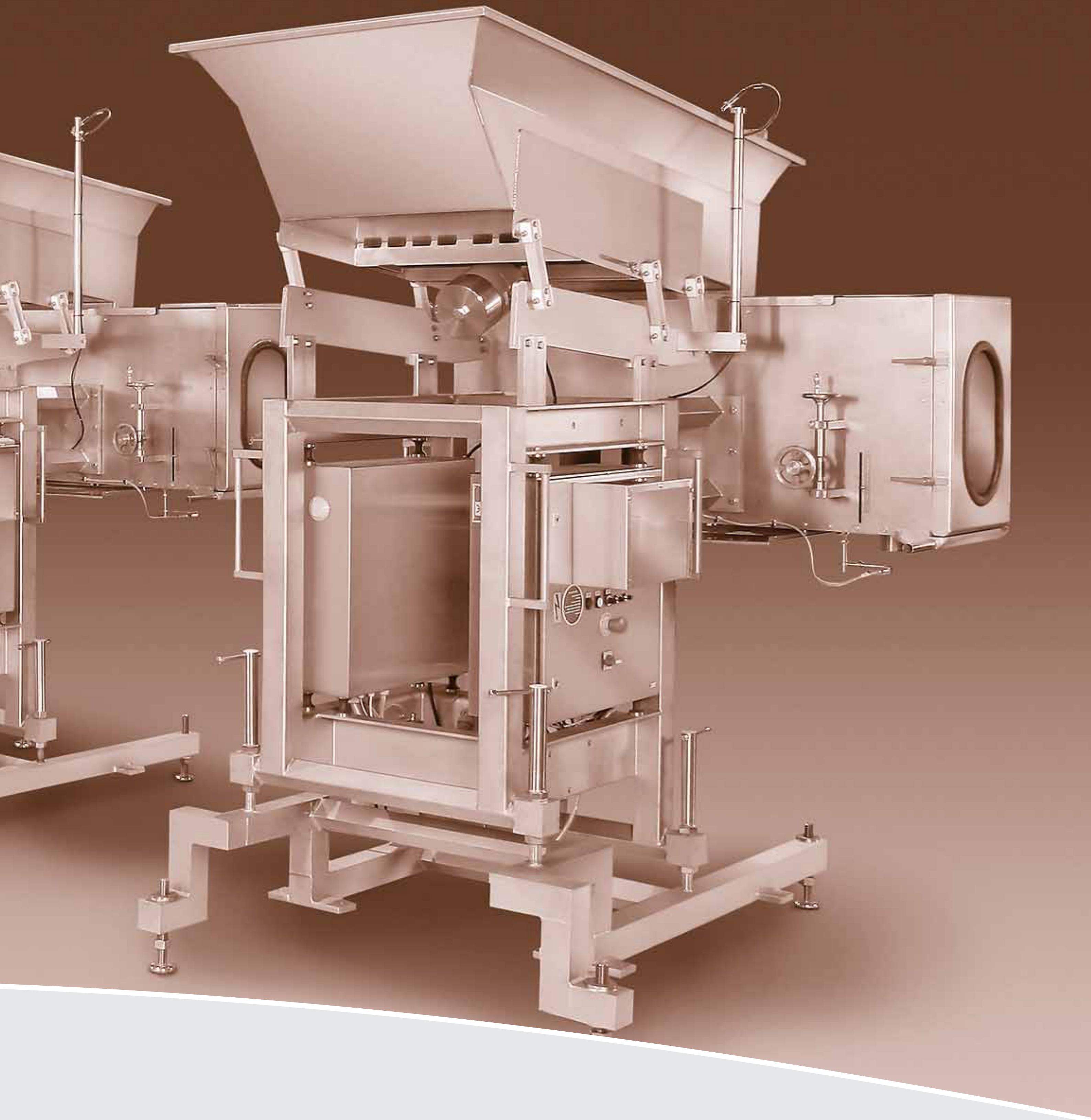
Filling/sealing facilities for the food and cosmetic industries

Project: Packaged goods filling facility AWF - for goods ranging from potato chips to coffee beans

Customer: Robot Food Technologies Germany GmbH, Wietze

ROBOT FOOD TECH in Wietze near Celle supplies the food and cosmetic industries with servo and robot controlled filling and sealing as well as packaging facilities, each exactly laid out to the customer's requirements and extremely usable and varied.

Complete integration of information and data formats was needed to lower the time required for development of new products and improve their quality. The introduction of Autodesk Inventor and Autodesk Productstream was the first successful step in this direction, interfacing CAD, ERP and PDM was the second step.



Notes

General remarks

Basis of the group financial statement

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

In addition to that, the regulations of Article 315a of the German Commercial Code and §160 of the German Stock Corporation Act have been considered.

M+M SE is a global enterprise based in Germany. Its 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 Managing Directors of M+M SE approved the consolidated financial statements on March 3, 2010 for submission to the company's Administrative Board. The Administrative Board approved the consolidated financial statements at its meeting on March 12, 2010 and approved for publication on March 15, 2010.

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 2009 fiscal year (January 1 to December 31).

Changes in accounting policies

The IASB has approved a number of changes to the existing IFRS and adopted several new IFRS, which became effective as of January 1, 2009. M+M is applying the following IFRSs in the reporting period for the first time:

Improvements to IFRS 2008

IAS 1 Disclosure of an Entity's Capital

IAS 23 Capitalization of Borrowing Costs

IAS 39 and IFRIC 9
Reassessment of Embedded Derivatives

IAS 32 and IAS 1
Presentation of Financial Instruments

IFRS 1 and IAS 27
Initial cost of investments in subsidiaries

IFRS 2 Share-based Payment

IFRS 7 Recognition, Measurement and Disclosure of Financial Assets

IFRIC 12 Service Concession Arrangements

IFRIC 14 and IAS 19
Minimum Funding Requirements on a Defined Benefit Asset

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 18 Transfers of Assets from Customers

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

New accounting policies

The IASB and IFRIC have adopted further standards and interpretations, which were endorsed by the European Union but not yet effective in the 2009 financial year.

Improvements to IFRS 2009

IAS 27 Consolidated and Separate Financial Statements

IAS 39 Embedded derivatives

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 3 Business Combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

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

IFRS 2 Share-based Payment

IAS 32 Classification of subscription rights

IAS 24 Related Party Disclosures

IAS 39 Embedded derivatives

IFRS 1 Exemptions for IFRS first-time adopters

IFRS 9 Financial Instruments: Recognition and Measurement

These Standards and Interpretations have to be applied for annual periods beginning after July 1, 2009 or January 1, 2010. 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 2010.

Valuation methods and accounting policies applied

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

In addition to the parent company, the following companies were fully consolidated in the group financial statement of December 31, 2009.

