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CAD as CAD can

Annual report 2008

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2004		2005		2006		2007		2008	
Revenue	135.5		147.2	+8.7%	170.3	+16%	212.9	+25%	223.10	+4.8%
Germany	41.5	31%	39.8	27%	42.2	25%	53.7	25%	57.27	25.7%
International	94.0	69%	107.4	73%	128.1	75%	159.2	75%	165.83	74.3%
Revenue per share in EUR	12.35		12.21	-1%	13.63	+12%	16.64	+22%	16.44	-1.2%
Gross Margin	42.6		42.2	-0.9%	46.7	+11%	53.6	+15%	55.89	+4.2%
Distribution	20.2	47%	23.1	55%	26.8	57%	32.5	60.6%	32.18	57.6%
M+M-Technology	22.4	53%	19.1	45%	19.9	43%	20.5	38.2%	22.90	41.0%
Value-Added Reselling							0.7	1.2%	0.81	1.5%
Operating result EBIT	-1.2		7.6		7.3	-4%	9.8	+36%	10.28	+4.6%
EBIT return from revenue	-0.9%		5.2%		4.3%		4.6%		4.6%	
Net result	-9.2		0.5		3.0	+500%	6.0	+100%	5.76	-4.5%
Net return from revenue	-6.8%		0.4%		1.8%		2.8%		2.6%	
Net result per share in EUR	-0.85		0.04		0.24		0.47		0.42	
Dividend in EUR	0.00		0.10		0.15	+50%	0.20	+33%	0.20	
Total assets	69.1		61.4	-11%	71.8	+17%	80.3	+12%	85.0	+6%
Shareholders' equity	9.3		10.0	+8%	14.9	+49%	24.4	+63%	26.4	+8%
Equity ratio	13.4%		16.3%		20.8%		30.3%		31.1%	
Number of shares in million	10.972		12.053	+10%	12.497	+4%	12.800	+2%	13.570	+6%
Number of employees	355		307	-14%	300	-2%	327	+9%	388	+19%

Content

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Dear reader,
In spite of a weakening market environment during the second half year and unfavourable currency exchange impacts, Mensch und Maschine Software SE (M+M) achieved new record levels for sales, operating and pretax profit, as well as cash flows, in 2008.

Along with that, the balance sheet has been further improved. With a quite solid 31.1% equity ratio and net bank debt below 1x EBITDA, M+M feels well prepared for oncoming challenges.

After a long preparation time and counter-cyclic to the economy, M+M started the 'Market Offensive' at the beginning of 2008, adding a new Value Added Reselling (VAR) segment the business model and switching from indirect to direct sales in the German speaking markets.

To achieve this, we are in the process of integrating our key reselling partners with the M+M group via a share swap, generating countrywide and multi-disciplinary presence in Germany, Austria and Switzerland, with approximately 200 employees.

This enables us to offer our customers both CAD/CAM solutions fitting exactly to their requirements, plus full local services - from training and installation down to individual customization and full support contracts.

Celebrating M+M's 25th anniversary in 2009, we not only look back on a successful development of our business, but are now building the base for an even more successful future together with our customers, shareholders and employees.

Wessling, March 2009
The Managing Directors

2008 at a glance

- New record levels for sales, operating and pretax profit
- Sales: EUR 223.1 mln / +4,8%
  - International share: 74% (PY: 75%)
- Operating profit EBIT: EUR 10.3 mln (PY: 9.8 / +4.6%)
  - Return from revenue: 4.6% (PY: 4.6)
- Pretax profit: EUR 8.3 mln / +7.6%
- Net profit: EUR 5.8 mln / -4.5%
  - Per share: EUR 0.42 (PY: 0.47)
  - Return on equity ROE: 21.8% (PY: 25.2)
- Cash flows: EUR 9.3 mln / 69 Cents per share
- Dividend proposal 20 Cents as in PY
  - Rate of distribution: 47%
- Shareholders' equity: EUR 26.4 mln / +8%
  - Equity ratio: 31.1% (PY: 30.3)
  - Net bank debt <1.0x EBITDA
- Group headcount: 388 (PY: 327)

