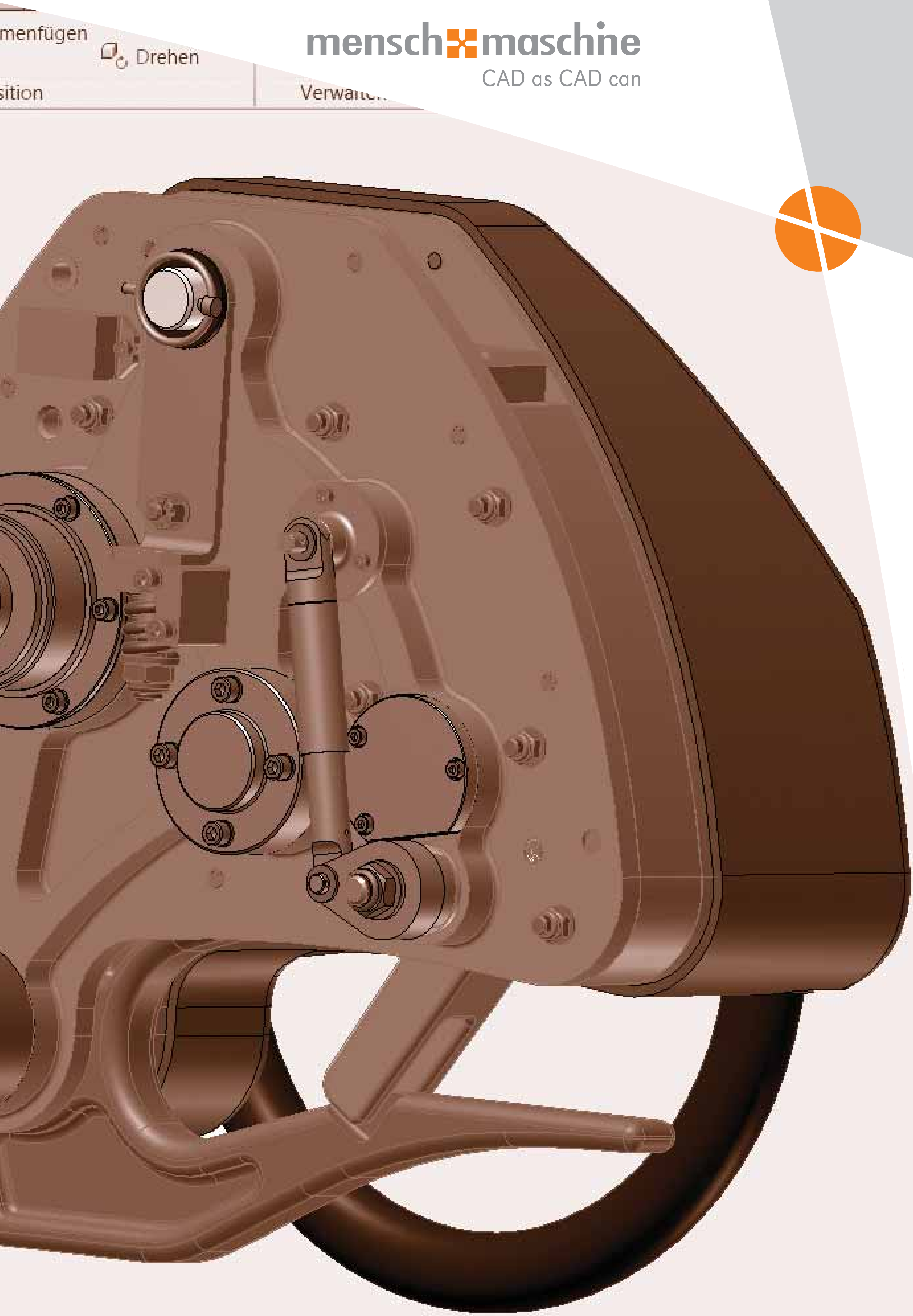
mensch maschine
CAD as CAD can



Annual report 2010

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2006		2007		2008		2009		2010	
Revenue	**170.3**		**212.9**	+25%	**223.1**	+4.8%	**163.3**	-27%	**195.56**	+20%
Germany	42.2	25%	53.7	25%	57.3	25.7%	39.9	24.4%	48.77	24.9%
International	128.1	75%	159.2	75%	165.8	74.3%	123.4	75.6%	146.79	75.1%
Revenue per share in EUR	**13.63**		**16.64**	+22%	**16.44**	-1.2%	**11.20**	-32%	**13.45**	+20%
Gross Margin	**46.7**		**53.6**	+15%	**55.9**	+4.2%	**51.0**	-8.7%	**66.20**	+30%
Distribution	26.8	57%	32.5	60.6%	32.2	57.6%	18.4	36.1%	19.86	30.0%
M+M Software	19.9	43%	20.5	38.2%	22.9	41.0%	19.2	37.6%	23.00	34.7%
VAR Business			0.7	1.2%	0.8	1.5%	13.4	26.3%	23.34	35.3%
Operating result EBITDA	**8.1**		**10.7**	+32%	**13.0**	+21%	**1.4**	-89%	**6.06**	+340%
EBITDA return from revenue	4.8%		5.0%		5.8%		0.8%		3.1%	
Net result	**3.0**		**6.0**	+100%	**5.8**	-4.5%	**-4.8**		**-0.50**	
Net return from revenue	1.8%		2.8%		2.6%		-2.9%		-0.2%	
Net result per share in EUR	**0.24**		**0.47**		**0.42**		**-0.34**		**-0.03**	
Dividend in EUR	**0.15**		**0.20**		**0.20**		**0.00**		**0.10**	
Total assets	**71.8**		**80.3**	+12%	**85.0**	+6%	**101.1**	+19%	**105.11**	+4%
Shareholders' equity	**14.9**		**24.4**	+63%	**26.4**	+8%	**24.2**	-8%	**27.77**	+15%
Equity ratio	20.8%		30.3%		31.1%		23.9%		26.4%	
Number of shares in million	**12.497**		**12.800**	+2%	**13.570**	+6%	**13.970**	+3%	**14.542**	+4%
Number of employees	**300**		**327**	+9%	**388**	+19%	**504**	+30%	**607**	+20%

Content

man machine
CAD as CAD can

Dear reader,
During 2010, there was a remarkable recovery from the worldwide economic crisis. Mensch und Maschine Software SE (MuM) was able to profit from that by achieving nearly 20% sales growth and by quadrupling the operating earnings, which means that after the deep 2009 decline, we managed to return half way to the record figures achieved in 2007/2008.

The recovery stands on a broad base. All three business segments increased sales and achieved significant profit improvement. The traditional Distribution business nearly recovered to its old margin strength, the Software segment nearly doubled profit, and even the VAR business, which had been started at the beginning of 2009, reached operating break-even in the closing quarter, successfully leaving behind the start up phase.

Backed by these solid results and operating cash flows of more than 25 Cents per share, we will make a dividend proposal of 10 Cents per share to the annual shareholders' meeting.

Though good progress was made, there are still significant profit margin reserves - mainly in the Software and VAR segment - which should enable us to more than double the EBITDA margin, from the 3.1% level already achieved, in the years to come.

Unfortunately, there is also a sad message. On February 3, 2011, Werner Schwenkert passed away in his 63th year after a long, bravely endured illness. The founder of our software subsidiary Open Mind AG and long-standing M+M CTO, left behind a well-ordered professional legacy, which we will develop as he would have done.

Wessling, March 2011
The Managing Directors

2010 at a glance

- Remarkable recovery after worldwide econonomic crisis - about half the way to the record figures of 2007/2008 achieved
- Sales: EUR 195.6 mln / +20%
  - International share: 75.1% (PY: 75.6%)
  - Growth contribution from all segments
- Operating profit EBITDA quadrupled: EUR 6.06 mln (PY: 1.38 / +340%)
  - Operating margin: 3.1% (PY: 0.8%)
  - All segments significantly improved
- Net result: EUR -0.5 mln (PY: -4.8)
  - EPS: EUR -0.03 (PY: -0.34)
- Cash flows EUR 3.9 mln (PY: 5.7)
  - Net bank debt decreased
- Group headcount: 607 (PY: 504)
- Market offensive: Transition of Distribution to VAR business in D/A/CH completed
  - Full area coverage with 35 locations
  - Segment sales EUR 57.2 mln (PY: 35.3)
  - Operating break-even reached in Q4

Adi Drotleff
CEO

Michael Endres
COO

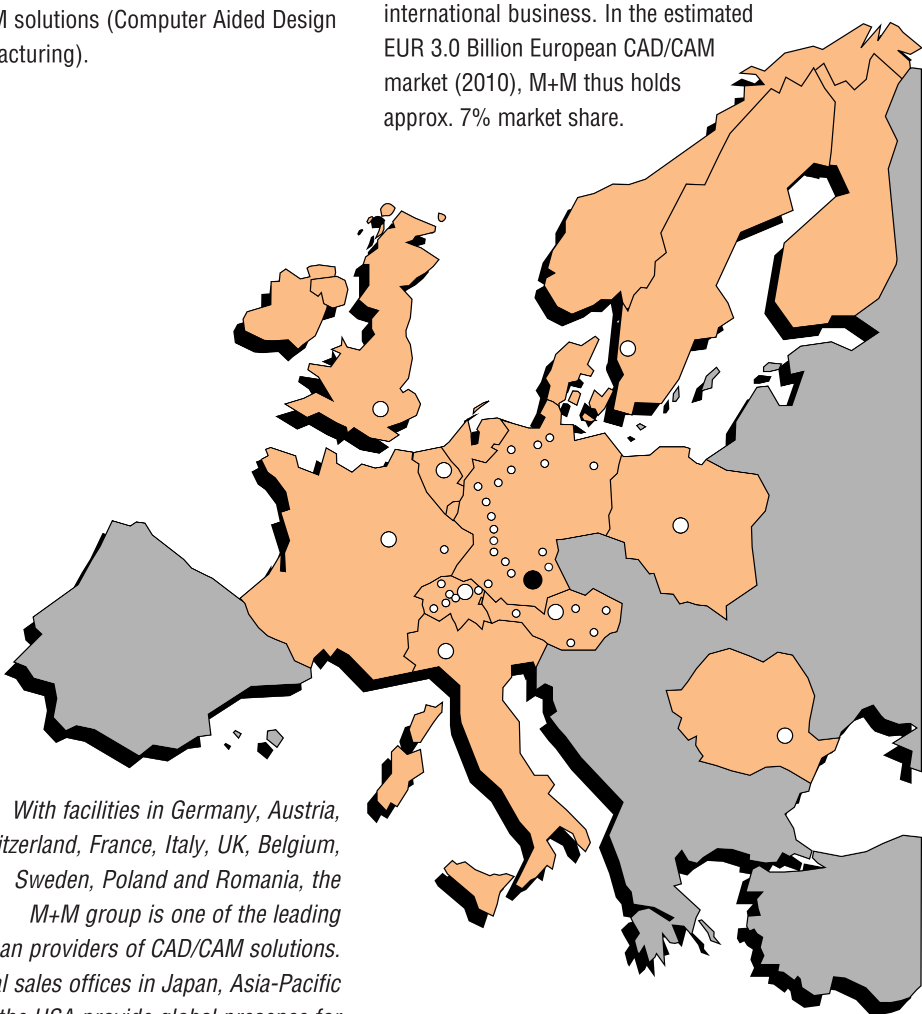
Peter Schützenberger
CFO

Management report 2010

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 (2010: EUR 195.6 mln) is achieved inside Germany, while the other three quarters come from international business. In the estimated EUR 3.0 Billion European CAD/CAM market (2010), 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 is one of the leading European providers of CAD/CAM solutions. Additional sales offices in Japan, Asia-Pacific and in the USA provide global presence for M+M's self-developed CAD/CAM Software.