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 und Systemhaus GmbH, Wessling, Germany	100%
Mensch und Maschine At Work GmbH, Osnabrueck, Germany	50.10%
Mensch und Maschine benCon 3D GmbH, Neu Wulmstorf, Germany	100%
Mensch und Maschine Dressler GmbH, Friedrichshafen, Germany	100%
Mensch und Maschine Haberzettl GmbH, Nuremberg, Germany	50.10%
Mensch und Maschine Integra GmbH, Limburg, Germany	50.10%
Mensch und Maschine Leycad GmbH, Reichshof, Germany	100%
Mensch und Maschine Software AG, Winkel (Zuerich), Switzerland	100%
CAD-LAN AG, Suhr, Switzerland	75%
Mensch und Maschine CADiware AG, Basel, Switzerland	50.10%
Mensch und Maschine Software GmbH, Salzburg, Austria	100%
Mensch und Maschine IT Consulting GmbH, Grosswilfersdorf, Austria	50.10%
Mensch und Maschine Personalbereitstellungs-GmbH, Ilztal, Austria	50.10%
Man and Machine S.a.r.l., Paris, France	100%
Man and Machine Software s.r.l., Vimercate (Milan), Italy	100%
2bSMART s.r.l., Vimercate (Milan), Italy	100%
Man and Machine Software Sp. z o.o., Lodz, Poland	100%
Man and Machine UK Ltd., Thame, UK	100%
Man and Machine AB, Gothenborg, Sweden	100%
Man and Machine Benelux NV, Ternat (Brussels), Belgium	100%
Man and Machine Romania SRL, Bukarest, Romania	100%
Yello! Digital production tools AG, Wiesbaden, Germany	83.98%
EUKLID Software GmbH, Wessling, Germany	100%
DATAflor Software AG, Goettingen, Germany	67.23%
customX GmbH, Limburg, Germany	50.10%
3DSolution GmbH, Hamburg, Germany	100%
OPEN MIND Technologies AG, Wessling, Germany and 100% shareholding: OPEN MIND Technologies USA Inc., Southfield/Michigan, USA OPEN MIND Technologies PTE Ltd., Singapore OPEN MIND Technologies Italia s.r.l., Rho (Mailand), Italy OPEN MIND Technologies France S.a.r.l., Le Bourget du Lac Cedex, France OPEN MIND Technologies UK Limited, Thame, 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, Winkel, Switzerland OPEN MIND Technologies India, Bangalore, India	100%

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

For the extension of the VAR Business following companies were consolidated in the group financial statement 2009 for the first time:

First-time consolidation as of Jan 1, 2009
- CAD-LAN AG, Suhr, Switzerland, 75.0%
- MuM Haberzettl GmbH, Nuremberg, Germany, 50.1%
- MuM Leycad GmbH, Reichshof near Cologne, Germany, 100%
- MuM Dressler GmbH, Friedrichshafen, Germany, 100%
- MuM benCon 3D GmbH, Neu Wulmstorf near Hamburg, Germany, 100.0%
- 3DSolution GmbH, Hamburg, Germany, 100%
- MuM CADiWare AG, Basel, Switzerland, 50.1%

First-time consolidation as of Feb 1, 2009
- MuM AtWork GmbH, Osnabrueck, Germany, 50.1%

First-time consolidation as of Apr 1, 2009
- MuM IT Consulting GmbH, Grosswilfersdorf bei Graz, Austria, 50.1%
- MuM Personalbereitstellungs-GmbH, Ilztal, Austria, 50.1%

First-time consolidation as of Jul 1, 2009
- MuM Integra GmbH, Limburg, Germany, 50.1%
- customX GmbH, Limburg, Germany, 50.1%

Acquired assets and assumed liabilities in fiscal year 2009

Amounts in KEUR	Net carrying amount at the date of first consolidation	Fair-value adjustment	Net carrying amount after the acquisition
Cash and cash equivalents	4,024		4,024
Inventories	208		208
Other current assets	3,251	-31	3,220
Property, plant and equipment	777		777
Other intangible assets	85	9,359	9,444
Deferred taxes	0	-2,460	-2,460
Short term debt	-192		-192
Other currebt liabilities	-4,752		-4,752
Accruals	-1,404		-1,404
Net assets	**1,997**	**6,868**	**8,865**
Liabilities to other shareholders			1,101
Minority interest			-39
Goodwill			10,604
Purchase price			**18,329**
Share swap by contribution in kind			4,984
Share swap using own shares			588
Remaining obligation			7,941
Cash and cash equivalents at the time of initial consolidation			4,024
Cash reserved for dividendpayments to former shareholders			-1,399
Acquired cash and cash equivalents			2,625
Cash outflow for purchase			4,841
Net cash outflow for the acquisitions			**-2,191**

The companies are mainly acquired in two steps. In the first step the majority was transferred (50.1% and/or 75.0%). Within two to four years the remaining shares will be acquired and the final valuation on the basis of the individual operating result during this time period is made.

The acquisitions are mainly performed via share swaps. The M+M shares are mainly taken from a contribution in kind capital increase (998,667 shares with a valuation of Euro 5 per share), the remainder is paid by 183,333 own shares with a valuation between Euro 3.17 and Euro 3.72.

The fair-value adjustment amounting to KEUR 9,359 reflects the differences between the previous net carrying amounts and the respective fair values at the date of acquisition.

The adjustment value reflects the customer base amounting to KEUR 9,219 and acquired software amounting to KEUR 140. The period of depreciation for the established customer base and software is 7 years.

For the determination of the fair value of the customer relationships the first step was to estimate the future duration of customer relationships. Then the future expected revenue was calculated less expected costs in connection with customer relationships, taking future expected margins into account.

For the determination of the fair value of the software the first step was to estimate the future duration of the software. Then the future expected revenue was calculated less expected costs, taking future expected margins into account.

The adjusted goodwill of KEUR 10,604 from the business combination includes the fair value of the expected strengthened market position and the expected continuation of growth.

Deferred tax liabilities were recognized using a future tax rate of 30% for Germany and Austria and 20% for Switzerland.

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

The first-time consolidation of the acquired businesses decreased the earnings of the Group in 2009 by KEUR 715.

If the acquisition had already taken place at the beginning of 2009, revenue of the Group for the twelve months would have increased by KEUR 1,637 and the earnings of the Group for the twelve months would have decreased by KEUR 41.

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 2009 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' revalued pro rata 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.

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

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

Management judgments in the application of accounting policies

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

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

The determination of impairments of property, plant and equipment as well as intangible assets involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. If the demand for these products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment to write down these investments to their fair values, which could adversely affect future operating results.

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

Financial assets include equity investments in foreign companies that are principally engaged in the architecture/construction and EDM businesses, some of which are publicly traded and have highly volatile share prices. As a rule, an investment impairment loss is recorded in accordance with IFRS when an investment's carrying amount exceeds the present value of its estimated future cash flows. The calculation of the present value of estimated future cash flows and the determination of whether impairment is permanent involves judgment and relies heavily on an assessment by management regarding the future development prospects of the investee. In measuring impairments, quoted market prices are used, if available, or other valuation parameters, based on information available from the investee. To determine whether an impairment is permanent, the Company considers the ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the carrying amount, including an assessment of factors such as the length of time and magnitude of the excess of carrying value over market value, the forecasted results of the investee, the regional geographic economic environment and state of the industry. Future adverse changes in market conditions, particularly a downturn in the branch of business or poor operating results of investees, could result in losses or an inability to recover the carrying amount of the investments that may not be reflected in an investment's current carrying amount. This could result in impairment losses, which could adversely affect future operating results.

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write offs might be higher than expected.

Income taxes must be estimated for each of the jurisdictions in which the Group operates, involving a specific calculation of the expected actual income tax exposure for each tax object and an assessment of temporary differences resulting from the different treatment of certain items for IFRS consolidated financial and tax reporting purposes. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements.
Management judgment is required for the calculation of actual and deferred taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction, taking into account any legal restrictions on the length of the loss carry-forward period. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, loss carry forward periods, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.
In the event that the assessment of future utilization of deferred tax assets changes, the recognized deferred tax assets must be reduced and this reduction be recognized in profit or loss.

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

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

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.

Structure of statement of income and balance sheet

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

In accordance with IAS 1, the balance sheet is apportioned into current and non-current assets and into current and non-current liabilities. Assets and liabilities are regarded as current if they mature within one year.