Adi Drotleff
CEO

Michael Endres
Marketing

Jens Jansen
CIO

Peter Schützenberger
CFO

Werner Schwenkert
CTO

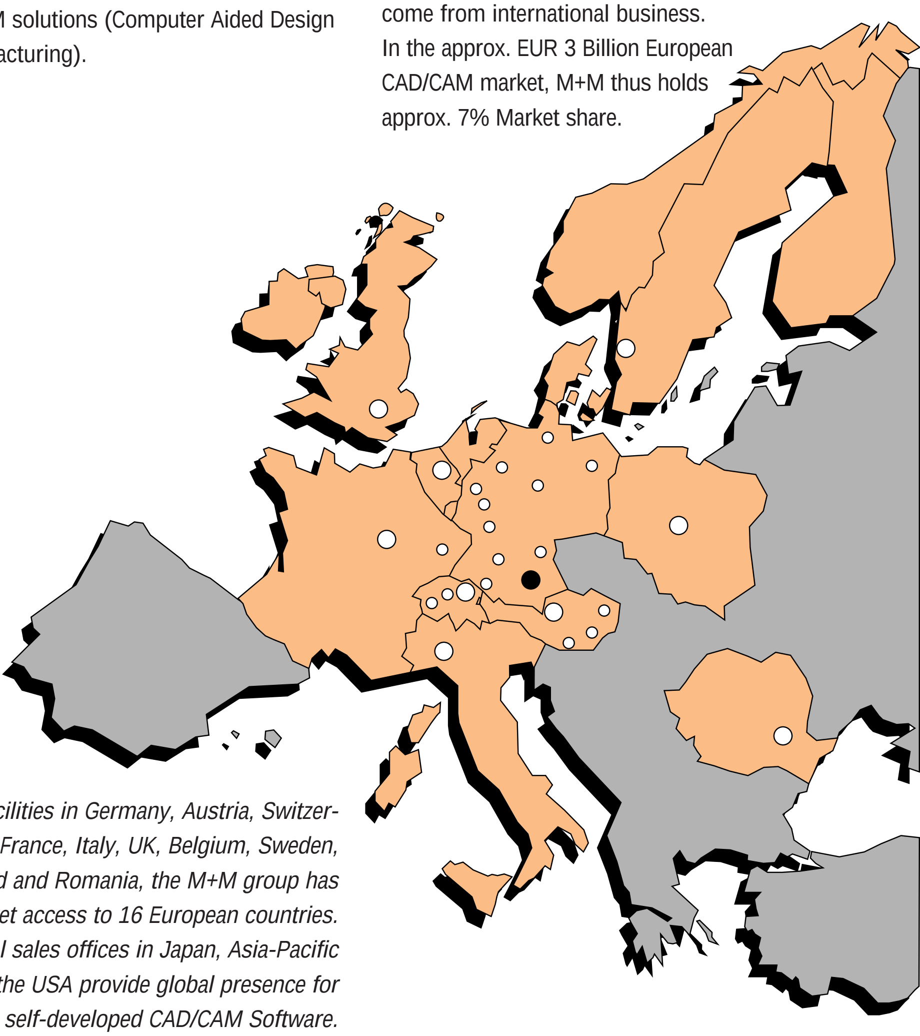
Management report 2008

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).

Slightly more than one quarter of group sales (2008: EUR 223.1 mln) is achieved inside Germany, while nearly three quarters come from international business.

In the approx. EUR 3 Billion European CAD/CAM market, M+M thus holds approx. 7% Market share.



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

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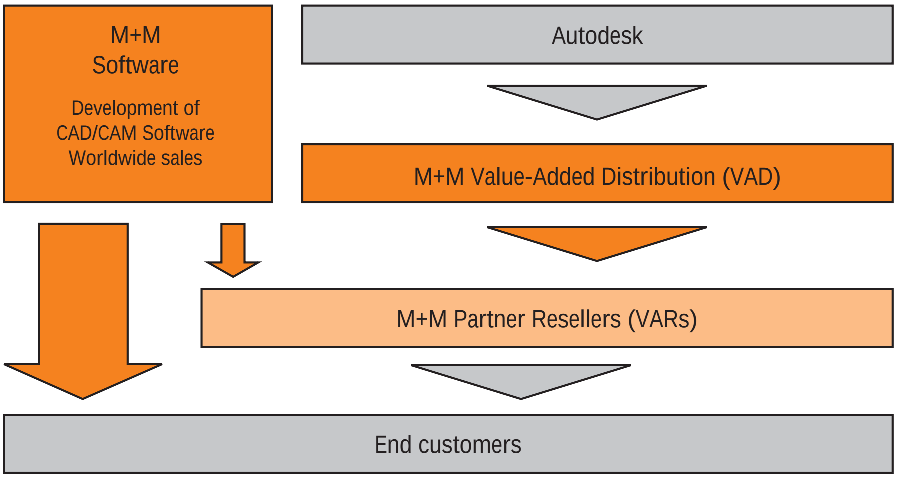
Actual status: Two segment business model
The M+M business model so far is based on the two segments 'Trading products' and 'M+M Technology', each employing approx. half of the 388 group employees (2008).