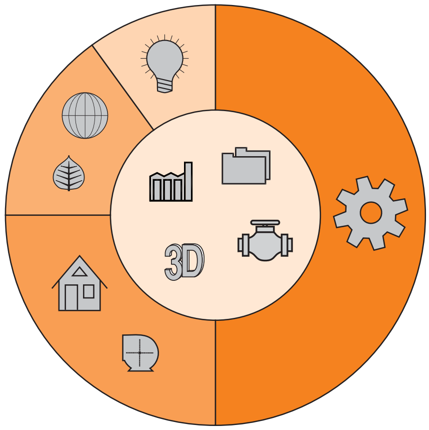
Good sector balance
In respect of industry sectors, the M+M business is split about half into mechanical engineering and half into the sectors of architecture and the construction industry including building services (approx. 25%), infrastructure / gardening & landscaping (approx. 15%) and electrical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

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

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

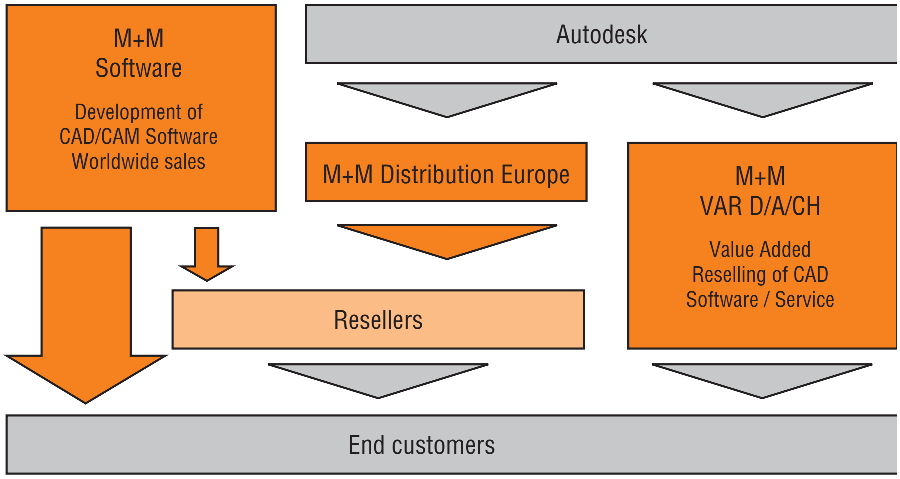
Two thirds new business, one third recurring revenue
Two thirds of the business is new sales of software seats or subscription/maintenance contracts, the remaining third of the sales is recurring, such us subscription or maintenance renewals and software updates. The relatively high share of new business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

However in 2010, the positive effect of the higher new business share returned to the foreground, leading to a disproportionate sales increase of nearly 20 percent.



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

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, namely 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 over 26 Million Euro sales (2010), nearly 90% gross yield and approx. 11% EBITDA margin (in the pre-crisis years 2007/2008, 15-20% had been achieved, in the crisis year 2009, however, the margin was just 7%).
As a result, the segment pulls a relatively high added value from its approx. 13% share in group sales. In fiscal year 2010, nearly 35% of group gross margin was achieved by self developed software technology.

Distribution segment

In the Distribution segment, M+M is focusing on Value-Added Distribution (VAD) of software from global CAD market leader Autodesk. With a purchase volume amounting to nearly EUR 90 million and distribution rights in many European countries, M+M is one of the largest Autodesk distributors in the world.

High sales volume, lower margin

The high volume Distribution segment, with sales amounting to more than EUR 112 mln (2010), represents the lion's share of group revenue, giving M+M broad market access. Gross yield at 17-18% is significantly lower than in the software segment, and the contribution to added value in terms of gross margin in 2010 was 30%.
EBITDA margin, which had dropped to 0.8% in 2009 due to the crisis, recovered to 3.4%, nearly returning to the level of 3.5-4.0% achieved in 2007/2008.

VAR Business segment

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

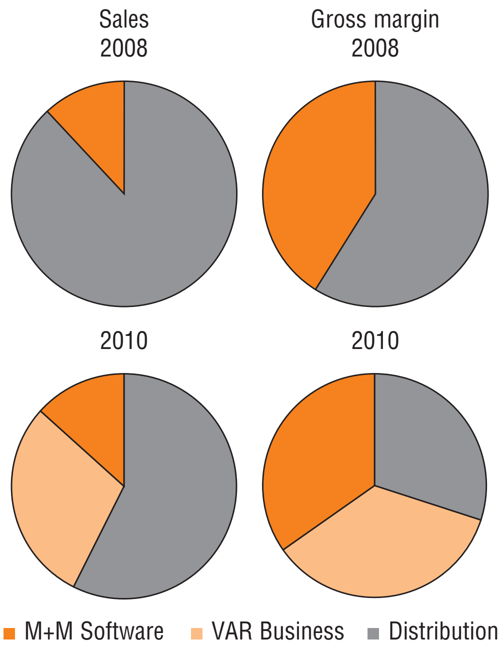
Medium volume and margin

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).

Dynamic growth 2009 and 2010

In fiscal year 2009, sales amounting to more than EUR 35 mln and 38% gross yield had been achieved from scratch. In 2010, the segment continued to grow dynamically, achieving more than EUR 57 mln sales and nearly 41% gross yield (compared to Distribution: 17-18% / Software ~90%).

EBITDA margin, which in 2009 had been at -2.9% due to the economic crisis and the startup conditions, has already improved to -0.9% in 2010.
The startup phase with high investments is now completed, and we expect annual margin improvement of 3-4%, until the 10% target margin will be reached, probably in 2013 (other segment target margins: Distribution: 3.5-4.0% / Software: 15-25%).

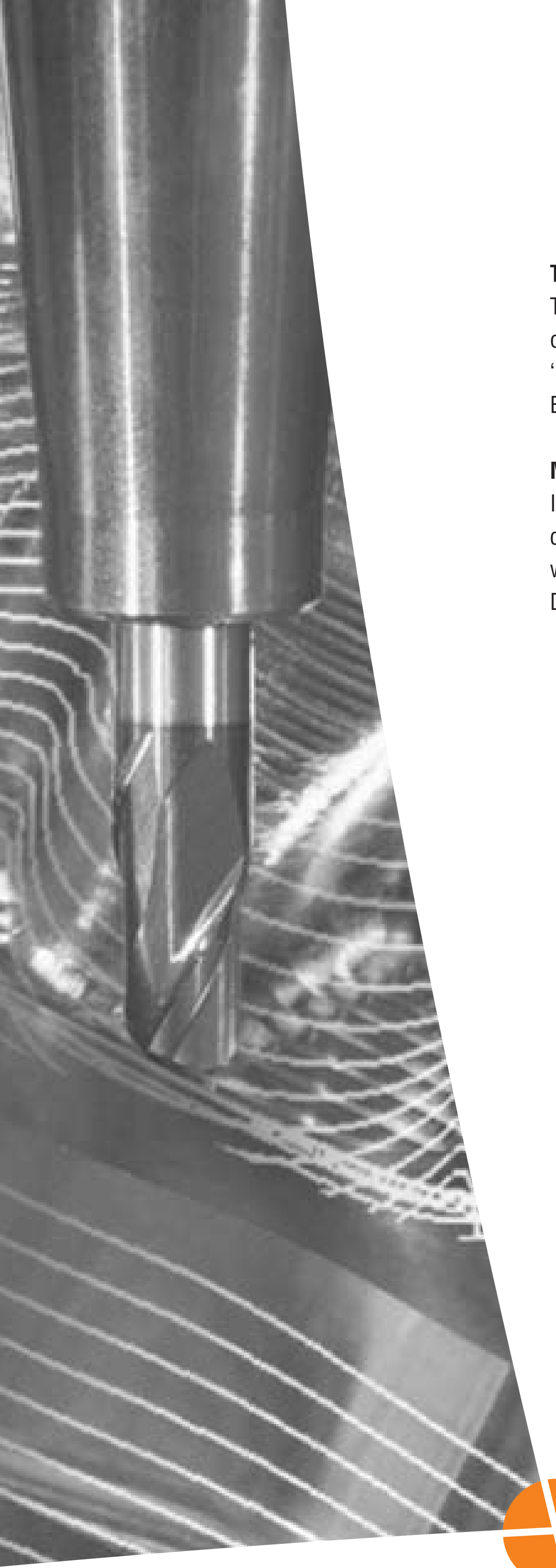


Well balanced over three pillars

While until 2008 the Distribution business dominated both sales and gross margin, the M+M business model in 2010 became quite balanced over the three pillars, with gross margin contributions amounting to 34.7% (M+M Software), 30.0% (Distribution) and 35.3% (VAR Business).

Group headcount now above 600

The group employed 607 people on average during fiscal year 2010 (PY: 504), distributed over the segments as follows: M+M Software 197 (33%) / Distribution 110 (18%) / VAR Business 300 (49%).
Headcount does not include the 11 trainees, part time employees working up to 20 hours per week, nor freelancers.

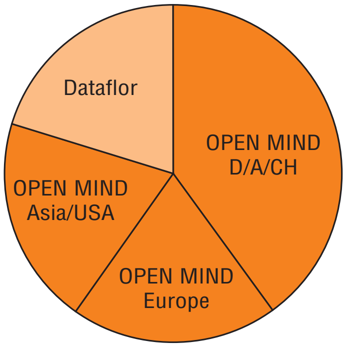


Three segments overview

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

M+M Software

In 2010, over 80% of M+M Software sales continued to come from OPEN MIND AG, while nearly 20% was contributed by DATAflor AG.



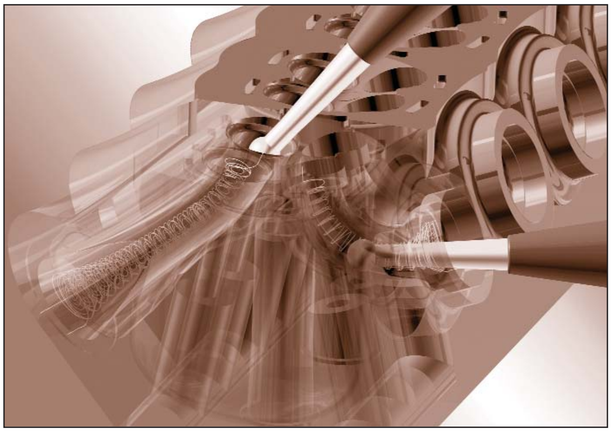
Sales breakdown in the Software segment

OPEN MIND
THE CAM COMPANY

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

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

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



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

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

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

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

DATAflor
Software für Ihren Erfolg

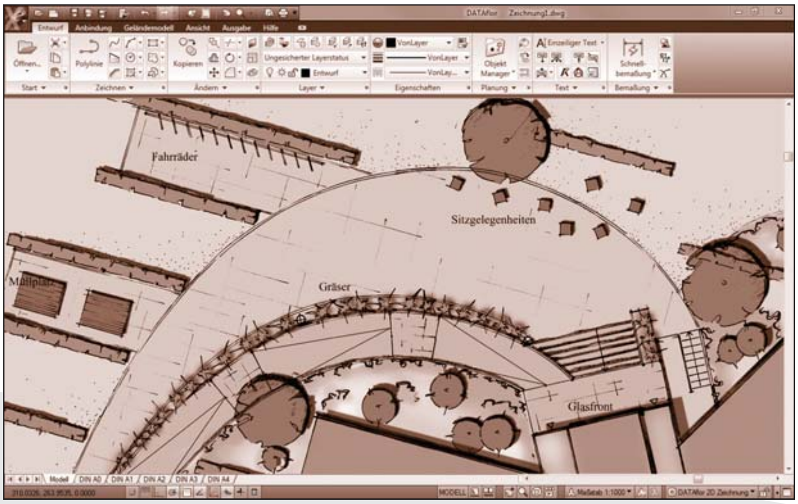
DATAflor has a strong position in the German-speaking gardening and landscaping market. The proffered solutions not only contain a graphical planning section but also tools for complete financial calculation and billing of such projects.