Exchange rates

	Average		Year end	
	2009	2008	Dec 31, 09	Dec 31, 08
1 Swiss Franc	0.6628	0.6300	0.6735	0.6717
1 British Pound	1.1243	1.2557	1.1249	1.0267
1 Polish zloty	0.2303	0.2830	0.2435	0.2394
1 Swedish Krona	0.0944	0.1033	0.0975	0.0914
1 Romania Ron	0.2358	0.2704	0.2360	0.2498
1 US Dollar	0.7170	0.6797	0.6977	0.7094
1 Singapore Dollar	0.4938	0.4813	0.4964	0.4917
100 Japanese Yen	0.7668	0.6557	0.7564	0.7848
1 Taiwan Dollar	0.0217	0.0216	0.0216	0.0216
1 Renminbi Yuan	0.1048	0.0976	0.1020	0.1035

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.

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 (12) 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.

Business combinations and goodwill
Business combinations are accounted for using the purchase method.

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

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

In the context of the impairment test, the recoverable amount of the cash generating units is determined by the current value less sales costs or the value in use. The individual subsidiaries of M+M were defined as cash generating units. The current value reflects the best estimation of the amount, for which an independent third party would acquire the cash generating units as of balance-sheet date; Sale costs are taken off. The value in use is determined on the basis of DCF methods. To calculate this, cash flow projections are based on financial budgets approved by the Administrative Board covering a 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 7.5% and 21.0% p.a. for gross margin and 2.5% 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 11.34%.

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

Other intangible assets

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

Intangible assets, acquired in the context of a business combination, are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, the useful economic life is up to 10 years. The amortization period for an intangible asset with a finite useful life is reviewed regular. The expense for the amortisation is taken to the income statement through various line items.

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

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

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.

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 impairment.

Inventory

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

Financial instruments

A financial instrument is any contract that leads to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade receivables and other originated loans and receivables, held-to-maturity investments, and derivative and non-derivative financial assets held for trading. Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes bonds and other securitized liabilities, trade payables, liabilities to banks and derivative financial liabilities. Financial instruments are generally recognized as soon as M+M becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale, the settlement date is relevant for the initial recognition and de-recognition. This is the day on which the asset is delivered to or by M+M. In general, financial assets and financial liabilities are offset.

According to IAS 39, financial instruments are categorized as:

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

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

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

Investments classified as available-for-sale, are measured at fair value and accounted in consideration of fluctuations between the trading and the settlement day. The gains and losses arising from fair value measurement are recognized directly in equity. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Investments classified as held-to-maturity, are measured at cost less any impairment in value, and accounted in consideration of fluctuations between the trading and the settlement day.

Financial assets are derecognized when the contractual rights to cash flows from the assets expire or the entity transfers the financial asset. The latter applies when substantially all the risks and rewards of ownership of the asset are transferred, or the entity no longer has control of the asset.

The carrying amounts of the financial assets that are not measured at fair value through profit or loss are tested at each reporting date to determine whether there is objective, material evidence of impairment. Any impairment losses caused by the fair value being lower than the carrying amount are recognized in profit or loss. If, in a subsequent period, the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized, the impairment loss is reversed to income in the appropriate amount. Impairment losses on unquoted equity instruments that are classified as ‘available-for-sale’ and carried at cost may not be reversed.

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

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

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

Income taxes

Income taxes include current income taxes payable as well as deferred taxes. Tax liabilities mainly comprise liabilities for domestic and foreign income taxes. They include liabilities for the current period as well as for prior periods. The liabilities are measured based on the applicable tax law in the countries 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:

	2009	2008
Discount rate	5.25%-5.90%	6.00%-6.25%
Estimated return on plan assets	5.00%	5.00%
Future changes in remunerations	1.50%-3.00%	1.50%-3.00%

The amount of the pension obligations was determined using actuarial principles that are consistent with IAS 19. The provision is reduced by the amount of the plan assets. The service cost is 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.

Development of stock option rights

	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10	
Day of issuance	**Jun 5, 01**	**Jun 3, 02**	**Jun 2, 03**	**Jul 12, 05**	**May 31, 06**	**May 4, 07**	**Jun 26, 08**	**May 12, 09**	**Total**
Total number granted	226,296	249,268	242,908	315,250	249,425	244,507	261,170	256,770	2,045,594
Strike price (EUR)	6.85	6.21	2.45	3.59	5.64	5.15	5.23	3.45	
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 Jan 1, 2009	55,250	75,710	6,188	147,815	215,385	223,341	257,670	0	981,359
In the reporting period									
granted options	0	0	0	0	0	0	0	256,770	256,770
forfeited options	300	700	200	0	700	250	0	0	2,150
exercised options	0	0	0	0	0	0	0	0	0
expired options	54,950	0	1,946	0	0	0	0	0	56,896
Outstanding options as of Dec 31, 2009	0	75,010	4,042	147,815	214,685	223,091	257,670	256,770	1,179,333
Exercisable options as of Dec 31, 2009	0	75,010	4,042	147,815	107,343	111,546	0	0	445,755
Capital increase in KEUR for:									
Exercisable options only	0	466	10	531	605	574	0	0	2,761
All options outstanding	0	466	10	531	1,211	1,149	1,348	886	5,600

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 2009, 256,770 new options have been issued and none options have been converted. In the period 56,896 options have expired and 2,150 have forfeited. As of December 31, 2009, 1,179,083 options are outstanding.

Parameters for the calculation

	Tranche 5		Tranche 6		Tranche 7		Tranche 8		Tranche 9		Tranche 10	
	2 years	4 years	2 years	4 years	2 years	4 years	2 years	4 years	2 years	4 years	2 years	4 years
Share price on the day of measurement in EUR	2.43	2.43	4.65	4.65	4.59	4.59	5.57	5.57	5.38	5.38	3.59	3.59
Life of the option on the grant date	6 years	8 years	6 years	8 years	6 years	8 years	6 years	8 years	6 years	8 years	6 years	8 years
Expected life of the option	2 years	4 years	2 years	4 years	3 years	4 years	3 years	4 years	3 years	4 years	3 years	4 years
Exercise price on the expected exercise date in EUR	2.45	2.45	3.59	3.59	5.64	5.64	5.15	5.15	5.23	5.23	5.15	5.15
Expected dividen yield	0.00%	0.00%	4.30%	4.30%	5.45%	5.17%	3.59%	4.04%	7.85%	7.98%	5.27%	5.77%
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%	4.41%	4.52%	2.78%	3.22%
Expected volatility of the share price	74.32%	74.32%	45.29%	45.29%	37.58%	37.58%	27.61%	27.61%	30.42%	32.83%	38.64%	38.64%
Expected fluctuation of option holders during the option's life	19.69%	29.19%	12.52%	25.38%	10.12%	20.7%	10.34%	20.34%	8.39%	18.39%	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 corresponding increase in the number of shares on the other. In the last two lines of the table, the respective injection of capital for each issue year and overall is listed. The upper line only shows options exercisable as at December 31, 2009, and the lower line reports all outstanding options.

If all 445,755 exercisable options were converted, this would lead to an injection of capital amounting to KEUR 2,186. In terms of the number of shares as at December 31, 2009, amounting to 14,587,875 and the equity as at December 31, 2009, of KEUR 24,221, this would correspond to 3.06% growth in the number of shares and a 9.03% increase in the equity. In terms of the total number of 1,179,083 outstanding options and an associated injection of capital amounting to KEUR 5,600, the following values are derived: number of shares +8.08% and capital growth +23.12%.

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

The total value of the granted stock options as of December 31, 2009, under IFRS amounts to KEUR 1,713 (PY: 1,489).

As of the balance sheet date a total expense of KEUR 1,155 (PY: 907) was recognised by Mensch und Maschine Software SE since 2002 for equity-settled share-based payment transactions. The expense of the current period amounts to KEUR 248 (PY: 209).

The fair value of the share options of tranche 9 and 10 was measured by applying a binomial model, in contrary to tranche 5 to 8, for which the Black-Scholes-Merton formula was applied.

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

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

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

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

Related Parties

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 principal, CEO and Chairman of the Board Adi Drotleff granted M+M loans amounting to KEUR 1,100 (PY: 0) and therefore received interest in 2009 of KEUR 19 (PY: 0).

KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3% as of December 31, 2009, granted M+M loans amounting to KEUR 2,475 (PY: 2,475) and therefore received interest in 2009 of KEUR 105 (PY: 123).

Notes on the statement of income

1. Cost of materials

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

2. Personnel expenses

This position contains mainly wages and salaries, social security, other pension costs and welfare. Expenses for share-based payments amounts to KEUR 248 (PY: 209).

3. Other operating expenses

Amounts in KEUR	2009	2008
Insurance	-619	-829
Costs of building	-3,181	-2,496
Travel costs	-1,381	-1,419
Car expenses	-2,277	-2,159
Advertising and promotion	-7,920	-10,199
Communication	-798	-712
IT budget	-342	-285
Consulting and Lawyer fees	-1,377	-937
Rest of other operating expenses	-2,736	-2,388
	-20,631	**-22,699**

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

4. Depreciation and Amortization

Amounts in KEUR	2009	2008
Depreciation of property, plant and equipment	-965	-749
Depreciation of investment properties	-12	-17
Amortization due to purchase price allocated intangible assets	-1,625	-601
Amortization of other intangible asstes	-81	-118
Impairments	-1,238	0
	-3,921	**-1,485**

The Impairments contain the amortization of the Goodwill in the participation M+M Sweden amounting to KEUR 738 and the depreciation of the building held under the investment properties amounting to KEUR 500.

5. Other operating income

Amounts in KEUR	2009	2008
Return from private use of cars and telephones	635	593
Rents received	156	156
Disinvestment profit	0	3,407
Income from the sale of distribution rights	1,300	0
Other income	1,770	1,234
	3,861	**5,390**

The item ‘other income’ consist of marketing subsidies amounting to KEUR 537 (PY: 807) and various items, all of which are less than KEUR 300.

6. Financial results

Amounts in KEUR	2009	2008
Interest income	98	184
Interest expense	-1,068	-1,903
Income from other investments and participations	61	47
Other financial expense	-723	-50
Foreign currency exchange gains / losses	80	-267
Financial result	**-1,552**	**-1,989**

The other financial expenses mainly contain fraud damage by guaranty commissions.

Tax reconciliation

Amounts in KEUR	2009	2008
Result before income tax	**-4,095**	**8,291**
Legal tax rate	30%	30%
Expected tax load / benefit	**1,229**	**-2,487**
Tax rate variances		
Foreign tax rate differential	-159	-156
Deviation of the taxable base from		
Non deductable expenses	-167	-155
Tax free income from investments	18	13
Impairment of a non taxable goodwill	-221	0
Amortisation of non taxable intangible assets	-500	0
Taxable depreciation of intangible assets	105	105
Valuation of deferred tax assets		
Non execution of deferred tax assets	-3,407	0
Belated execution of deferred tax assets	2,549	0
Other	**-112**	**-41**
Actual tax load	**-665**	**-2,721**
Effective tax rate in percent	**-16.24%**	**32.82%**

7. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 506 (PY: 2,070), a surplus amounting to KEUR 587 (PY: 708) from further development and revaluation of deferred tax assets, as well as a relief of KEUR 428 (PY: 57) from deferred tax liabilities.

In total there are realizable tax loss carry forwards amounting to KEUR 22,987 (PY: 18,796). This creates gross tax credits of KEUR 6,980 (PY: 5,879). 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 3,573 (PY: 4,185). This means 51.19% (PY: 71.20%) of the total gross tax credits are capitalized.

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

The non permanent differences include deferred tax assets amounting to KEUR 141 (PY: 116) resulting from different valuations of intangible assets, as well as deferred tax liabilities amounting to KEUR 2,098 (PY: 497). 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.

8. Calculation of shares outstanding and earnings per share

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

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

In accordance with IAS 33, the prior year net income is adjusted for the after tax effect of the interest of KEUR 31 recognized for the convertible loan.

	2009	2008
Net result KEUR attributable to M+M shareholders	-4,778	5,760
Weighted number of shares	13,970,381	13,569,547
Non diluted earnings per share EUR	-0.3420	0.4245
Diluted net result KEUR	-4,778	5,791
Diluted number of shares	14,416,137	13,856,442
Diluted earnings per share EUR	-0.3314	0.4179

Notes on the balance sheet

Assets

Current assets

9. Trade accounts receivable

Trade accounts receivable comprised in the group's individual companies include reasonable adjustments and generally have a remaining term of less than one year. The receivables are reduced by a specific allowance amounting to KEUR 598 (PY: 372).

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

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

Amounts in KEUR	2009	2008
As of Jan 1	372	498
Translation differences	1	-45
Consolidation effect	95	0
Addition	339	149
Disposal	-193	-192
Reversing	-16	- 38
As of Dec 31	**598**	**372**

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

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

Trade receivables

Amounts in KEUR		of which neither impaired nor past due on the reporting date	of which not impaired on the reporting date and past due in the following periods				
	Book value		30 < 60	60 < 90	90 < 180	180 < 360	>360
As of Dec 31, 2009	30,542	25,125	2,155	533	623	1.372	714
As of Dec 31, 2008	33,435	29,238	1,913	462	797	549	475

Fixed assets register 2008

	Acquisition costs						Accumulated depreciation					Net book value	
	Jan 01, 08	Consolida-tion effect	Currency	Addition	Disposal	Dec 31, 08	Jan 1, 08	Currency	Addition	Disposal	Dec 31, 08	Jan 1, 08	Dec 31, 08
I. Tangible assets	**8,935**	**0**	**0**	**833**	**-541**	**9,227**	**6,123**	**0**	**749**	**-194**	**6,678**	**2,812**	**2,549**
II. Investment Properties	**1,574**	**0**	**0**	**0**	**0**	**1,574**	**14**	**0**	**17**	**0**	**31**	**1,560**	**1,543**
III. Other intangible assets	**4,899**	**2,505**	**-183**	**67**	**0**	**7,288**	**2,422**	**-25**	**1,994**	**0**	**4,391**	**2,477**	**2,897**
1. Purchase price allocation	1,907	2,505	-183	0	0	4,229	60	-25	1,876	0	1,911	1,847	2,318
2. Other	2,992	0	0	67	0	3,059	2,362	0	118	0	2,480	630	579
IV. Goodwill	**30,497**	**1,829**	**-134**	**0**	**-711**	**31,481**	**11,271**	**0**	**0**	**0**	**11,271**	**19,226**	**20,210**
V. Financial assets	**3,807**	**0**		**0**	**-41**	**3,766**	**1,895**	**0**	**0**	**0**	**1,895**	**1,912**	**1,871**
1. Financial assets	3,692	0		0	0	3,692	1,895	0	0	0	1,895	1,797	1,797
2. Other	115	0		0	-41	74	0	0	0	0	0	115	74
(all amounts in KEUR)	**49,712**	**4,334**	**-317**	**900**	**-1,293**	**53,336**	**21,725**	**-25**	**2,760**	**-194**	**24,266**	**27,987**	**29,070**

10. Inventories

This position predominantly contains purchased goods amounting to KEUR 4,461 (PY: 7,219), software licences amounting to KEUR 2,814 (PY: 1,988), progress payments amounting to KEUR 200 (PY: 0) and work in process amounting to KEUR 802 (PY: 657). The inventory is reduced by a specific allowance amounting to KEUR 41 (PY: 141).

11. Other current assets

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

Non current assets

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

12. Investment property

As of December 31, 2009, the fair value of investment property amounted to KEUR 1,031 (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 96 (PY: 93). Direct operating expenses totalled KEUR 31 (PY: 26). Due to the sustained sagging of market value for the investment property an impairment of KEUR 500 was made.