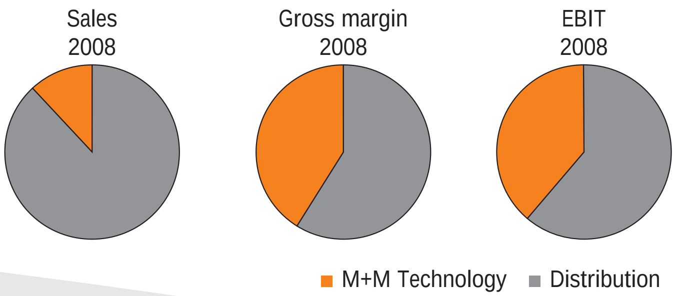


Trading products segment
During the entire 25 years since foundation in 1984, the Trading products segment has been the main pillar of the M+M business model. It is focused on Value-Added Distribution (VAD) of software from global CAD market leader Autodesk. With a purchase volume amounting to approx. EUR 160 million and distribution rights in 16 European countries, M+M today is one of the largest Autodesk partners in the world, representing approx. 25% of Autodesk's European business.

High sales volume
The high volume Distribution segment, with sales amounting to EUR 196.5 mln (2008), represents the lion's share of group revenue, giving M+M broad market access. The 2008 contribution to added value in terms of gross margin (57.6%) and EBIT (59.5%) was - although significantly lower than the revenue share - still more than one half.

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

Low volume, high margin
In the Segment 'M+M Technology', M+M is a standard software developer with over EUR 25 million sales, approx. 90% gross margin (Distribution: approx. 16%) and approx. 16% EBIT margin (Distribution: approx. 3%). As a result, the segment pulls a relatively high added value from its 11.3% share in group sales. In fiscal year 2008, 41.0% of group gross margin and 38.4% of operating profit EBIT was achieved by self developed software technology.

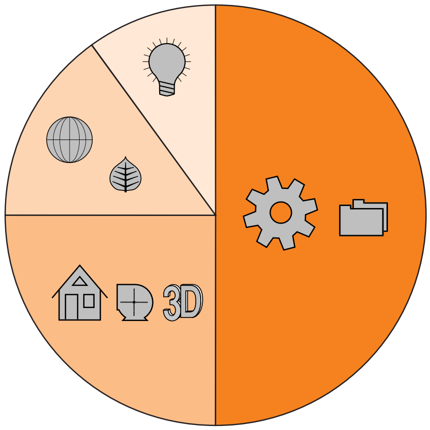


Good sector balance

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

Large customer and installation base

In respect of customers and orders, the distribution of business is even wider.
M+M sells software solutions for more than 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.



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

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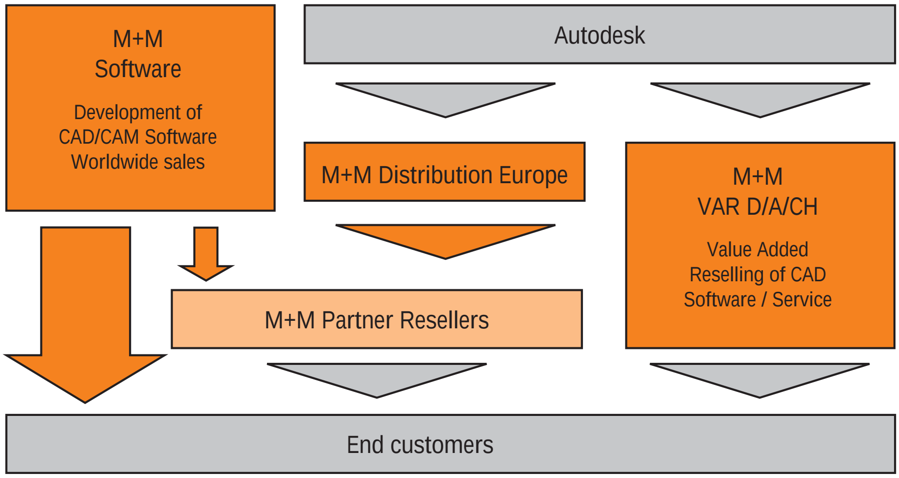
Wide price/performance range
The M+M product portfolio covers a wide price/performance range from rather simple drawing software for approx. 1,000 Euros through midprice 2D/3D design solutions in the four-digit Euro range up to high end systems for manufacturing and production control with software investment levels from 10,000 to 100,000 Euros and more per seat. The majority of CAD sales in the trading segment 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
In both segments, 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.