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

High ongoing development investments ...
M+M in 2010 spent approx. EUR 7.6 mln on maintenance and development of the OPEN MIND and DATAflor software products.

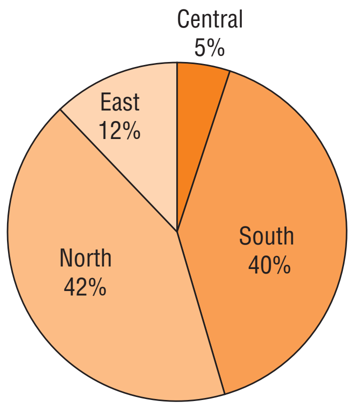
... are not capitalized:
software library is a hidden reserve
Capitalization of development costs is not applied by M+M, meaning that the extensive software base of the group containing hundreds of man years of invested development power represents a hidden reserve.

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



Value-Added Distribution

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



Sales breakdown 2010 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 approx. 5% (2010).

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. 40% to 2010 segment sales.

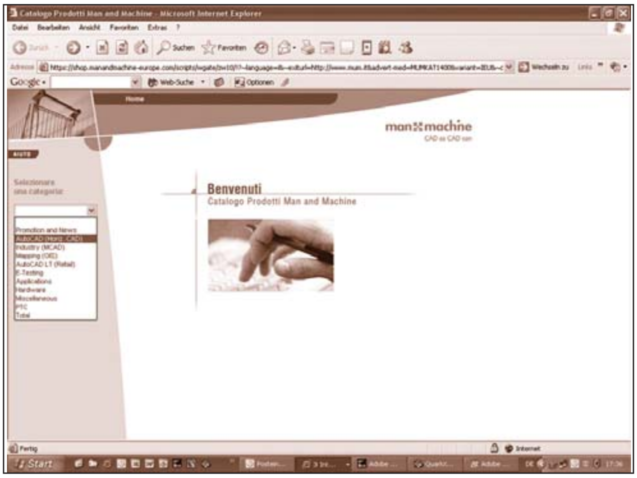
North: UK, Benelux and Scandinavia
The North region, contributing over 42% to 2010 segment sales, has the lead in Distribution. The largest country in this region is UK, supported from the M+M subsidiary in Thame (Oxfordshire), followed by the Benelux states (M+M Aalst, Belgium) and Scandinavia (M+M 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 2010 contributed over 12% 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.

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 around 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 for ordering around the clock (here the Italian version)

VAR Business
With approx. 35 locations in Germany, Austria and Switzerland, the M+M VAR segment provides full area coverage and is able to serve the customers interdisciplinary solutions. In respect of the purchase volume from Autodesk (2010: nearly EUR 30 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 the former Distribution employees were moved to the VAR segment, and completed by the recruitment of a number of qualified specialists from the CAD industry.

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 2010:

- 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, transitioning the founders and managing directors to Co-entrepreneurs in the M+M group. The companies are acquired in two steps 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 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 constant progress, in order to increase both efficiency and customer benefit.
A new, fully integrated IT system is in development. This will cover marketing, address and prospect database, proposals, all commercial and logistic processes as well as management of the existing customer base. It is planned to go live in the middle of 2011.

The M+M VAR segment can serve their customers in approx. 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 27 years since the foundation of the company in 1984, the employees were always seen as 'Co-Entrepreneurs' and fully integrated in the decision making process.
Whenever acquiring companies in and outside Germany in the course of the intensive expansion since IPO in 1997, M+M always cared for and respected the specific culture of the companies acquired and encouraged them to adopt the M+M corporate culture very gently.
This is also, and especially, applied to the practical integration of the new partner companies in the VAR 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 be able to optimally meet the customers' requirements and to achieve the best possible results in the individual markets.

Experienced management team

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

Trading under 'European SE'

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

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

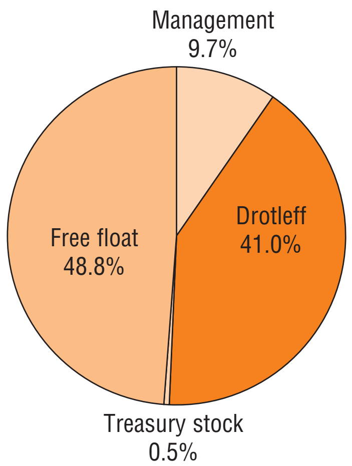
The step to the SE was combined with a streamlining of the management structure to a 'monistic' board system. The founder and main shareholder Adi Drotleff serves as chairman to the Administrative Board (Verwaltungsrat), together with two members of the former Advisory Board, Norbert Kopp (Deputy Chairman) and Thomas Becker. The Administrative Board combines the functions of the Advisory Board of an AG with those of an administrative body ('Organ'). The Board of Managing Directors ('Geschäftsführende Direktoren'), equalling the 'Vorstand' of a German AG without being a legal body ('Organ'), consists of Adi Drotleff (CEO), Michael Endres (COO) and Peter Schützenberger (CFO) (Status: March 2011).

Public and private company

Though M+M shares have been listed on the stock market for 14 years, a large portion of the shares are still in the hands of the management. Adi Drotleff, the founder, CEO and Chairman of the Board, holds more than 6.0 million shares or 41.0% of the approx. 14.64 million shares outstanding on Dec 31, 2010. The Founders and Managing Directors of the VAR companies, which were integrated with the M+M group through share swaps in the course of the 'Market Offensive', together are holding over 1.4 million M+M shares (approx. 9.7%).

A package of approx. 75,000 shares (approx. 0.5%) was held by MuM SE in treasury stock at Dec 31, 2010. It was bought through the stock repurchase program confirmed by the annual shareholders' meetings 2008, 2009 and 2010 and started by the Administrative Board on Oct 9, 2008.

The free float at Dec 31, 2010, contained about 7.15 million shares or 48.8%. A certain portion thereof was held in smaller packages by other members of the management. M+M thus can be seen as a public and a private company in one.



Change to m:access

On March 31, 2010, the listing of the M+M share was changed from the regulated market to the m:access trading segment at the Munich stock exchange that prescribes, for admission, consequential duties above and beyond legal requirements for 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 was not impacted by this change.
In addition, M+M is overfulfilling the m:access rules by publishing full quarterly reports and German/English IFRS reporting.

Risks and Chances

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

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

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

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

In detail, the following risk categories exist:

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

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

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

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

Supplier risks:
Concentration on the main supplier Autodesk 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.

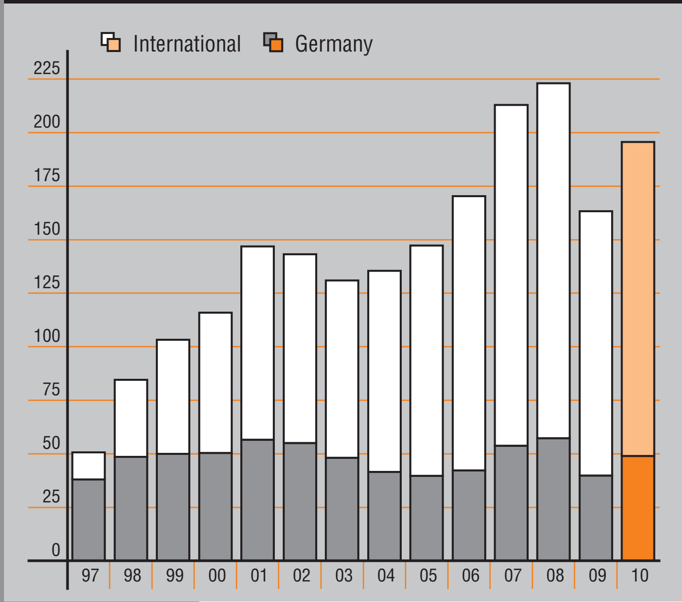
Financing and liquidity risk:
As in any business model not exclusively financed by equity, there is a dependency risk for the debt financed part due to the refinancing capabilities of the financial market. This risk is counteracted by distribution of credit lines at several banks inside and outside Germany.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

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

Course of business 2010 and situation of the group

During 2010, there was a remarkable recovery from the worldwide economic crisis. MuM was able to profit from that by achieving nearly 20% sales growth and by quadrupling operating earnings, which means that after the deep 2009 decline (sales -27% / EBITDA -89%), we managed to return half way to the record figures reached in 2007/2008.

Group revenue (in million EUR)



Sales growth by nearly 20 percent

Sales grew by 19.7% to EUR 195.56 mln (PY: 163.33), recovering better than expected from the decline in the crisis year of 2009. Domestic sales increased by approx. 22%, slightly more than the +19% in international business.

Growth contribution from all segments

This positive development was driven by all three business segments.

M+M Software with 19.5% increase

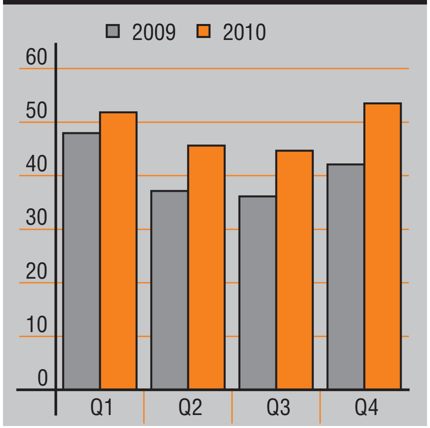
M+M Software sales increased by 19.,5% to EUR 26.05 mln (PY: 21.80), exceeding the record level from fiscal year 2008.

VAR business continuously dynamic
The VAR segment, which was started at the beginning of 2009, continued to grow dynamically and grew at a sound 62% rate to EUR 57.25 mln (PY: 35.27), of which more than EUR 16 mln were contributed by the closing quarter.

Distribution stronger than expected
Distribution segment sales amounted to EUR 112.26 mln (PY: 106.25 / +5,7%), doing significantly better than initially expected. Due to the fact that the transition to VAR business in the German speaking area had not been fully completed in the first months of 2009, a slight reduction had been expected. Adjusted by this base effect amounting to approx. EUR 8 mln, the organic segment growth was around 13 percent.

Return to normal quarterly seasonality
Sales seasonality in 2010 returned to the pattern typical for M+M, with strong starting and closing quarters and slower Q2 and Q3. As the previous year was positively distorted in Q1 due to the said transition effect, sales increased only by a moderate 8.1% to EUR 51.83 mln (PY: 47.96), while later the full growth potential became visible: Q2 came in at EUR 45.59 mln (PY: 37.16), 23% higher than in the previous year, Q3 at EUR 44.65 mln (PY: 36.11 / +24%), and the closing quarter climbed by 27% to EUR 53.49 (PY: 42.10).

Quarterly revenue (in million EUR)



Disproportionate growth of gross margin
The more positive development of the high margin segments M+M Software and VAR Business led to an increase of gross yield to 33.8% (PY: 31.2%). Consequently, gross margin amounting to EUR 66.20 mln (PY: 51.01 / +30%) grew significantly disproportionate to sales.
The former EUR 55.89 mln gross margin company record from fiscal year 2008 was exceeded by far.

Added value very well balanced
The contribution of M+M Software to 2010 group gross margin amounted to 34.7% (PY: 37.6%), the share of VAR business jumped to 35.3% (PY: 26.3%), while the Distribution segment's contribution was further diluted to 30.0% (PY: 36.1%). Altogether, added value in terms of gross margin was quite evenly balanced over the three segments, with VAR segment being slightly in front for the first time.

Headcount & personnel expenses rise
Due to the high service component, the VAR Business requires significantly more personnel than Distribution.
Consequently, headcount rose to 607 (PY: 504 / +20%) on a yearly average, increasing personnel expenses to EUR 40.77 mln (PY: 32.86 / +24%).