Fixed assets register 2009

	Acquisition costs						Accumulated depreciation					Net book value	
	Jan 01, 09	Consolida-tion effect	Currency	Addition	Disposal	Dec 31, 09	Jan 1, 09	Currency	Addition	Disposal	Dec 31, 09	Jan 1, 09	Dec 31, 09
I. Tangible assets	**9,227**	**599**	**0**	**989**	**-96**	**10,719**	**6,678**	**0**	**965**	**-46**	**7,597**	**2,549**	**3,122**
II. Investment Properties	**1,574**	**0**	**0**	**0**	**0**	**1,574**	**31**	**0**	**512**	**0**	**543**	**1,543**	**1031**
III. Other intangible assets	**7,288**	**512**	**0**	**9,463**	**0**	**17,263**	**4,391**	**69**	**1,706**	**0**	**6,166**	**2,897**	**11,097**
1. Purchase price allocation	4,229	0	0	9424	0	13,653	1,911	69	1,625	0	3,605	2,318	10,048
2. Other	3,059	512	0	39	0	3,610	2,480	0	81	0	2,561	579	1,049
IV. Goodwill	**31,481**	**0**	**-22**	**10,685**	**0**	**42,144**	**11,271**	**0**	**738**	**0**	**12,009**	**20,210**	**30,135**
V. Financial assets	**3,766**	**0**	**0**	**22**	**0**	**3,788**	**1,895**	**0**	**0**	**0**	**1,895**	**1871**	**1,893**
1. Financial assets	3,692	0	0	0	0	3,692	1,895	0	0	0	1,895	1,797	1,797
2. Other	74	0	0	22	0	96	0	0	0	0	0	74	96
(all amounts in KEUR)	**53,336**	**1,111**	**-22**	**21,159**	**-96**	**75,488**	**24,226**	**69**	**3,921**	**-46**	**28,210**	**29,070**	**47,278**

13. Goodwill

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

Goodwill development

Amounts in KEUR	Dec 31, 2008	Addition	Impairment	Currency	Dec 31, 2009
M+M VAR Business	0	10,604		71	10,675
OPEN MIND	9,341				9,341
M+M UK	2,982				2,982
M+M Romania	1,695			-93	1,602
M+M Switzerland	1,265				1,265
DATAflor	1,135	81			1,216
M+M Italy	1,116				1,116
M+M Sweden	1,438		-738		700
M+M Poland	474				474
M+M Akademie	350				350
M+M France	333				333
M+M Austria	81				81
Total	**20,210**	**10,685**	**-738**	**-22**	**30,135**

All acquired companies within the 'market offensive' in Germany, Austria and Switzerland are summarized under 'M+M VAR Business'.

14. Other investments

Other investments mainly include strategic shareholdings. As of December 31, 2009, the following investments existed:

Investments

Amounts in KEUR	Dec 31, 2009 in %	Dec 31, 2009 Book value	Dec 31, 2008 in %	Dec 31, 2008 Book value
CTB GmbH & Co KG, Buchholz	19.9	200	19.9	200
SOFiSTiK AG, Oberschleissheim	14.3	897	14.3	897
BlueCielo ECM Solutions, Netherlands	7.4	700	7.4	700

M+M is performing current evaluations of the financial assets. For this purposes DCF models as well as industry-specific multi-pliers, which are multiplied by the share-holding'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, 2009, there were no loans given to shareholdings.

Liabilities

Current liabilities

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

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

16. Accrued expenses

Accruals are calculated by taking all identifiable risks into account and always represent the expected repayment amount. They mainly include personnel and restructuring accruals. The development of the accruals in the reporting period is shown in the table of accrual development.

In the column disposal, there are no major reversals.

117. Other current liabilities

This position contains a loan of KEUR 2,475 (PY: 2,475) from KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3 per cent as of December 31, 2009 and a loan of KEUR 1,100 (PY: 0) from M+M's principal, CEO and Chairman of the Board Adi Drotleff. Furthermore this position includes debts from VAT and tax on wages and salaries, outstanding social security costs and deferred income.

Table of accrual development

Amounts in KEUR	Dec 31, 2008	Disposal	Addition	Dec 31, 2009
Personnel accruals	1,464	-1,464	1,811	1,811
Outstanding bills	1,011	-1,011	1,961	1,961
Other	1,659	-1,659	2,188	2,188
Total current accruals	**4,134**	**-4,134**	**5,960**	**5,960**
Personnel accruals	187	0	23	210
Total non current accruals	**187**	**0**	**23**	**210**
Total accruals	**4,321**	**-4,134**	**5,983**	**6,170**

Non current liabilities

18. 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, 2009				
Bank debt	19,287	17,737	1,550	0
Financial liability	**19,287**	**17,737**	**1,550**	**0**
As of Dec, 2008				
Bank debt	15,180	13,428	1,752	0
Financial liability	**15,180**	**13,428**	**1,752**	**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 36.5 million. At the moment M+M does not pay commitment fees on unused credit lines.

19. Pension accruals

The pension accruals essentially exist at the parent company and refer to a defined benefit plan for the Managing Directors. The pension commitment contains a retirement pay, a widow's pension as well as a disability pension. The pension accruals are determined according to actuarial principles of the projected unit credit method in accordance with IAS 19.

The pension accruals at the balance sheet date amount to KEUR 240 (PY: 97), of which an amount of KEUR 240 (PY: 97) 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 4,048 (PY: 3,616). 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 112 (PY: 105), interest expenses amounting to KEUR 124 (PY: 115) and current time of service expenditure amounting to KEUR 43 (PY: 48). 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:

Amounts in KEUR	2009	2008
Benefit obligation at start of year	3,713	3,265
Interest cost	124	115
Service cost	43	48
Benefits paid	-39	-39
Net actuarial gain	447	324
Benefit obligation at end of year	**4,288**	**3,713**
Plan assets at start of year	3,616	3,007
Employer contributions	-39	-39
Actual return on plan assets	112	105
Net actuarial gain	359	543
Plan assets at end of year	**4,048**	**3,616**
Net recognized liability	**240**	**97**

Pension benefits payable in the future are estimated as follows:

	Amounts in KEUR
2010	53
2011	54
2012	55
2013	95
2014	97
2015 - 2018	562

20. Other non current liabilities

The companies in the VAR Business are mainly acquired in two steps. In the first step the majority shareholding was transferred (50.1% or 75.0%), mainly via share swap. Within two to four years the remaining shares will be transferred. The other non current liabilities mainly contain the expected obligation of the remaining shares (49.9% or 25.0%) of KEUR 7,941 (PY: 0). Within the two to four years period the remaining shares will also mainly be acquired via share swap and reclassified into equity.

21. Share capital

The subscribed capital of M+M SE as of Dec 31, 2009, comprised 14,587,875 (PY: 13,589,208) shares, with a calculated stake of EUR 1.00 per share. In 2009 the subscribed capital increased by the amount of KEUR 999 due to the acquisition of enterprises by capital increase in return for stock.

22. Capital reserve

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

Amounts in KEUR	2009	2008
Capital reserve as of Jan 1	9,838	9,588
Capital increase	0	11
Contribution in kind	3,995	0
Convertible loan	0	31
Share based payments	248	208
Capital reserve as of Dec 31	**14,081**	**9,838**

M+M has contingent capital, which serves to grant the members of the Board of Directors and other employee's stock options. In 2009 no options have been converted. Furthermore the capital reserve includes the premium from the contribution in kind of the acquisitions of participations.

23. Treasury stock

The board of administration of M+M SE resolved to start the share buyback program at October 9, 2008. As of Dec 31, 2009, M+M holds 71,086 shares of treasury stock. This is 0.48% of the issued capital. Treasury shares are carried at cost amounting to KEUR 234.