Two-tier sales model
In the trading segment, the sales model so far has been exclusively indirect through authorised resellers, with M+M as the Value-Added Distributor serving central functions like marketing, lead generation and support. The own software technology, on the other hand, has been mainly sold directly to the end customers and installed and serviced by internal M+M personnel.

Beginning 2009: New VAR segment
Beginning 2009, the M+M business model is extended by a third segment, extensively transitioning from distribution to direct sales in the German speaking markets.
The new segment is called ‘VAR Business’, the existing segments are renamed for better differentiation to ‘Distribution’ and ‘M+M Software’.

Entry via ‘Market Offensive’
In the course of this ‘Market Offensive’, Mensch und Maschine acquires several key reselling partners in Germany, Austria and Switzerland. In addition, M+M is massively expanding its own end user business, which so far has played a subordinate role.



Start with approx. 200 employees
Altogether, around 200 employees will be transferred to the VAR segment during 2009, approx. three quarters working in the new partner companies and the remainder coming from the existing M+M group. These original M+M employees, plus some new hires, are primarily located in Wessling near Munich, Kirchheim near Stuttgart, Salzburg and Zurich. Overall, this will make the group headcount exceed 500 people.

Transition in two steps
M+M initially is concentrating on the Mechanical/Electrical/Infrastructure markets in a complete swap from VAD to VAR business in Germany, Austria and Switzerland, started February 1, 2009. For architectural software, the 2009 focus in D/A/CH will remain in distribution, with the complete swap planned for early 2010, also in a mix of acquisition of key partners and existing employees from distribution.

Market share target range 25 to 30%
Sales in the VAR segment are estimated to be in the EUR 40-50 million range for the starting year of 2009, which would represent a 15-20% share of the total end user business with Autodesk software in the German speaking countries. M+M intends to extend this market share to the 25-30% range by the end of 2010, with approximately 300 people employed in the segment by then.

Close alignment with Autodesk
The Market Offensive project is being implemented in close strategic cooperation with Autodesk and fits to their future strategy in the German speaking markets to sell more volume through directly supplied VARs than via Distributors.

VAR Business only planned in D/A/CH
In all other regions, this strategic change is not applicable, as outside the German speaking countries in Europe, Autodesk mainly sells through distribution and not significantly through direct VARs.

Margin higher than in Distribution

The new business unit economically ranges in the middle between the two traditional segments. Its gross margin is made up about half from service business, e.g. training, installation and customizing and half from software sales (with higher margin than achievable in Distribution). The new segment's gross margin is expected to be approx. 35% (Distribution: approx. 16% / Software: approx. 90%), with EBIT margin up to 10% (Distribution: approx. 3% / Software: approx. 16%).

Future added value balance over 3 pillars

On a group level, the new segment's share in gross margin is expected to be more than one quarter for 2009 and growing to more than one third beginning 2010.
The Distribution segment will probably contribute more than one third in 2009 and just under one third from 2010 onwards.
The remaining third of the gross margin will continue to come from the in house development of software. Consequently, the M+M business model will be balanced over three nearly equally strong pillars.

Mid term higher group return from revenue

Due to the higher operating margin from the VAR Business compared to Distribution, an increase in group operating margin is achievable in the mid to long term. This effect is not expected to be really visible during the introduction phase in 2009, but should lead to significant steps in profitability improvement beginning 2010.