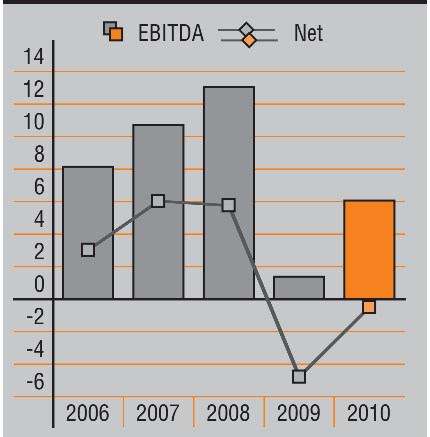
The personnel expenses include a notional amount of EUR 0.23 mln (PY: 0.25) from the application of the IFRS 2 rules (share based payments) for issuing share options to employees.

Other operating expenses slightly higher
Other operating expenses only increased to EUR 23.58 mln (PY: 20.63 / +14%), at a rate lower than the business volume.

Other operating income increased
Other operating income rose to EUR 4.21 mln (PY: 3.86 / +9.1%).

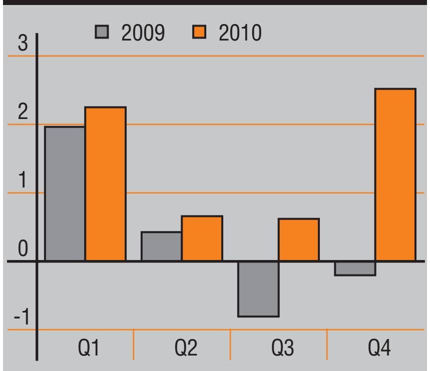
Operating profit EBITDA more than quadrupled
Operating result EBITDA before depreciation, amortization, interest and taxes was more than quadrupled, jumping to EUR 6.06 mln (PY: 1.38).
The operating margin recovered from 0.8% to 3.1%, representing more than half the 5.8% record margin level achieved in 2008.

Earnings (in million EUR)



Quarterly seasonality similar to sales
Quarterly seasonality of EBITDA, as for sales, saw a strong Q1 at EUR 2.25 mln (PY: 1.96), followed by slower Q2/Q3 at EUR 0.66 mln (PY: 0.43) / EUR 0.62 mln (PY: -0.81) and a very good Q4 amounting to EUR 2.54 mln (PY: -0.20).

Quarterly EBITDA (in million EUR)



While the profit increase in the first half year was at a moderate +21.5% due to relatively strong previous year's quarters, the second half year, comparing to negative previous year's quarters, produced a profit jump of more than 4 Million Euro.

Software & Distribution: profit jumps
VAR Business: initial loss halved
EBITDA contribution from the traditional segments Software at EUR 2.82 mln (PY: 1.54 / +83%) and Distribution jumping to EUR 3.77 mln (PY: 0.86) was pleasingly positive, while the new VAR segment halved the initial operating loss to EUR -0.54 mln (PY: -1.01).
The operating margins improved to 10.8% (PY: 7.0%) for Software, 3.4% (PY: 0.8%) for Distribution, and -0.9% (PY: -2.9%) for the VAR business, where the operating break-even was reached in the closing quarter.

Depreciation growing proportionately
Depreciation on fixed assets increased roughly proportionately to the business volume, to EUR 1.27 mln (PY: 1.06 / +20%).

Amortization further increased
Along with takeovers, amortization of non-tangible assets from acquisitions further rose to EUR 2.04 mln (PY: 1.62 / +25%).

No impairments
There were no impairments in 2010 (PY: EUR 1.24 mln).

EBIT back to clearly positive numbers
The operating result EBIT before interest and taxes returned to a clearly positive EUR 2.75 mln (PY: -2.54) after the 2009 loss.

Finance cost halved
Finance cost was halved to EUR -0.75 mln (PY: -1.55). This includes EUR -0.44 mln (PY: -0.23) 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 1 to 3 years after the end of the performance period (see also remark at equity and notes).

Pretax profit after loss in the previous year
Pretax earnings amounted to EUR 2.01 mln after the one-time loss in the previous year amounting to EUR -4.09 mln.

Tax load significantly higher than expected
As the group profit was mainly contributed by subsidiaries, having no tax loss carryovers, the tax load was significantly higher than expected, amounting to EUR -2.32 mln (PY: -0.66). However the tax loss carryovers in the group available for future years (more than EUR 25 mln) remained untouched.

'Red zero' after tax
Altogether, there was a 'red zero' amounting to EUR -0.50 mln in net earnings after tax and minority shares.
Compared to previous year's net loss amounting to EUR -4.78 mln, the improvement was as high as for operating earnings.
Earnings per share amounted to (undiluted) EUR -0,03 (PY: -0,34) or (diluted) EUR -0,03 (PY: -0,33).

Positive operating cash flows
In spite of the slightly negative net result, highly positive operating cash flows amounting to EUR 3.88 mln (PY: 5.66) were achieved, creating a relaxed balance sheet situation.

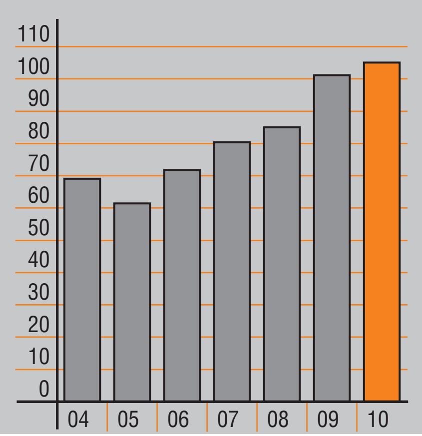
10 Cents dividend after one year pause
On account of the positive cash flows in an amount of more than 25 Cents per share and the favorable development of net bank debt, management will make the proposal to the annual shareholders' meeting at May 24, 2011, to resume dividend payment of 10 Cents per share after just one year pause. The payout amounting to approx. EUR 1.46 mln (the exact amount depends on the then actual number of shares in treasury stock) is taken from 'steuerliche Einlagenkonto' (§27 KStG) as in previous years and does not count as taxable income, but as repayment of capital reserve.

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 2010, an amount of EUR 1.70 mln (PY: 1.05) was invested.

In addition, there were financial investments amounting to EUR 1.09 mln (PY: 2.70) primarily for the cash components in the acquisitions of VAR businesses.
In total, EUR 2.64 mln (PY: 3.70) were used for capital expenditure.

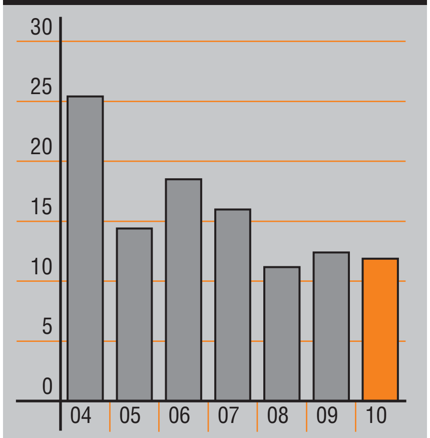
Total assets just slightly increased
Total assets rose slightly to EUR 105.10 mln (PY: 101.15 / +4%), clearly slower than the increase of business volume.

Total assets (in million EUR)



Net bank debt in the safe area
In spite of the significantly higher business volume, net bank debt decreased slightly to EUR 11.86 mln (PY: 12.39), absolutely remaining in the safe area.
This amount consists of current bank debt totalling EUR 19.56 mln (PY: 17.74), plus non-current bank debt totalling EUR 1.36 mln (PY: 1.55), minus cash totalling EUR 9.06 mln (PY: 6.90).

Net bank debt (in million EUR)



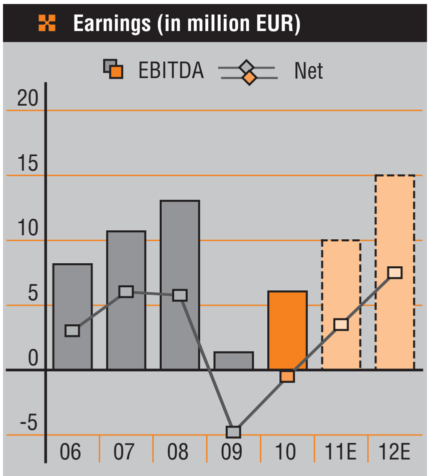
Equity significantly increased
Shareholders' equity as of Dec 31, 2010, increased significantly to EUR 27.77 mln (PY: 24.22 / +15%), with capital ratio rising to 26.4% (PY: 23.9%).
In addition, it should be taken into account that due to the IFRS 3 rules minority shares amounting to EUR 4.62 mln from the acquisitions of VAR businesses were not booked as such in shareholders' equity, but partly in current and partly in non-current liabilities, though they 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 32.4 mln, capital ratio to 30.8%.

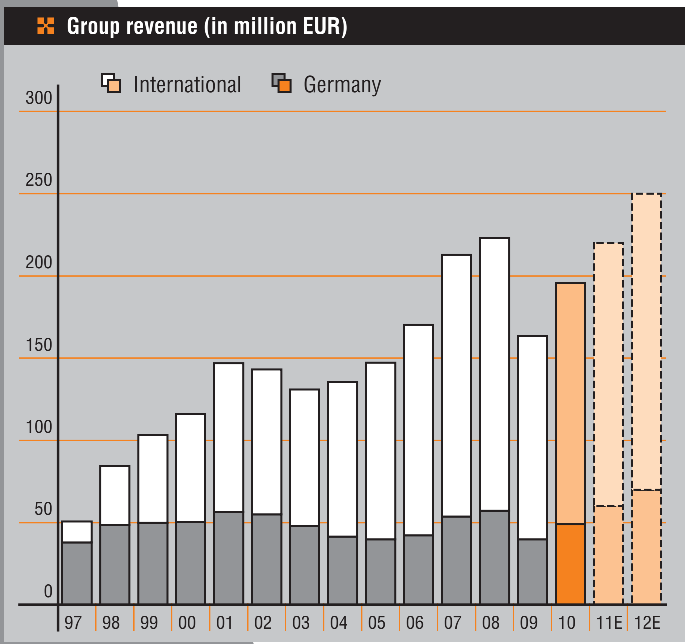
Outlook

General target for the years to come is a return to the 10-15% sales growth path as in the period from M+M IPO 1997 to 2008. Mainly in the Software and VAR segment, there is still significant profit margin potential, which should enable us in the course of the next years to improve EBITDA margin from the 3.1% achieved in fiscal year 2010 towards the 6-7% range.

For 2011, this results in a sales target of approx. EUR 220 mln, EBITDA target in the EUR 9 to 11 mln range (4 to 5% margin) and EPS target in the order of magnitude of 20 to 30 Cents. If we achieve these targets, 20 Cents dividend payment is planned.

The targets for 2012 are: Sales approx. EUR 250 mln, EBITDA approx. EUR 15 mln (6% margin) and EPS approx. 50 Cents, which would be in excess of the old 47 Cents EPS record from 2007.
If we achieve these targets, 30 Cents dividend payment is planned.





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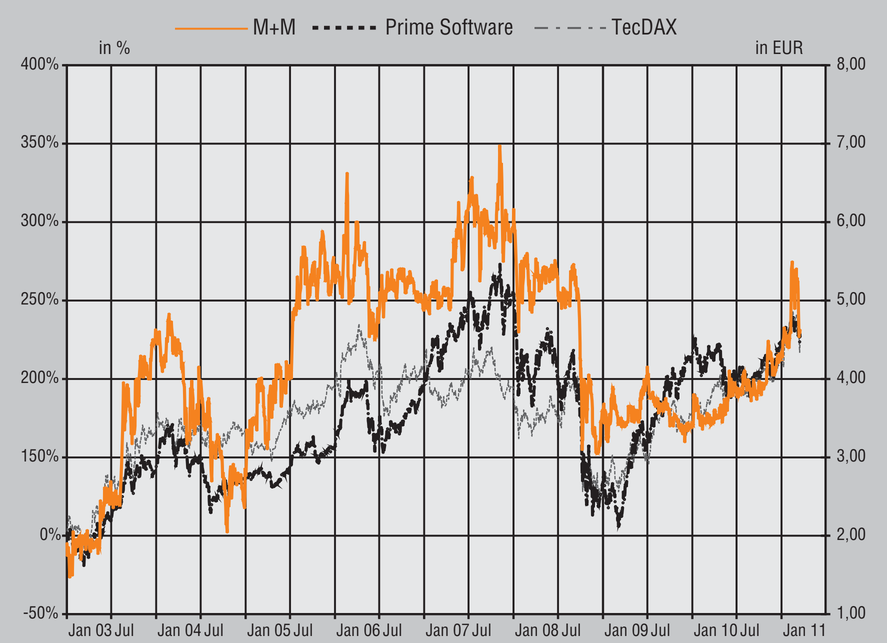
All estimates subject to error
All forward looking statements and targets mentioned herein are subject to market conditions occuring in line with estimations in the planning models set up by the management. Therefore no guarantee can be undertaken for meeting the estimates.