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 1,068 (PY: 1,903) and cash flows used for interest expenses of KEUR 98 (PY: 184)
- KEUR 505 (PY: 2,070) in taxes on income paid (less income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 61 (PY: 42)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR -1,014 (PY: -708) and the change of deferred revenues of KEUR 17 (PY: 228) as well as the expenses for share base payments of KEUR 240 (PY: 208).

Cash flows from financing activities include KEUR 2,684 (PY: 2,715) which was paid out to M+M shareholders, which is EUR 0.20 per share (PY: 0.20).

Cash and cash equivalents of KEUR 4,024 (PY: 0) stemming from acquisitions are offset by KEUR 2,625 against capital expenditure on financial assets. The remainder of KEUR 1,399 is cash intended for the distribution to former shareholders.

Amounts in KEUR	**2009**	**2008**
Purchase price	18,329	3,829
Selling price	0	4,101
Cash outflow for purchase	4,816	2,829
Cash in for sale	0	3,076
Acquired cash	4,024	0
Disposed cash	0	0

The acquired original assets and liabilities are shown below:

Amounts in KEUR	**2009**	**2008**
Fixed assets	862	0
Current assets	3,459	1
Accruals	1,404	0
Liabilities	4,752	1

The disposed assets and liabilities are shown below:

Amounts in KEUR	**2009**	**2008**
Fixed assets	0	18
Current assets	0	0
Accruals	0	0
Liabilities	0	0

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

Other supplementary information

Other financial obligations and contingent liabilities

The other financial obligations are mainly the result of long term rental and operating lease contracts for the group as a whole. The minimum financial obligation for non discounted rental and lease payments is KEUR 9,409 (PY: 9,058). In the current financial year, rent and leasing payments are contained amounting to KEUR 3,656 (PY: 2,948).

The due dates of payments are as following:

	Amounts in KEUR
2010	3,178
2011	2,141
2012	1,829
2013	1,432
2014	417
Following years	417
Total	**9,409**

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 and operating activities. Usually foreign currencies are not hedged.

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

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

Amounts in KEUR	2009	2008
Increase of 5%	-329	-304
Decrease of 5%	329	304

Interest rate risks

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

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

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

Amounts in KEUR	2009	2008
Increase of 100 basis points	-85	-56
Decrease of 100 basis points	84	56

Liquidity risks

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

Liquidity risk 2009

Amounts in KEUR	Book value	Cash flows 2010		Cash flows 2011		Cash flows from 2012	
	Dec 31, 2009	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	19,287	144	17,837	75	206	161	1,244
Trade accounts payable	31,165		31,165				
Other current liabilities	14,534		6,061		553		7,920

Liquidity risk 2008

Amounts in KEUR	Book value	Cash flows 2009		Cash flows 2010		Cash flows from 2011	
	Dec 31, 2008	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	15,180	317	13,817	74	951	50	412
Trade accounts payable	30,125		30,125				
Other current liabilities	5,565		4,899		333		333

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

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

The following table shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument and reconciliation to the corresponding line item in the balance sheet. Since the line items 'Other receivables' and 'Other liabilities' contain both financial instruments and non-financial assets and liabilities (such as other tax receivables or advance payments for services to be received in the future), the reconciliation is shown in the column headed 'Non-financial assets / liabilities.'

As a matter of principal the fair value is determined on the hierarchic level 1 with consideration of noted prices on active markets.

Fair Values 2009

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2009	Fair Value Dec 31, 2009	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2009
Cash and cash equivalents	LaR	6,896	6,896	6,896		6,896
Trade accounts receivables	LaR	30,542	30,542	30,542		30,542
Other current assets	LaR	3,776	3,776	3,776	710	4,486
Liabilities						
Bank debt	FLAC	19,287	19,466	19,287		19,287
Trade accounts payable	FLAC	31,165	31,165	31,165		31,165
Other current liabilities	FLAC	14,534	14,135	14,534	1,566	16,100
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		41,214	41,214	41,214		
Financial Liabilities Measured at Amortised Cost (FLAC)		64,986	64,766	64,986		

Fair Values 2008

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2008	Fair Value Dec 31, 2008	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2008
Cash and cash equivalents	LaR	4,025	4,025	4,025		4,025
Trade accounts receivables	LaR	33,435	33,435	33,435		33,435
Other current assets	LaR	3,680	3,680	3,680	611	4,291
Liabilities						
Bank debt	FLAC	15,180	15,336	15,180		15,180
Trade accounts payable	FLAC	26,966	26,966	26,966		26,966
Other current liabilities	FLAC	5,565	5,565	5,565	1,060	6,625
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		41,140	41,140	41,140		
Financial Liabilities Measured at Amortised Cost (FLAC)		47,711	47,711	47,711		

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

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

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

Other price risks

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes. As of December 31, 2009, 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 was 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.

The gearing ratio deteriorates from 0.86 to 8.99 and the equity ratio comes to 23.9% from 31.1%.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made to the objectives, policies and methods as of December 31, 2009.

Research and development expenses
The research and development expenses for the financial year amounts to KEUR 5,949 (PY: 5,804) concerning subsidiaries in the M+M Software segment OPEN MIND and DATAflor.

Employees
The group's average number of employees (excluding temporary workers and trainees) during the fiscal year was 504 (PY: 388). The number of trainees was 13 (PY: 9).

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 Technologie Beteiligungsgesellschaft mbH & Co. KG (Vice Chairman)
Thomas Becker, Neuss, Tax consultant

Managing Directors
The following gentlemen were appointed Managing Director during fiscal year 2009:

Adi Drotleff, Diplom-Informatiker, Munich (CEO)
Michael Endres, Diplom-Informatiker (FH), Fuerstenfeldbruck (Marketing)
Jens Jansen, Diplom-Ingenieur, MBA, Munich (CIO)
Peter Scuetzenberger, 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
The remuneration for the Managing Directors is shown below:

Remuneration of Managing Directors

2009 in KEUR	fix	variable	non cash	Options	Total
Adi Drotleff	169	0	67	0	**236**
Michael Endres	116	0	27	7	**150**
Peter Schuetzenberger	111	0	25	7	**143**
Jens Jansen	108	0	28	7	**143**
Werner Schwenkert	144	0	30	7	**181**
Total 2009	**648**	**0**	**177**	**28**	**853**
2008 in KEUR					
Adi Drotleff	164	34	67	0	**265**
Michael Endres	113	34	27	6	**180**
Peter Schuetzenberger	110	34	25	6	**175**
Jens Jansen	108	34	28	6	**176**
Werner Schwenkert	144	36	30	6	**216**
Total 2008	**639**	**172**	**177**	**24**	**1,012**

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

The pension obligation for the Managing Directors amounts to KEUR 1,286 (PY: 1,073) as of December 31, 2009.

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

Directors' shareholdings and options
Stock and option ownership of Directors and Board members as per Dec 31, 2009, is shown in the following table:

Directors' holdings

	Dec 31, 2009		Dec 31, 2008	
Directors	**Shares**	**Options**	**Shares**	**Options**
Adi Drotleff	6,003,212	7,800	6,003,212	10,200
Michael Endres	24,000	40,800	24,000	36,000
Jens Jansen	20,657	40,800	24,657	36,000
Peter Schuetzenberger	33,600	40,800	30,000	39,600
Werner Schwenkert	836,800	34,800	836,800	27,600
Total Directors	**6,918,269**	**165,000**	**6,918,669**	**149,400**
Administrative Board				
Norbert Kopp	5,000	0	5,000	0
Thomas Becker	0	0	0	0
Total Admin. Board	**5,000**	**0**	**5,000**	**0**

Other Advisory Board memberships of Administrative Board members
On December 31, 2009, 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, 2009, Mr. Kopp also served as a member of the Advisory Board of HNE Technologie AG, Augsburg, of EasyMeter GmbH, Bielefeld, as well as GUV Gesellschaft fuer Umwelttechnik und Vertrieb GmbH, Saarbruecken.