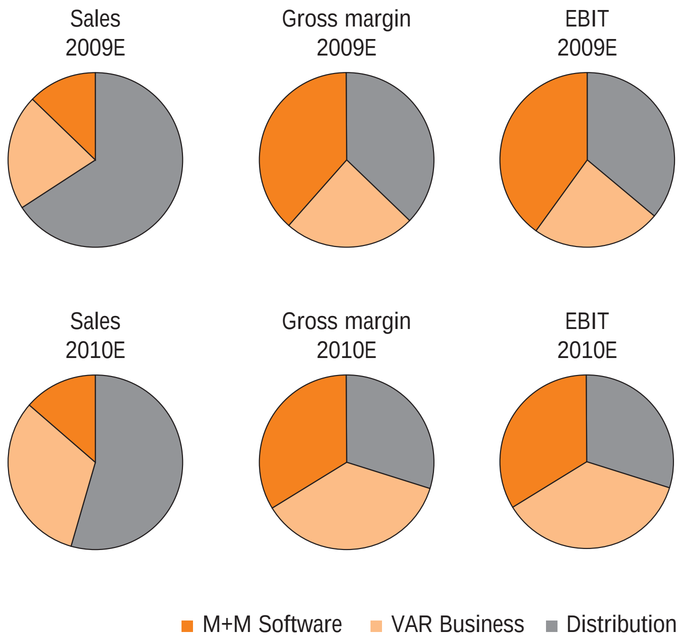
Partner acquisitions: Share swap with multi-year valuation period

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

The companies are acquired in two steps over a minimum period of two years, allowing for a fair final valuation using the earnings development during this period.

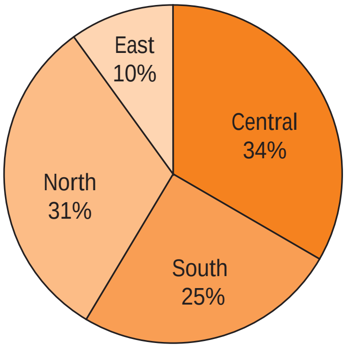
Liquidity saving method

The M+M shares for the share swap in the first phase will mainly come 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 is mainly needed for paying out non managing shareholders, for whom share swaps would not make sense, is reduced.



Three segments overview
The following chapters give an overview across the three segments ‘Distribution’, ‘M+M Software’ and ‘VAR Business’ forming the future M+M business model.

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



Sales breakdown 2008 in the Distribution segment

Central: German speaking area
The Central region including Germany, Austria and Switzerland is mainly covering the German speaking area plus the French and Italian speaking parts of Switzerland. With nearly 34% contribution to segment sales, it is so far the largest distribution region, 2008 employing 68 people on average.

The German market is supported from the M+M headquarters in Wessling near Munich, assisted by subsidiaries and sales offices in Wiesbaden, Ratingen near Dusseldorf and Berlin. The M+M subsidiaries in Wals near Salzburg and Winkel near Zurich serve Austria and Switzerland, assisted by a sales office in Vevey by the lake of Geneva.

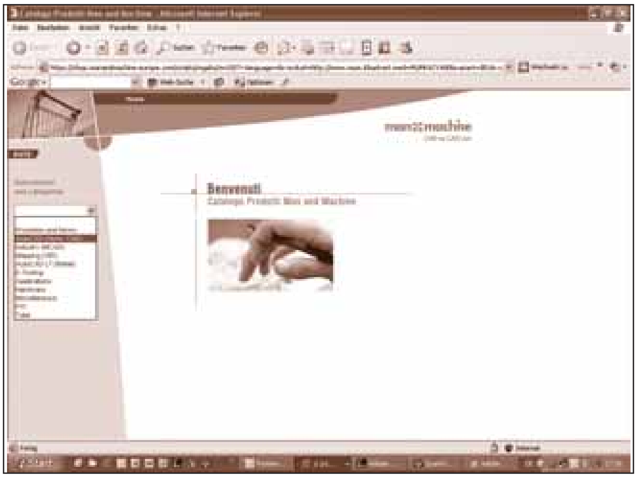
South: France and Italy
The South region consists of France and Italy, which are supported by the M+M subsidiaries in Paris and Vimercate near Milan. South contributed approx. 25% to 2008 segment sales, employing 32 people.

North: UK, Benelux and Scandinavia
The North region, contributing approx. 31% to segment sales, is the second largest distribution region and employed 48 people (2008). 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).