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 achieve solid growth both in sales and earnings, and to complete the transition of business model.

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

Wessling, March 2011
Mensch und Maschine Software SE
The Managing Directors

Development of the M+M share



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

Statement of income

Amounts in KEUR	Note*	2010		△%	2009	
Revenues		**195,562**	**100%**	**+20%**	**163,326**	**100%**
Cost of materials	1	-129,366	-66.2%	+15%	-112,319	-68.8%
Gross margin		**66,196**	**33.8%**	**+30%**	**51,007**	**31.2%**
Personnel expenses	2	-40,768	-20.8%	+24%	-32,859	-20.1%
Other operating expenses	3	-23,582	-12.1%	+14%	-20,631	-12.6%
Other operating income	5	4,214	2.2%	+9.1%	3,861	2.4%
Operating result EBITDA		**6,060**	**3.1%**	**+340%**	**1,378**	**0.8%**
Depreciation	4	-1,272	-0.7%	+20%	-1,058	-0.6%
Amortisation	4	-2,037	-1.0%	+25%	-1,625	-1.0%
Impairment	4	0	0.0%	-100%	-1,238	-0.8%
Operating result EBIT		**2,751**	**1.4%**		**-2,543**	**-1.6%**
Financial result	6	-745	-0.4%	-52%	-1,552	-1.0%
Result before taxes		**2,006**	**1.0%**		**-4,095**	**-2.5%**
Taxes of income	7	-2,322	-1.2%	+249%	-665	-0.4%
Net result after taxes		-316	-0.2%	-93%	-4,760	-2.9%
thereof attributable to M+M shareholders		**-500**	**-0.3%**	**-90%**	**-4,778**	**-2.9%**
thereof attributable to minority shareholders		184	0.1%	+922%	18	0.0%
Net income per share (basic)	8	-0.0344		-90%	-0.3420	
Net income per share (diluted)	8	-0.0330		-90%	-0.3314	
Weighted average shares outstanding in million (basic)	8	14.542		+4.1%	13.970	
Weightes average shares outstanding in million (diluted)	8	15.136		+5.0%	14.416	

* see notes on pages 53 to 55

Consolidated statement of comprehensive income

Amounts in KEUR	2010	2009
Net result after taxes	-316	-4,760
thereof attributable to M+M shareholders	**-500**	**-4,778**
thereof attributable to minority shareholders	184	18
Exchange differences on translation of operations	**689**	**-185**
Total comprehensive income	373	-4,945
thereof attributable to M+M shareholders	**189**	**-4,963**
thereof attributable to minority shareholders	184	18

Balance sheet

Amounts in KEUR	Note*	Dec 31, 2010		Δ%	Dec 31, 2009	
Cash and cash equivalents		9,061		+31%	6,896	
Trade accounts receivable	9	34,082		+12%	30,542	
Inventories	10	5,959		-28%	8,236	
Prepaid expenses and other current assets	11	3,717		-17%	4,487	
Total current assets		**52,819**	**50.3%**	**+5%**	**50,161**	**49.6%**
Property, plant and equipment		3,059		-2%	3,122	
Investment properties	12	1,273		+23%	1,031	
Intangible assets		11,049		-0%	11,097	
Goodwill	13	31,658		+5%	30,135	
Other invetments	14	1,910		+1%	1,893	
Deferred taxes	7	3,337		-10%	3,714	
Total non current assets		**52,286**	**49.7%**	**+3%**	**50,992**	**50.4%**
Total assets		**105,105**	**100%**	**+4%**	**101,153**	**100%**
Short term debt and current portion of long term debt	15	19,561		+10%	17,737	
Trade accounts payable		30,413		-2%	31,165	
Accrued expenses	16	6,054		+2%	5,960	
Deferred revenues		1,052		+61%	655	
Income tax payable		1,017		-16%	1,217	
Other current liabilities	17	11,649		+53%	7,628	
Total current liabilities		**69,746**	**66.4%**	**+8%**	**64,362**	**63.6%**
Long term dept, less current portion	18	1,360		-12%	1,550	
Deferred taxes	7	2,436		+16%	2,098	
Pension accruals	19	300		+25%	240	
Other accruals	16	761		+262%	210	
Other non current liabilites	20	2,737		-68%	8,472	
Total non current liabilities		**7,594**	**7.2%**	**-40%**	**12,570**	**12.4%**
Share capital	21	14,638		+0%	14,588	
Capital reserve	22	14,512		+3%	14,081	
Other reserves		221		0%	221	
Teasury stock	23	-287		+23%	-234	
Retained earnings / accumulated deficit		-4,693		-1%	-4,761	
Equity attributable to non-controlling (minority) interest	24	3,415		+223%	1,056	
Currency conversion		-41		-94%	-730	
Total shareholders' equity		**27,765**	**26.4%**	**+15%**	**24,221**	**23.9%**
Total liabilities and shareholders' equity		**105,105**	**100%**	**+4%**	**101,153**	**100%**

* see notes on pages 55 to 61

Statement of cash flows

Amounts in KEUR	2010	2009
Net result	**-316**	**-4,760**
Depreciation and amortization	3,309	3,921
Other non cash income / expenses	1,343	-757
Increase/decrease in provisions and accruals	705	1,992
Losses/gains on the disposal of fixed assets	0	0
Change in net working capital	-1,162	5,259
Net cash provided by (used in) operating activities	**3,879**	**5,655**
Sale of subsidiaries	0	0
Purchase of subsidiaries, net of cash	-1,095	-2,704
Purchase of other fixed assets	-1,737	-1,050
Sale of other fixed assets	189	50
Net cash provided by (used in) investing activities	**-2,643**	**-3,704**
Proceeds from issuance of share capital	0	0
Purchase of own shares	-685	-314
Dividend payment	0	-2,684
Proceeds from short or long term borrowings	1,634	3,915
Net cash provided by (used in) financing activities	**949**	**917**
Net effect of currency translation in cash and cash equivalents	-20	3
Net increase / decrease in cash and cash equivalents	**2,165**	**2,871**
Cash and cash equivalents at beginning of period	**6,896**	**4,025**
Cash and cash equivalents at end of period	**9,061**	**6,896**

see notes on pages 61 and 62

Development of shareholders' equity

Amounts in KEUR	Subscribed Capital	Capital Reserve	Other Reserves	Profit/ Loss	Own shares	Currency conversion	attributable to M+M SE shareholders	Minority interest	Total equity
As of Jan 01, 2009	**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**
Share based payment		231					231		231
Capital increase	50	200					250		250
Purchase of own shares					-685		-685		-685
Disposal of own shares					632		632		632
Net result				-500			-500		-500
Minority interest change				568			568	2,359	2,927
Currency conversion						689	689		689
As of Dec 31, 2010	**14,638**	**14,512**	**221**	**-4,693**	**-287**	**-41**	**24,350**	**3,415**	**27,765**

Notes

Segment reporting

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

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

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

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

Segment investments include additions to intangible assets and property, plant and equipment. Deferred tax assets and liabilities are not included in the segment assets and segment liabilities.

The M+M business model is based on three segments Distribution, 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 direct selling of CAD software to end users as well as associated services in the German speaking areas. 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 in Germany, the domicile of Mensch und Maschine Software SE, and business in foreign countries.

Segmentation

Amounts in KEUR	2010						2009					
	Distribution		VAR Business		M+M Software		Distribution		VAR Business		M+M Software	
Total revenue	113,603		78,637		26,050		108,917		46,915		21,803	
Internal revenue	-1,341		-21,387		0		-2,669		-11,640		0	
External revenue	**112,262**	**100%**	**57,250**	**100%**	**26,050**	**100%**	**106,248**	**100%**	**35,275**	**100%**	**21,803**	**100%**
share in percent	**57.4%**		**29.3%**		**13.3%**		**65.1%**		**21.6%**		**13.3%**	
Cost of materials	-92,406	-82.3%	-33,911	-59.2%	-3,049	-11.7%	-87,858	-82.7%	-21,858	-62.0%	-2,603	-11.9%
Gross margin	**19,856**	**17.7%**	**23,339**	**40.8%**	**23,001**	**88.3%**	**18,390**	**17.3%**	**13,417**	**38.0%**	**19,200**	**88.1%**
share in percent	**30.0%**		**35.3%**		**34.7%**		**36.1%**		**26.3%**		**37.6%**	
Personnel expenses	-6,932	-6.2%	-20,155	-35.2%	-13,681	-52.5%	-8,728	-8.2%	-11,733	-33.3%	-12,398	-56.9%
Other operating expenses	-10,127	-9.0%	-6,269	-11.0%	-7,186	-27.6%	-9,865	-9.3%	-4,727	-13.4%	-6,039	-27.7%
Other operating income	973	0.9%	2,550	4.5%	691	2.7%	1,059	1.0%	2,029	5.8%	773	3.5%
Operating result EBITDA	**3,771**	**3.4%**	**-536**	**-0.9%**	**2,825**	**10.8%**	**856**	**0.8%**	**-1,014**	**-2.9%**	**1,536**	**7.0%**
share in percent	**62.2%**		**-8.8%**		**46.6%**		**62.1%**		**-73.6%**		**111.5%**	
Depreciation	-320	-0.3%	-463	-0.8%	-489	-1.9%	-405	-0.4%	-283	-0.8%	-370	-1.7%
Amortisation	-418	-0.4%	-1,619	-2.8%	0	0.0%	-373	-0.4%	-1,252	-3.5%	0	0.0%
Impairment	0	0.0%	0	0.0%	0	0.0%	-1,238	-1.2%	0	0.0%	0	0.0%
Operating result EBIT	**3,033**	**2.7%**	**-2,618**	**-4.6%**	**2,336**	**9.0%**	**-1,160**	**-1.1%**	**-2,549**	**-7.2%**	**1,166**	**5.3%**
Segment assets	35,058		39,921		26,789		40,324		29,194		27,921	
Fixed assets	8,158		25,759		15,032		11,033		20,633		16,093	
Investments	188		2,412		232		141		712		197	
Liabilities	35,258		31,279		10,803		44,263		19,107		13,562	

Geographical segmentation

Amounts in KEUR	2010		2009	
	Germany	International	Germany	International
Total revenue	63,177	155,113	47,654	129,981
Internal revenue	-14,403	-8,325	-7,756	-6,553
External revenue	**48,774**	**146,788**	**39,898**	**123,428**
share in percent	**24.9%**	**75.1%**	**24.4%**	**75.6%**
Fixed assets	29,480	19,469	24,529	23,230
Investments	1,502	1,330	567	483

CAD in practice

CAD in practice: industrial design

Project: Ski stick with special release mechanism for Leki

Customer: Genesis-design GmbH, Munich, Germany

Munich-based Genesis-design develops lifestyle products and sports facilities, from the first design sketches through advanced surface modeling up to high-end visualization.

Autodesk's Alias product family here plays an important role. The software generates a 3D model from sketches, which can be detailed up to the modeling of high quality Class-A surfaces. Alias can read and write data in all important exchange formats, so the designs can be exported to any CAD software. During the design process, Alias also supports the designer in terms of efficient manufacturing.
Thus Alias Software elegantly helps to combine design and technology.