On December 31, 2009, Mr. Becker also served as Vice Chairman of the Advisory Board for DATAflor AG, Goettingen.

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

Amounts in KEUR	2009	2008
Audit	161	115
Tax consulting	38	35
Other	8	9
Total	**207**	**159**

Events after balance sheet date
In the course of the 'Market Offensive', M+M is acquiring further companies and expanding its own end user business in the segment 'VAR Business'. Therefore M+M acquires further reseller partner companies in the German speaking area, mainly by share swaps.

During the time of the preparation of this annual report following partner companies become members of the M+M group.

Company	Share
MuM Zuberbuehler AG, Aesch near Zuerich, Switzerland	100.0%
MuM CAD-praxis GmbH, Juelich, Germany	50.1%
MuM Scholle GmbH, Velbert, Germany	50.1%

All partner companies have been acquired retroactive as of January 1, 2010 and will be included in the consolidated financial statements in Q1/2010 for the first time.

Since the appropriate data is not yet available no further disclosures are made.

Appropriation of net income
M+M SE has unappropriated retained earnings amounting to KEUR 2,518 as of December 31, 2009. The Administrative Board will propose to the shareholders meeting that the gross amount is carried forward to unappropriated net income.

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 opportunities 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, 2009, to December 31, 2009. 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 5, 2010

A W T
AUDIT WIRTSCHAFTS - TREUHAND AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Hahn
Wirtschaftspruefer

Huber
Wirtschaftspruefer

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 2009, five Administrative Board meetings took place on February 27, March 13 (by phone), May 28, July 24 and October 22.

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

- Development and maintenance of the group's own software technology
- Improvement of the individual subsidiaries' operating profitability
- Execution of the Market Offensive to introduce a VAR Business segment
- Sale of ecscad technology
- Reaction on the economic crisis
- Use of exisiting tax loss carryovers and tax optimisation
- Dividend policy

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

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

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 2009 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, 2009, including the management report, as well as the group annual report as of December 31, 2009, 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 March 3 and 12, 2010, 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 2009.

Wessling, March 2010
The Administrative Board
Adi Drotleff
Chairman

Adresses

Company	Street	Town	Telephone	Telefax	Internet
Mensch und Maschine Software SE	Argelsrieder Feld 5	D-82234 Wessling	+49 (0) 81 53 / 9 33 - 0	+49 (0) 81 53 / 9 33 - 100	www.mum.de
Mensch und Maschine Akademie und Systemhaus GmbH	Argelsrieder Feld 5 Schuelestrasse 18 Wandersmannstrasse 68 Steinernkreuz 7	D-82234 Wessling D-73230 Kirchheim/Teck D-65205 Wiesbaden D-94375 Stallwang	+49 (0) 81 53 / 933 - 0 +49 (0) 70 21 / 9 34 88 - 20 +49 (0) 6 11 / 9 99 93 12 +49 (0) 99 66 / 94 02 - 0	+49 (0) 81 53 / 933 - 100 +49 (0) 70 21 / 9 34 88 - 99 +49 (0) 6 11 / 37 88 08 +49 (0) 99 66 / 94 02 - 14	www.mum.de
Mensch und Maschine At Work GmbH	Averdiekstrasse 5	D-49078 Osnabrueck	+49 (0) 5 41 / 4 04 11 - 0	+49 (0) 5 41 / 4 04 11 - 4	www.work-os.de
Mensch und Maschine benCon 3D GmbH	Liliencronstrasse 25 Paul-Nevermann-Platz 5 Donnerschweer Strasse 210 Sattlerstrasse 3	D-21629 Neu Wulmstorf D-22765 Hamburg D-26123 Oldenburg D-30916 Isernhagen	+49 (0) 40 / 89 80 78 - 0 +49 (0) 40 / 89 90 1 - 0 +49 (0) 4 41 / 93 65 60 - 0 +49 (0) 51 36 / 97 87 - 202	+49 (0) 40 / 89 80 78 - 22 +49 (0) 40 / 89 90 1 - 111 +49 (0) 4 41 / 93 65 60 - 22 +49 (0) 51 36 / 97 87 - 204	www.mum-bencon.de
Mensch und Maschine CAD-praxis GmbH	Karl-Heinz-Beckurts-Strasse 13 Lohbachstrasse 12	D-52428 Juelich D-58239 Schwerte	+49 (0) 24 61 / 6 90 - 5 50 +49 (0) 23 04 / 9 45 - 5 20	+49 (0) 24 61 / 6 90 - 5 59 +49 (0) 23 04 / 9 45 - 5 29	www.cadpraxis.de
Mensch und Maschine Dressler GmbH	Dietostrasse 11 Kreisstrasse 129	D-88046 Friedrichshafen D-58454 Witten	+49 (0) 75 41 / 38 14 - 0 +49 (0) 23 02 / 1 72 90 00	+49 (0) 75 41 / 38 14 - 14 +49 (0) 23 02 / 1 72 97 76	www.dressler-ct.de
Mensch und Maschine Haberzettl GmbH	Hallerweiherstrasse 5 Wilhelm-Maybach-Strasse 13	D-90475 Nuremberg D-68766 Hockenheim	+49 (0) 9 11 / 35 22 63 +49 (0) 62 05 / 2 92 38 74	+49 (0) 9 11 / 35 22 02 +49 (0) 62 05 / 2 92 38 79	www.haberzettl.de
Mensch und Maschine Integra GmbH	In den Fritzenstuecker 2	D-65549 Limburg	+49 (0) 64 31 / 92 93 - 0	+49 (0) 64 31 / 92 93 - 29	www.mum-integra.de
customX GmbH	In den Fritzenstuecker 2	D-65549 Limburg	+49 (0) 64 31 / 49 86 -0	+49 (0) 64 31 / 49 86 -98	
Mensch und Maschine Leycad GmbH	Crottorfer Strasse 49 Memminger Strasse 29	D-51580 Reichshof D-89264 Weissenhorn	+49 (0) 22 97 / 91 14 - 0 +49 (0) 73 09 / 92 97 - 0	+49 (0) 22 97 / 91 14 - 22 +49 (0) 73 09 / 92 97 - 19	www.leycad.de
Mensch und Maschine Scholle GmbH	Haberstrasse 42	D-42551 Velbert	+49 (0) 20 51 / 9 89 00 - 20	+49 (0) 20 51 / 9 89 00 - 29	www.scholle.de
Mensch und Maschine Software GmbH	Bayernstrasse 3 Argentinierstrasse 64/6 Franz-Fritsch-Strasse 11 Hoettinger Au 41a St. Veiter Ring 51A	A-5071 Wals-Siezenheim A-1040 Wien A-4600 Wels A-6020 Innsbruck A-9020 Klagenfurt	+43 (0) 6 62 / 62 61 50 +43 (0) 1 / 5 04 77 07 - 0 +43 (0) 72 42 / 20 88 27 50 +43 (0) 5 12 / 28 41 37 +43 (0) 4 63 / 50 02 97 - 0	+43 (0) 6 62 / 62 61 50 10 +43 (0) 1 / 5 04 77 07 - 27 +43 (0) 72 42 / 20 88 27 55 +43 (0) 5 12 / 28 41 37 - 20 +43 (0) 4 63 / 50 02 97 - 10	www.mum.at
Mensch und Maschine IT-Consulting GmbH	Argentinierstrasse 64/6 Grosswilfersdorf 102/1 Muehlgasse 26/4/16	A-1040 Wien A-8263 Grosswilfersdorf A-9200 Gleisdorf	+43 (0) 1 / 5 04 77 07 - 0 +43 (0) 33 85 / 6 60 01 +43 (0) 31 12 / 3 84 84	+43 (0) 1 / 5 04 77 07 - 27 +43 (0) 33 85 / 6 60 01 33 +43 (0) 31 12 / 3 84 85	www.cad-consulting.at
Mensch und Maschine Personalbereitstellungs-GmbH	Neudorfberg 152	A-8211 Ilztal	+43 (0) 33 85 / 6 60 01	+43 (0) 33 85 / 6 60 01 33	
Mensch und Maschine Software AG	Zuerichstrasse 25 Route du Simplon 16	CH-8185 Winkel CH-1094 Paudex	+41 (0) 44 / 8 64 19 00 +41 (0) 21 / 7 93 20 32	+41 (0) 44 / 8 64 19 01 +41 (0) 21 / 7 93 20 39	www.mum.ch
Mensch und Maschine CAD-LAN AG	Reiherweg 2	CH-5034 Suhr	+41 (0) 62 / 8 55 60 60	+41 (0) 62 / 8 55 60 00	www.cadlan.ch
Mensch und Maschine CADiware AG	Dornacherstrasse 393 Bahnhofstrasse 34 Alpsteinstrasse 17a	CH-4043 Basel CH-3629 Kiesen CH-9323 Steinach	+41 (0) 61 / 6 43 00 90 +41 (0) 31 / 7 71 38 48 +41 (0) 71 / 9 96 00 90	+41 (0) 61 / 6 43 00 91 +41 (0) 31 / 7 71 38 45 +41 (0) 71 / 9 96 00 91	www.cadiware.ch
Mensch und Maschine Zuberbuehler AG	Haldenstrasse 31	CH-8904 Aesch	+41 (0) 43 / 3 44 12 12	+41 (0) 43 / 3 44 12 11	www.mumz.ch