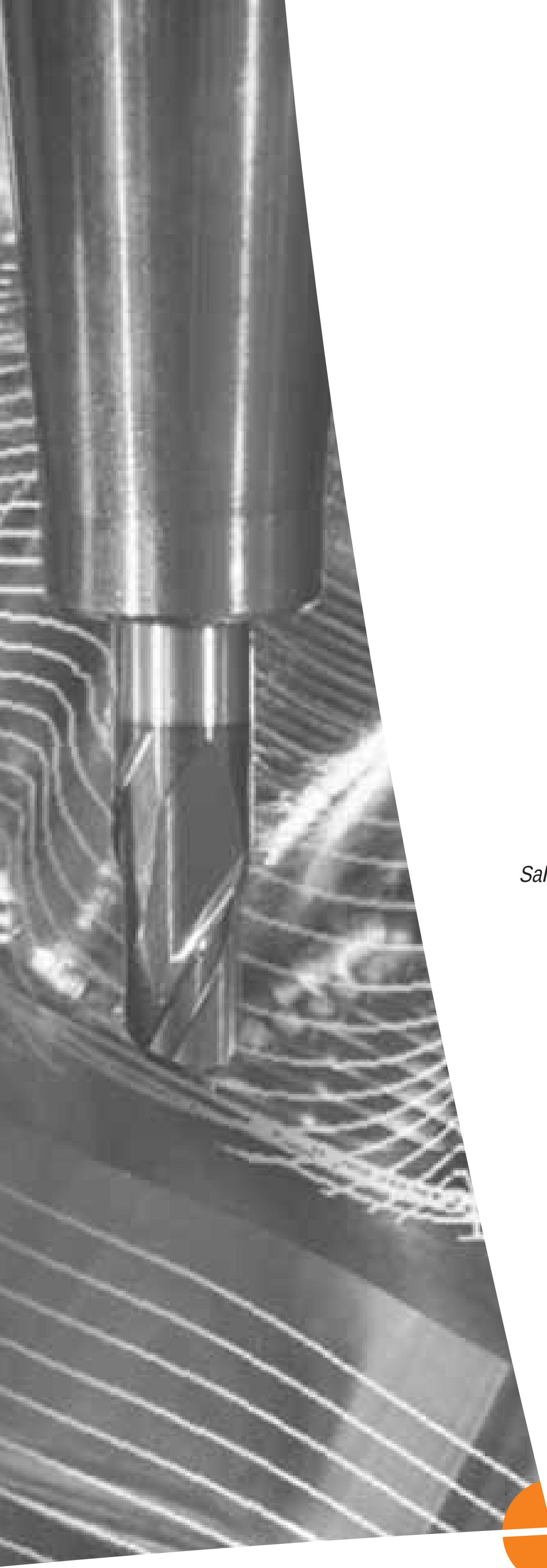
East: Poland and Romania
In Eastern Europe, M+M was only present in Poland with a subsidiary in Lodz until 2007. In the beginning of 2008, the Romanian market was entered through an acquisition of a subsidiary in Bucharest. Employing 26 people, the East region in 2008 contributed just over 10% to Distribution segment sales.

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

Electronic processing rate now 70%
In the course of 2008, full connection with the Autodesk systems was achieved, and the electronic processing rate in the group was driven up to 70%.
For this purpose, the M+M reselling partners have access to a web shop for comfortable ordering round the clock.

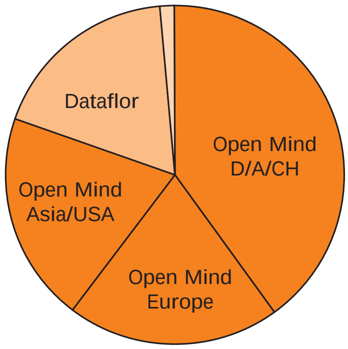


The M+M reselling partners can use a web shop directly integrated in the SAP system for ordering round the clock (here the Italian version)



M+M Software

More than 80% of the 2008 M+M Software sales were generated by OPEN MIND AG, while 18% came from DATAflor AG.
A small remainder was attributable to the Electrical Engineering solution ecscad which was sold to Autodesk in October 2008.



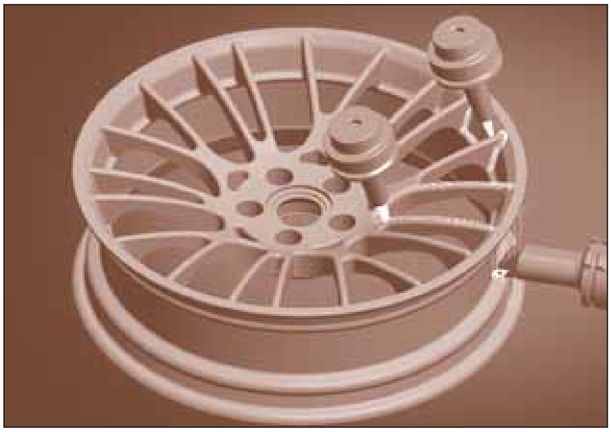
Sales breakdown 2008 in the Software segment

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.