LEKI

General remarks

Basis of the group financial statement

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

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

M+M SE is a global enterprise based in Germany. Its registered office is at Argelsrieder Feld 5, 82234 Wessling. Its business activities are concentrated in the fields of CAD and CAM.
The Managing Directors of M+M SE approved the consolidated financial statements on March 10, 2011 for submission to the company's Administrative Board. The Administrative Board approved the consolidated financial statements at its meeting on March 18, 2011 and approved for publication on March 21, 2011.

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 2010 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, 2010. M+M is applying the following IFRSs in the reporting period for the first time:

Improvements to IFRS 2009

IAS 27	Consolidated and Separate Financial Statements
IAS 39	Embedded derivatives
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

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

New accounting policies

The IASB and IFRIC have adopted further standards and interpretations, which were endorsed by the European Union but not yet effective in the 2010 financial year.

IAS 32	Classification of subscription rights
IAS 24	Related Party Disclosures
IFRIC 14	Minimum Funding Requirements on a Defined Benefit Asset
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

Improvements to IFRS 2010

IFRS 7	Financial Instruments: Disclosures
IFRS 9	Classification and measurement of financial assets
IAS 12	measurement of actual and deferred tax load

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

These regulations have not been early adopted by the M+M group. The application of these standards is not expected to have a material impact on the Group's financial statement 2012.

Valuation methods and accounting policies applied

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

In addition to the parent company, the following companies were fully consolidated in the group financial statement of December 31, 2010.

M+M group consolidated companies

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

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

The share of Yello! Digital production tools AG has been increased from 83.98% to 99.71%.

Furthermore a formerly dormant company was re-activated and renamed in OPEN MIND Technologies Scandinavian AB.

For the extension of the VAR Business the following companies were consolidated in the group financial statement 2010 for the first time:

First-time consolidation as of Jan 1, 2010
- Mensch und Maschine Scholle GmbH, Velbert, Germany, 50.1%
- Mensch und Maschine CAD-praxis GmbH, Juelich, Germany, 50.1%
- Mensch und Maschine Zuberbuehler AG, Aesch, Switzerland, 100%

The acquisitions of Mensch und Maschine Scholle GmbH and Mensch und Maschine CAD-praxis GmbH were done in a two step procedure. In the first step the majority was transferred (50.1%). Within one 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 will be made.

In the first time valuation of the remaining obligation a complete achievement of objectives has been assumed.

The acquisitions are mainly performed via share swaps. The M+M shares are taken from a contribution in kind capital increase (50,000 shares with a valuation of Euro 5 per share), as well as 180,000 own shares with a valuation of Euro 3.50.

The effects of these acquisitions made in 2010 on the assets and liabilities of M+M in the respective acquisition dates are shown in the table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow:

Acquired assets and assumed liabilities in fiscal year 2010

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

The fair-value adjustment amounting to KEUR 1,611 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. The period of depreciation for the established customer base and software is 7 years. The other current assets are valued by the nominal amount. No allowance has been built in because no loss of receivables outstanding is expected.

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 1,175 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 transactions costs amounting to KEUR 102 are included in the other operating expenses.

The first-time consolidation of the acquired businesses contributed KEUR 8,772 to the sales and decreased the earnings of the Group in 2010 by KEUR 349.

In the prior year the effects of acquisitions on the assets and liabilities of M+M in the respective acquisition dates are shown in the table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow (see table on page 37).

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 2010 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

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**

Principles of consolidation

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

Business combinations after January 1, 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

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

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

For business combinations prior to January 1, 2010 in comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

Non-controlling interests are valued at closing time with their share in shareholders' equity respective earnings of the year of the particular subsidiary. For M+M, rule IAS 27.35 is applied saying that negative minority shares have to be settled with shareholders equity and that no minority shares, debit or credit shall be applied to group income statement, as long as no positive minority share results which, according to IAS 27.33, has to be shown separately within share-holders' 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. Newly acquired Goodwill is translated as an asset of the economically autonomous foreign entity at the exchange rate in effect on the balance sheet date.

Structure of statement of income and balance sheet

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

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

Exchange rates

	Average		Year end	
	2010	2009	Dec 31, 10	Dec 31, 09
1 Swiss Franc	0.7300	0.6628	0.7984	0.6735
1 British Pound	1.1691	1.1243	1.1601	1.1249
1 Polish zlotyy	0.2500	0.2303	0.2524	0.2435
1 Swedish Krona	0.1054	0.0944	0.1114	0.0975
1 Romania Ron	0.2372	0.2358	0.2336	0.2360
1 US Dollar	0.7531	0.7170	0.7545	0.6977
1 Singapore Dollar	0.5524	0.4938	0.5843	0.4964
100 Japanese Yen	0.8579	0.7668	0.9253	0.7564
1 Taiwan Dollar	0.0239	0.0217	0.0257	0.0216
1 Renminbi Yuan	0.1048	0.1048	0.1020	0.1020
1 India Rupie	0.0164		0.0166	

Accounting and valuation methods

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

Property, plant and equipment
Property, plant and equipment is reported at cost of acquisition less regular depreciation. These assets are depreciated over the useful economic life of 3 to 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 five-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 five-year planning period is between 10.0% and 22.0% 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 the pre-tax discount rate amounts between 5.09% and 11.89%, the after-tax basis discount rate amounts between 6.54% and 13.49%.

If this results in the carrying amount of a cash-generating unit to which goodwill was allocated exceeding the recoverable amount, the allocated goodwill is initially written down by the difference. Impairment losses which must be recognized in addition to this are taken into account by reducing the carrying amount of the other assets of the cash-generating unit on a prorated basis.

If the reason for an impairment loss recognized in prior years has ceased to exist, a write-back is performed, whereby the increased carrying amount resulting from the write-back may not exceed the amortized cost. Impairment losses on goodwill are not reversed.

Other intangible assets

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

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

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

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

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 where M+M operates and include all facts of which the Company is aware.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the consolidated balance sheet and the tax base, as well as for tax loss carry forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognized on planned dividend payments by subsidiaries. Where a dividend payment is not planned for the long term, no deferred tax liability is recognized on the difference between the proportionate net assets according to IFRS and the tax base of the investment in the subsidiary.

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

Borrowing costs

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

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

Equity costs

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

Accruals

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

Pension accruals

The pension accruals 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:

	2010	2009
Discount rate	4.90%-5.30%	5.25%-5.90%
Estimated return on plan assets	5.00%	5.00%
Future changes in remunerations	1.50%-2.00%	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 the financial result. As the income and expenses are not substantial, there are no notes relating to this position.

Principles of revenue recognition

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

Development of stock option rights

	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10	Tranche 11	
Day of issuance	**Jun 3, 02**	**Jun 2, 03**	**Jul 12, 05**	**May 31, 06**	**May 4, 07**	**Jun 26, 08**	**May 12, 09**	**May 26, 10**	**Total**
Total number granted	249,268	242,908	315,250	249,425	244,507	261,170	256,770	331,712	2,151,010
Strike price (EUR)	6.21	2.45	3.59	5.64	5.15	5.23	3.45	3.51	
Vesting period	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	6/8 years	
Outstanding options as of Jan 1, 2010	75,710	4,042	147,815	214,685	223,091	257,670	256,770	0	1,179,083
In the reporting period									
granted options	0	0	0	0	0	0	0	331,712	331,712
forfeited options	0	200	2,500	3,450	3,600	7,600	9,060	2,500	28,910
exercised options	0	1,500	0	0	0	0	0	0	1,500
expired options	75,010	0	0	0	0	0	0	0	75,010
Outstanding options as of Dec 31, 2010	0	2,342	145,315	211,235	219,491	250,070	247,710	329,212	1,405,375
Exercisable options as of Dec 31, 2010	0	2,342	145,315	211,235	109,746	125,035	0	0	593,673
Capital increase in KEUR for:									
Exercisable options only	0	6	522	1,191	565	654	0	0	2,938
All options outstanding	0	6	522	1,191	1,130	1,308	855	1,156	6,168

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 2010, 331,712 new options have been issued and 1,500 options have been converted. In the period 75,010 options have expired and 28,910 have forfeited. As of December 31, 2010, 1,405,375 options are outstanding.

Parameters for the calculation

	Tranche 5		Tranche 6		Tranche 7		Tranche 8		Tranche 9		Tranche 10		Tranche 11	
	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	2 Years	4 Years	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	3.73	3.73
Life of the option on the grant date	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	6 Years	8 Years	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	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	3.45	3.45	3.51	3.51
Expected dividend 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%	3.57%	3.63%
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%	1.90%	2.40%
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%	35.41%	35.41%
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%	8.11%	17.57%

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, 2010, and the lower line reports all outstanding options.

If all 593,673 exercisable options were converted, this would lead to an injection of capital amounting to KEUR 2,938. In terms of the number of shares as at December 31, 2010, amounting to 14,637,875 and the equity as at December 31, 2010, of KEUR 27,765, this would correspond to 4.06% growth in the number of shares and a 10.58% increase in the equity.

In terms of the total number of 1,405,375 outstanding options and an associated injection of capital amounting to KEUR 6,167, the following values are derived: number of shares +9.60% and capital growth +22.21%.

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, 2010, under IFRS amounts to KEUR 2,036 (PY: 1,713).

As of the balance sheet date a total expense of KEUR 1,386 (PY: 1,155) 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 231 (PY: 248).

The fair value of the share options of tranche 9 to 11 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 evaluation for tranche 8, 9, 10 and 11 uses a volatility of 2, 3 ,4 and 5 years. The risk-free interest rate is based on German government bonds. The term of the interest rate represents the period from grant date to the expected exercise date.

Related Parties

The CTO Werner Schwenkert was 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 and his family granted M+M loans amounting to KEUR 1,000 (PY: 1,100) and therefore received interest in 2010 of KEUR 41 (PY: 19).

M+M's CFO Peter Schuetzenberger granted M+M loans amounting to KEUR 320 (PY: 0) and therefore received interest in 2010 of KEUR 2 (PY: 0).

KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3% as of December 31, 2010, granted M+M loans amounting to KEUR 2,475 (PY: 2,475) and therefore received interest in 2010 of KEUR 99 (PY: 105).

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 231 (PY: 248).

3. Other operating expenses

Amounts in KEUR	2010	2009
Insurance	-816	-619
Costs of building	-3,555	-3,181
Travel costs	-1,609	-1,381
Car expenses	-2,827	-2,277
Advertising and promotion	-8,278	-7,920
Communication	-884	-798
IT budget	-348	-342
Consulting and Lawyer fees	-1,451	-1,377
Rest of other operating expenses	-3,814	-2,736
	-23,582	**-20,631**

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	2010	2009
Depreciation of property, plant and equipment	-1,103	-965
Depreciation of investment properties	-29	-12
Amortization due to purchase price allocated intangible assets	-2,037	-1,625
Amortization of other intangible asstes	-140	- 81
Impairments	0	-1,238
	-3,309	**-3,921**

The privious year 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	2010	2009
Return from private use of cars and telephones	721	635
Rents received	223	156
Disinvestment profit	333	0
Marketing funds	1,226	929
Income from the sale of distribution rights	0	1,300
Other income	1,711	841
	4,214	**3,861**

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

6. Financial results

Amounts in KEUR	2010	2009
Interest income	92	98
Interest expense	-1,145	-1,068
Income from other investments and participations	77	61
Minority interest in VAR business partners	-438	-226
Other financial expense	-11	-497
Foreign currency exchange gains / losses	680	80
Financial result	**-745**	**-1,552**

Tax reconciliation

Amounts in KEUR	2010	2009
Result before income tax	**2,006**	**-4,095**
Legal tax rate	30%	30%
Expected tax load / benefit	**-602**	**1,229**
Tax rate variances		
Foreign tax rate differential	154	-159
Deviation of the taxable base from		
Non deductable expenses	-190	-167
Tax free income from investments	23	18
Impairment of a non taxable goodwill	0	-221
Taxable depreciation of intangible assets	70	105
Valuation of deferred tax assets		
Non execution of deferred tax assets	-1,767	-1,222
Belated execution of deferred tax assets	0	0
Other	**-10**	**-112**
Actual tax load	**-2,322**	**-529**
Effective tax rate in percent	**115.75%**	**-12.92%**

7. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 2,456 (PY: 506), a surplus amounting to KEUR 377 (PY: 587) from further development and revaluation of deferred tax assets, as well as a relief of KEUR 511 (PY: 428) from deferred tax liabilities.