CAD in practice: Architecture

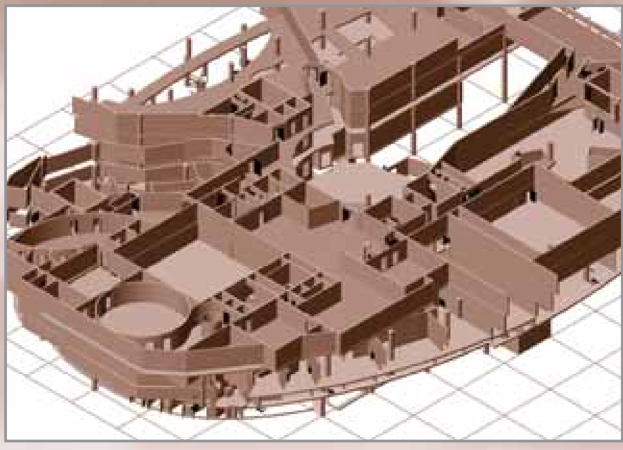
Project: Klimahaus in Bremerhaven, Germany

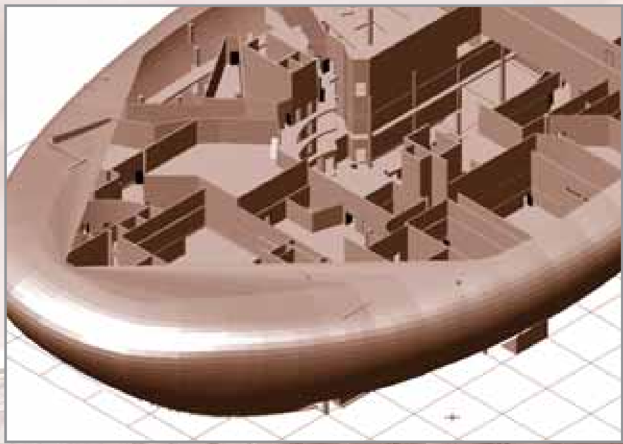
Customer: agn Niederberghaus und Partner GmbH, Ibbenbueren, Germany

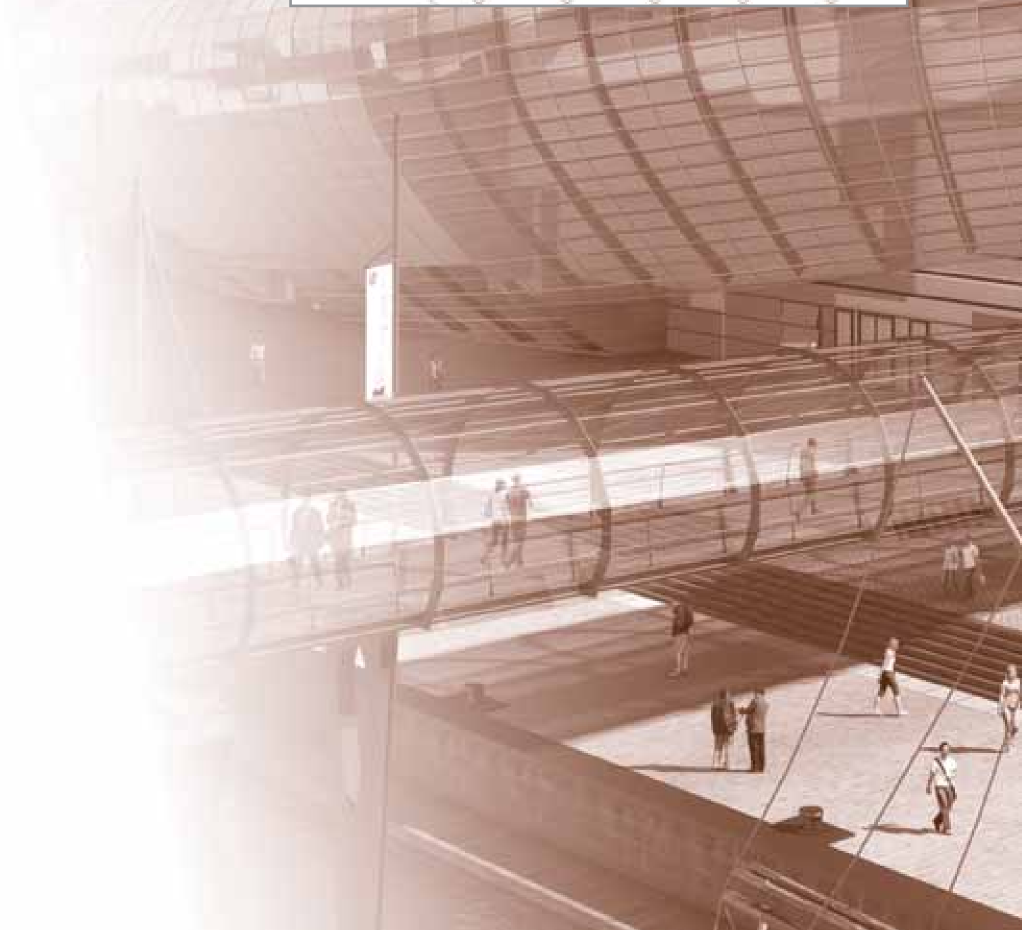
agn Niederberghaus und Partner GmbH is a general planning office and integrates more than 15 special construction disciplines in seven locations – from classical Architecture and Engineering to technical facility management services.

One of various reference projects is the architecturally extraordinary 'Klimahaus' in Bremerhaven: In this building, which is more than 125 Meters long and 82 Meters wide, nine different climate zones are installed, roofed by a futuristically curved glass cover.

agn uses Autodesk CAD solutions for the design and has high quality and formal requirements for the plans. Together with M+M AtWork GmbH, Osnabrueck, CAD standards were defined, which can be used as templates by the designers. Since then, plans from agn are standardized at a high quality level for all disciplines.







mensch maschine

CAD as CAD can

Mensch und Maschine
Software SE
Argelsrieder Feld 5
D-82234 Wessling

Tel. +49 (0) 81 53 / 9 33 - 0
Fax +49 (0) 81 53 / 9 33 - 100
www.mum.de