With sales of more than EUR 20 million, the M+M group belongs to the first tier of vendors in the important niche market of CAM solutions. Approximately half of the sales comes from the German speaking area, while one quarter is contributed by other European markets (mainly Italy, UK and France). The remaining quarter of the business is achieved through own sales offices in Japan, Asia Pacific and the USA.

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



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

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

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

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

DATAflor
Software für Ihren Erfolg

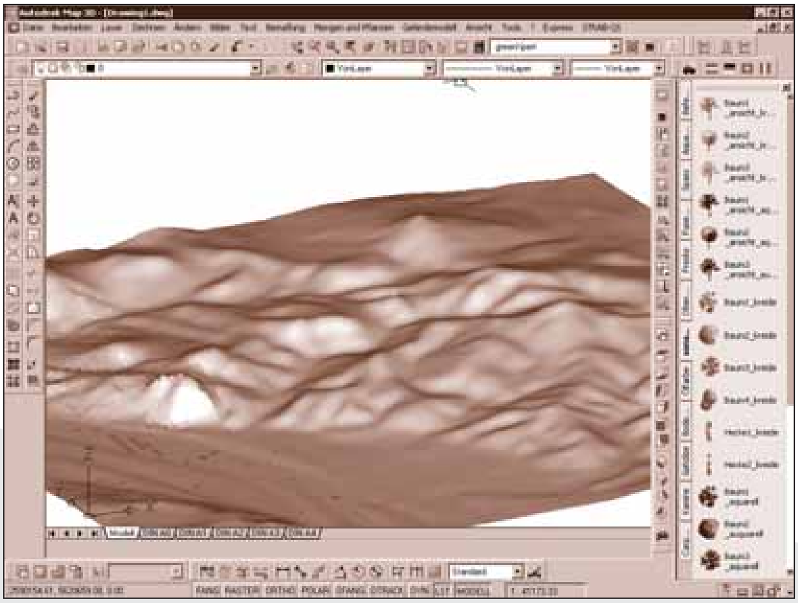
DATAflor has a strong position in the German-speaking gardening and landscaping market. The proffered solutions not only contain a graphical planning section but also tools for complete financial calculation and billing of such projects.

DATAflor was founded in 1982 and maintains evolved customer relationships which are carefully nurtured. This 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 2008 spent approx. EUR 5.8 mln for maintenance and development of the OPEN MIND and DATAflor software products.

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

The special benefit of DATAflor software is the homogenous connection of graphical planning with database information, e.g. for economic tendering, for flexible maintenance management and for the commercial view of all planning and construction processes. For landscape modelling, e.g. in new housing estates or golf courses, the 'digital terrain model' supplies a three dimensional planning tool.



VAR Business

In the past, M+M was only present in the end user service business with its daughter Mensch und Maschine Akademie GmbH (MAK), listed under M+M Technology in the old segmentation. MAK forms the nucleus of the new VAR Business segment and therefore was renamed to Mensch und Maschine Akademie und Systemhaus GmbH (MAKSY).

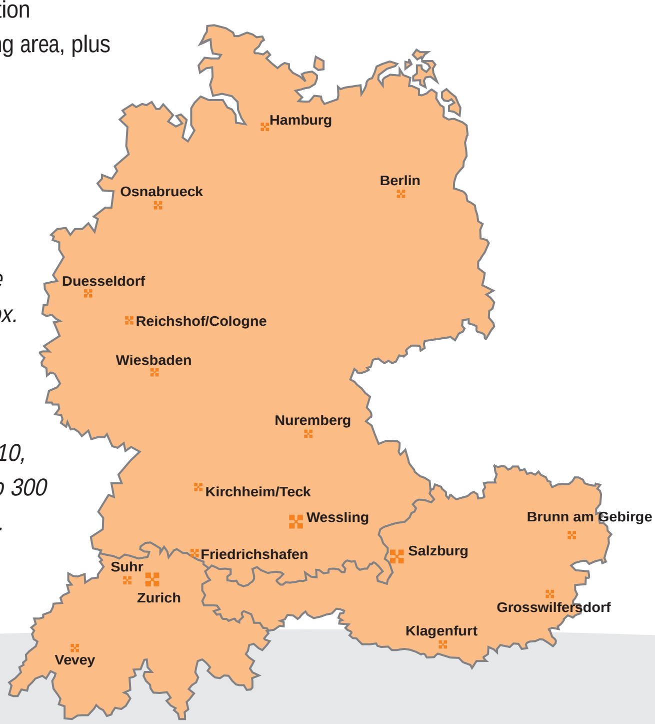
MAK in the past had focused on training and software customization. In 2008, software projects for important customers like Messe Stuttgart, Messe Cologne, Deutsche Bahn, Porsche and E.ON Anlagenbau were executed and approximately 1,250 people have been trained.