In total there are realizable tax loss carry forwards amounting to KEUR 27,603 (PY: 22,987). This creates gross tax credits of KEUR 8,311 (PY: 6,980). 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 3,112 (PY: 3,573). This means 37.44% (PY: 51.19%) 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 225 (PY: 141) resulting from different valuations of intangible assets, as well as deferred tax liabilities amounting to KEUR 2,436 (PY: 2,098). The changes have been booked as tax expenditure or proceeds.

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

The transition between the expected taxes and the actual tax proceeds are explained by the reconciliation on the left side (page 54).

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.

	2010	2009
Net result KEUR attributable to M+M shareholders	-500	-4.778
Weighted number of shares	14,542,010	13,970,381
Non diluted earnings per share EUR	-0.0344	-0.3420
Diluted net result KEUR	-500	-4,778
Diluted number of shares	15,135,732	14,416,137
Diluted earnings per share EUR	-0.0330	-0.3314

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 616 (PY: 598).

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	**2010**	**2009**
As of Jan 1	598	372
Translation differences	16	1
Consolidation effect	9	95
Addition	211	339
Disposal	-218	-193
Reversing	0	-16
As of Dec 31	**616**	**598**

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, 2010	34,082	28,824	2,717	431	391	910	809
As of Dec 31, 2009	30,542	25,125	2,155	553	623	1.372	714

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**	**1,031**
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	9,424	0	0	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**	**10,685**	**-22**	**0**	**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**	**1,871**	**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**	**21,220**	**-22**	**1,050**	**-96**	**75,488**	**24,266**	**69**	**3,921**	**-46**	**28,210**	**29,070**	**47,278**

10. Inventories

This position predominantly contains purchased goods amounting to KEUR 3,382 (PY: 4,461), software licenses amounting to KEUR 2,013 (PY: 2,814), progress payments amounting to KEUR 11 (PY: 200) and work in process amounting to KEUR 593 (PY: 802). The inventory is reduced by a specific allowance amounting to KEUR 40 (PY: 41).

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, 2010, the fair value of investment property after completion of reconstruction amounted to KEUR 1,707 (PY: 1,031). 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 67 (PY: 96).

Fixed assets register 2010

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

Direct operating expenses totaled KEUR 29 (PY: 31). Due to the sustained sagging of market value for the investment property an impairment of KEUR 500 was made in 2009.

Due to the reconstruction of the building KEUR 271 has been capitalized as subsequent manufacturing cost in 2010. The modernization is expected to be completed in May 2011.

13. Goodwill

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

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

Goodwill development

Amounts in KEUR	Dec 31, 2009	Addition	Impairment	Currency	Dec 31, 2010
M+M VAR Business	10,675	1,175		340	13,886
OPEN MIND	9,341				9,341
M+M UK	2,982				2,982
M+M Romania	1,602			8	1,610
M+M Switzerland	1,265				1,265
DATAflor	1,216				1,216
M+M Italy	1,116				1,116
M+M Sweden	700				700
M+M Poland	474				474
M+M Akademie	350				350
M+M France	333				333
M+M Austria	81				81
Total	**30,135**	**1,175**	**0**	**348**	**31,658**

14. Other investments

Other investments mainly include strategic shareholdings. As of December 31, 2010, the following investments existed:

Investments

Amounts in KEUR	Dec 31, 2010 in %	Dec 31, 2010 Book value	Dec 31, 2009 in %	Dec 31, 2009 Book value
CTB GmbH & Co KG, Buchholz	19.9	200	19.9	200
SOFiSTiK AG, Oberschleissheim	14.4	905	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 multipliers, which are multiplied by the shareholding's sustained gross margin are used to verify possible impairments. Actually twice the sustained annual gross margin is taken as the maximum book value of an investment not causing impairment.

The maximum loss risk is the amount of the respective net book value. As of Dec 31, 2010, 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.

Table of accrual development

Amounts in KEUR	Dec 31, 2009	Disposal	Addition	Dec 31, 2010
Personnel accruals	1,811	-1,811	2,150	2,150
Outstanding bills	1,961	-1,961	1,346	1,346
Other	2,188	-2,188	2,558	2,558
Total current accruals	**5,960**	**-5,960**	**6,054**	**6,054**
Personnel accruals	210	-15	0	195
Other accruals	0	0	566	566
Total non current accruals	**210**	**-15**	**566**	**761**
Total accruals	**6,170**	**-5,975**	**6,620**	**6,815**

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 38.2 million. At the moment M+M does not pay commitment fees on unused credit lines.

17. Other current liabilities

This position contains a loan of KEUR 2,475 (PY: 2,475) from KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3 per cent as of December 31, 2010 and a loan of KEUR 1,000 (PY: 1,100) from M+M's principal, CEO and Chairman of the Board Adi Drotleff and his family as well as a loan of KEUR 320 (PY: 0) from M+M's CFO Peter Schuetzenberger.

The companies of the market offensive are mainly acquired in two steps. In the first step the majority was transferred. The expected purchase price for the remaining shares which will be transferred within one year amounting to KEUR 3,367 is included in the other current liabilities. Thereof a portion of KEUR 2,162 will be acquired via share swaps and reclassified to equity.

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

Non current liabilities

18. Long term debt, less current portion

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

Debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of dec 31, 2010				
Bank debt	20,921	19,561	1,360	0
Financial liability	**20,921**	**19,561**	**1,360**	**0**
As of Dec, 2009				
Bank debt	19,287	17,737	1,550	0
Financial liability	**19,287**	**17,737**	**1,550**	**0**

19. Pension accruals

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

The pension accruals at the balance sheet date amount to KEUR 300 (PY: 240), of which an amount of KEUR 300 (PY: 240) represents the determined cash value of the performance-oriented obligation not financed via funding. The overabsorption amounting to KEUR 173 has not been applied. The cash value determined as at the balance sheet date of the performance-oriented obligations financed via funds amounts to KEUR 2,405 (PY: 2,176). 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 96 (PY: 112), interest expenses amounting to KEUR 127 (PY: 124) and current time of service expenditure amounting to KEUR 50 (PY: 43). 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 55 (PY: 39). The expected contribution to the plan asset for the financial year 2011 amounts to KEUR 84.

Pension benefits payable in the future are estimated as follows:

Amounts in KEUR	2010	2009
Benefit obligation at start of thenyear	2,416	2,007
Interest cost	127	124
Service cost	50	43
Benefits paid	-55	-39
Net actuarial gain	167	281
Benefit obligation at end of year	**2,705**	**2,416**

Amounts in KEUR	2010	2009
Plan assets at start of year	2,176	2,227
Adjustment of the overabsorption	41	102
Employer contributions	-55	-39
Contribution	113	110
Actual return on plan assets	96	112
Net actuarial gain	34	-336
Plan assets at end of year	**2,405**	**2,176**
Net recognized Liability	**300**	**240**

Pension benefits payable in the future are estimated as follows:

	Amounts in KEUR
2011	506
2012	58
2013	59
2014	60
2015	70
2016 - 2018	372

20. Other non current liabilities

The companies of the market offensive are mainly acquired in two steps. In the first step the majority was transferred. The expected purchase price for the remaining shares which will not be transferred within one year are included in the other non current liabilities amounting to KEUR 2,615 (PY: 7,941). Within the one to four years period the remaining shares will also mainly be acquired via share swap and reclassified into equity.

Shareholders' equity

21. Share capital

The subscribed capital of M+M SE as of Dec 31, 2010, comprised 14,637,875 (PY: 14,587,875) shares, with a calculated stake of EUR 1.00 per share. In 2010 the subscribed capital increased by the amount of KEUR 50 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	2010	2009
Capital reserve as of Jan 1	14,081	9,838
Contribution in kind	200	3,995
Share based payments	231	248
Capital reserve as of Dec 31	**14,152**	**14,081**

M+M has contingent capital, which serves to grant the members of the Board of Directors and other employee's stock options. 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, 2010, M+M holds 75,167 shares of treasury stock. This is 0.51% of the issued capital. Treasury shares are carried at cost amounting to KEUR 287.

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

The companies in the VAR Business are mainly acquired in two steps. In the first step the majority shareholding was transferred, mainly via share swap. Within two to four years the remaining shares will be transferred. With two of the acquired companies it was mutually agreed upon to not execute the second share swap. M+M SE still holds the majority of 50.1% through the first step. According to IAS 27.30 this second portion of KEUR 3,000 as well as the results attributable to M+M shareholders were reclassified form the other non current liabilities to the Equity attributable to non-controlling interest.

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 1,145 (PY: 1,068) and cash flows used for interest expenses of KEUR 91 (PY: 98)
- KEUR 2,283 (PY: 505) in taxes on income paid (less income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 77 (PY: 61)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR 715 (PY: -1,014) and the change of deferred revenues of KEUR 397 (PY: 17) as well as the expenses for share base payments of KEUR 231 (PY: 240).

In the cash flows from financing activities were no dividends paid out to M+M shareholders (PY: 2,684).

Cash and cash equivalents of KEUR 686 (PY: 4,024) stemming from acquisitions are offset by KEUR 207 (PY: 2,625) against capital expenditure on financial assets.

The remainder of KEUR 479 (PY: 1,399) is cash intended for the distribution to former shareholders.

Amounts in KEUR	**2010**	**2009**
Purchase price	2,674	18,329
Selling price	0	0
Cash outflow for purchase	744	4.816
Cash in for sale	0	0
Acquired cash	686	4.024
Disposed cash	0	0

The acquired original assets and liabilities are shown below:

Amounts in KEUR	**2010**	**2009**
Fixed assets	105	862
Currents assets	1,404	3,459
Accruals	194	1,404
Liabilities	1,224	4,752

The disposed assets and liabilities are shown below:

Amounts in KEUR	**2010**	**2009**
Fixed assets	0	0
Current assets	0	0
Accruals	0	0
Liabilities	0	0

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

Other supplementary information

Other financial obligations and contingent liabilities

The other financial obligations are mainly the result of long term rental and operating lease contracts for the group as a whole. The minimum financial obligation for non discounted rental and lease payments is KEUR 9,083 (PY: 9,409). In the current financial year, rent and leasing payments are contained amounting to KEUR 4,267 (PY: 3,656).

The due dates of payments are as following:

	Amounts in KEUR
2011	3,668
2012	2,534
2013	1,776
2014	565
2015	297
Following years	243
Total	**9,083**

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

Risk management

Principles of risk management

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

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

Currency risks

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

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

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

Amounts in KEUR	2010	2009
Increase of 5%	-287	-329
Decrease of 5%	287	329

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	2010	2009
Increase of 100 basis points	-130	-85
Decrease of 100 basis points	75	84

Liquidity risks

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

Liquidity risk 2010

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

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

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

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

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

As a matter of principal the fair value is determined on the hierarchic level 2 with consideration of not noted prices or indirectly derived prices noted on active markets.

Fair Values 2010

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

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		

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, 2010, M+M did not hold any material investments to be classified as ‘available-for-sale’.

Credit risk

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

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

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

Capital management

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

The gearing ratio enhanced from 8.99 to 1.96 and the equity ratio rose from 23.9% to 26.4%.

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, 2010.

Research and development expenses

The research and development expenses for the financial year amounts to KEUR 7,564 (PY: 5,649) 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 607 (PY: 504). The number of trainees was 11 (PY: 13).

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 (stellvertretender Vorsitzender)
Thomas Becker, Neuss, Tax consultant

Managing Directors

The following gentlemen were appointed Managing Director during fiscal year 2010:

Adi Drotleff, Diplom-Informatiker, Munich (CEO)
Michael Endres, Diplom-Informatiker (FH), Fuerstenfeldbruck (COO)
Jens Jansen, Diplom-Ingenieur, MBA, Munich (CIO), until July 31, 2010
Peter Schuetzenberger, Kaufmann, Landsberg (CFO)
Werner Schwenkert, Diplom-Kaufmann, Munich (CTO), until February 5, 2011

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

Remuneration of Managing Directors and Administrative Board

The remuneration for the Managing Directors amounts to KEUR 1,017 (PY: 853). It composed of a fix salary of KEUR 648 (PY: 648), a variable component of KEUR 117 (PY: 0), non-cash salary component of KEUR 179 (PY: 177), stock options amounting to KEUR 20 (PY: 28) and severance payments of KEUR 53 (PY: 0).

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

The pension obligation for the Managing Directors amounts to KEUR 1,492 (PY: 1,286) as of December 31, 2010.

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

Audit fees

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

Amounts in KEUR	**2010**	**2009**
Audit	170	161
Tax consulting	20	38
Other	14	8
Total	**204**	**207**

Appropriation of net income

M+M SE has unappropriated retained earnings amounting to KEUR 2,393 as of December 31, 2010.

The administrative board will propose to the shareholders meeting a dividend of EURO 0.10 per share. With consideration of the 89,119 own shares acquired till March 10, 2011 the total dividend payment amounts to KEUR 1,455. The remaining balance is carried forward to unappropriated net income of KEUR 938. If the number of own shares should change until the shareholders' meeting at May 24, 2011, the dividend payment will be adapted accordingly.

Independent Auditor´s Report

‘We have audited the consolidated financial statements prepared by Mensch und Maschine Software SE, Wessling, comprising the balance sheet, statement of income and statement of comprehensive income, development of shareholders´ equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report, for the business year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the e.u., and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (‘Handelsgesetzbuch’: German Commercial Code) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, March 11, 2011

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 2010, five Administrative Board meetings took place on March 3, March 12 (by phone), May 20, July 16 and October 20.

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

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

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

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

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

The annual report of Mensch und Maschine Software SE as of December 31, 2010, including the management report, as well as the group annual report as of December 31, 2010, including the management report for the group was set up by the Managing Directors and audited by AWT Audit Wirtschafts-Treuhand AG Wirtschaftspruefungs - gesellschaft (auditing firm), Stuttgart, and endorsed with an unqualified audit opinion.

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

The auditor took part in the annual fiscal year report meetings on March 10 and 18, 2011, 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 2010.

Wessling, March 2011
The Administrative Board
Adi Drotleff
Chairman

Addresses

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 Systemhaus GmbH	Argelsrieder Feld 5 Schuelestraße 18 Wandersmannstrasse 68 Luxemburger Ring 2b Steinernkreuz 7	D-82234 Wessling D-73230 Kirchheim/Teck D-65205 Wiesbaden D-66740 Saarlouis 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) 68 31 / 9 66 88 - 0 +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 / 9 99 93 19 +49 (0) 68 31 / 9 66 88 - 11 +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 Rotenburger Strasse 3	D-21629 Neu Wulmstorf D-22765 Hamburg D-26123 Oldenburg D-30659 Hannover	+49 (0) 40 / 89 80 78 - 0 +49 (0) 40 / 89 90 1 - 0 +49 (0) 4 41 / 93 65 60 - 0 +49 (0) 5 11 / 22 06 17 - 70	+49 (0) 40 / 89 80 78 - 22 +49 (0) 40 / 89 90 1 - 111 +49 (0) 4 41 / 93 65 60 - 22 +49 (0) 5 11 / 22 06 17 - 99	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 Jahnstrasse 19	D-65549 Limburg D-63679 Schotten	+49 (0) 64 31 / 92 93 - 0 +49 (0) 60 44 / 98 91 98	+49 (0) 64 31 / 92 93 - 29 +49 (0) 60 44 / 95 11 73	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 -29	
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 64/1 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 - 0 +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	Grosswilfersdorf 102/1 Muehlgasse 26/4/16	A-8263 Grosswilfersdorf A-8200 Gleisdorf	+43 (0) 33 85 / 6 60 01 +43 (0) 31 12 / 3 84 84	+43 (0) 33 85 / 6 60 01 33 +43 (0) 31 12 / 3 84 85	www.cad-consulting.at
Mensch und Maschine Personalbereitstellungs-GmbH	Grosswilfersdorf 102/1	A-8263 Grosswilfersdorf	+43 (0) 33 85 / 6 60 01	+43 (0) 33 85 / 6 60 01 33	www.cad-consulting.at
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 Zuberbühler AG	Haldenstrasse 31	CH-8904 Aesch	+41 (0) 43 / 3 44 12 12	+41 (0) 43 / 3 44 12 11	www.mumz.ch

Addresses

Company	Street	Town	Telephone	Telefax	Internet
Man and Machine France	64 rue du dessous des berges	75013 Paris	+33 (0) 1 / 44 06 81 60	+33 (0) 1 /44 06 81 80	www.manandmachine.fr
Man and Machine UK	Unit 8 Thame 40 Jane Morbey Road, Thame,	Oxfordshire, OX9 3RR	+44 (0) 18 44 /26 18 72	+44 (0) 18 44 /21 67 37	www.manandmachine.co.uk
Man and Machine Italy	Via Torri Bianche, 7	20059 Vimercate (MI)	+39 (0) 39 /6 99 94 1	+39 (0) 39 /6 99 94 44	www.mum.it
Man and Machine Sweden	Fabriksgatan 13	412 50 Gothenborg	+46 (0) 31 /7 62 80 80	+46 (0) 31 /40 07 30	www.manandmachine.se
Man and Machine Poland	ul. Zeromskiego 52	90-626 Lodz	+48 (0) 42 / 2 91 33 33	+48 (0) 42 /2 91 33 34	www.mum.pl
Man and Machine Benelux	Bergemeersenstraat 118	9300 Aalst	+32 (0) 53 /60 69 69	+32 (0) 53 /77 29 35	www.manandmachine.be
Man and Machine Romania	Gladiolelor 17, Sector 4	040143 Bucuresti	+40 (0) 31 /2 28 80 88	+40 (0) 31 /28 80 91	www.manandmachine.ro
DATAflor Software AG	August-Spindler-Strasse 20	D-37079 Goettingen	+49 (0) 5 51 /5 06 65 - 50	+49 (0) 5 51 /5 06 65 - 59	www.dataflor.de
OPEN MIND Technologies AG	Argelsrieder Feld 5	D-82234 Wessling	+49 (0) 81 53 /93 35 00	+49 (0) 81 53 /93 35 01	www.openmind-tech.com
OPEN MIND Technologies Schweiz GmbH	Zürichstrasse 25	CH-8185 Winkel	+41 (0) 44 /8 60 30 50	+41 (0) 44 /8 60 30 51	www.openmind-tech.com
OPEN MIND Technologies UK Ltd.	Units 1 and 2 Bicester Business Centre Telford Road - Bicester	Oxford OX26 4LD	+44 (0) 18 69 /29 00 03	+44 (0) 18 69 /36 94 29	www.openmind-tech.com
OPEN MIND Technologies Italia S.r.l.	Via Pomè 14	20017 Rho (MI)	+39 / (0) 2 /93 16 25 03	+39 / (0) 2 /93 18 44 29	www.openmind-tech.com
OPEN MIND Technologies France S.a.r.l.	1, rue de Baron Chouard BP 50056 Monswiller	67701 Saverne Cedex	+33 (0) 3 /88 03 17 95	+33 (0) 3 /88 03 17 76	www.openmind-tech.com
OPEN MIND Technologies Iberia, S.L.	Mare de Déu de les Neus 16	08222 Terrassa (Barcelona)	+34 (0) 93 78 44 216	+34 (0) 93 78 44 216	www.openmind-tech.com
OPEN MIND Technologies Asia Pacific Pte Ltd.	33 Ubi Avenue 3, #06-32 Vertex Tower	Singapore 408868	+65 67 42 95 56	+65 67 42 95 26	www.openmind-tech.com
OPEN MIND Technologies Japan Inc.	KS Building 1006, 1-31-11, Kichijojihoncho Musashino-shi	Tokyo 180-0004	+81 422 23 - 53 05	+81 422 23 - 53 07	www.openmind-tech.com
OPEN MIND CAD-CAM Technologies India	1109 ,11th floor, Barton Center #84, M.G. Road	Bangalore 560001	+91 80 30 50 46 47	+91 80 30 50 55 54	www.openmind-tech.com
OPEN MIND Technologies Taiwan Inc.	3F, No.153, Hwan-Pei Road., Chungli City 320	Taiwan, R.O.C.	+886 3 461 31 25	+886 3 461 31 56	www.openmind-tech.com
OPEN MIND Technologies China Co.Ltd	Suite 1507, Le Kai Tower 660 Shang Cheng Road	Shanghai 200120	+86 21 58 87 65 72	+86 21 58 87 65 73	www.openmind-tech.com
OPEN MIND Technologies USA, Inc.	Main Office North East 214 Garden Street, Unit 2	Needham MA 02492	+1 (888) 516 12 32	+1 (270) 912 - 822	www.openmind-tech.com

Events

May 2, 2011	Quarterly report Q1/2011
May 24, 2011	Annual shareholders' meeting
July 25, 2011	Half year report 2011
October 24, 2011	Quarterly report Q3/2011
March 26, 2012	Annual report 2011
March 26, 2012	Analysts' conference

Investor Contact

Mensch und Maschine Software SE
Michael Endres
Argelsrieder Feld 5
D-82234 Wessling
Phone +49 (0) 81 53 / 9 33 - 2 61
Telefax +49 (0) 81 53 / 9 33 - 1 04
E-Mail investor-relations@mum.de
Internet www.mum.de/investor

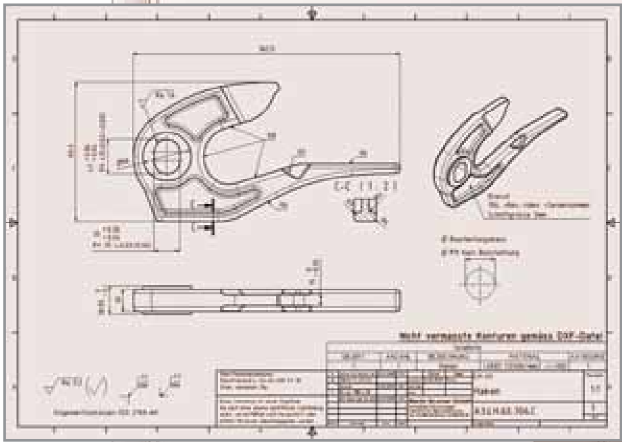
CAD in practice: Mechanical Engineering

Project: Helicopter load hook

Customer: Engineers' office Martin Brunner GmbH,
Lauterbrunnen (Switzerland)

As an engineering provider specialising in design and structural analysis, Martin Brunner GmbH is using several CAD systems. The customers normally determine what software is to be used. For in-house development projects, Autodesk Inventor is used mostly, due to its extensive functionality and ease of use.

One of these projects was the design of an helicopter load hook LH60, the first load hook worldwide in full accordance with 2006/42/EG standard ('Maschinenrichtlinie'):
A permanent magnetic brake prevents the lock mechanism from opening spontaneously, and if the load is heavier than 200 kg, the safety lock is mechanically bolted, to make sure that the load remains on the hook even when the rope is 'somersaulting'. Thanks to Autodesk Inventor, the design process was safe and efficient.



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