In the course of the transition, MAKSY in a first step adopts approx. 50 employees who mainly worked for the Distribution segment in the German speaking area, plus some new hires.

In addition, the following partner companies were taken over by the M+M group in the course of the Market Offensive by the publishing date, March 16, 2009, of this report, or will be taken over shortly after:

- CAD-LAN AG, Suhr, Switzerland
- E&S GmbH, Großwilfersdorf near Graz, Austria
- Haberzettl GmbH, Nuremberg, Germany
- LeyCAD, Reichshof near Cologne, Germany
- AtWork GmbH, Osnabrueck, Germany
- Dressler GmbH, Friedrichshafen, Germany

In the first phase of the Market Offensive approx. 200 employees in 17 locations work for the M+M VAR Business. By the beginning of 2010, headcount will go up to 300 in approx. 25 locations.



Employees are co-entrepreneurs

Traditionally, there is a very high focus on good corporate culture at M+M. During the 25 years since the foundation of the company in 1984, the employees were always seen as 'Co-Entrepreneurs' and fully integrated in the decision making process. Whenever acquiring companies in and outside Germany in the course of the intensive expansion since IPO in 1997, M+M always cared for and respected the specific culture of the companies acquired and encouraged them to adopt M+M corporate culture very gently. The decision making structures in the M+M group are as decentralised as possible. The individual entities have a high degree of autonomy in order to achieve the best possible results in the individual markets and to be able to optimally meet the customers' requirements.

Experienced management team

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

Trading under 'European SE'

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

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

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

Remuneration of Managing Directors

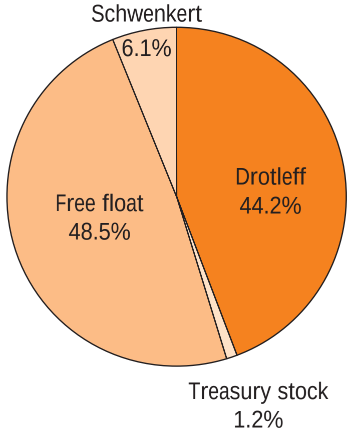
The remuneration system of the SE is detailled in the notes. Generally, the Managing Directors get a remuneration consisting of a fixed and a variable part. Additionally, there are non-cash components, e.g. company cars. With the exception of Mr. Drotleff, the Managing Directors get share options according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

Public and private company

Though M+M shares have been listed on the stock market for nearly 12 years, a large portion of the shares are still in the hands of the management. Adi Drotleff, the founder, CEO and Chairman of the Board, holds approx. 6.0 million shares or 44.2% of the nearly 13.6 million shares outstanding at Dec 31, 2008. A package of 0.8 million shares (6.1%) is owned by CTO Werner Schwenkert. This was created from the acquisition of OPEN MIND AG by the M+M group through a share swap in 2002.

A package of nearly 164,000 shares (approx. 1.2%) was held by MuM SE in treasury stock at Dec 31, 2008. It was bought through the stock repurchase program confirmed by the annual share-holders' meeting 2008 and started by the Administrative Board on October 9, 2008.

The free float at Dec 31, 2008, contained about 6.6 million shares or 48.5%. A certain portion thereof was held in smaller packages by other members of the management. M+M thus can be seen as a public and a private company in one.



Chances and Risks

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

In detail, the following risk categories exist:

Credit risks:

Bad debt risks are counteracted with customer credit insurance, individual bad debt provisions, and streamlined receivables management.
Also favourable in this respect, is the fact that sales are divided among many individual customers each of which carries less than 3.5% of the total group revenue or less than 2.5% of the total group gross margin.

Warehouse and transport risks:

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

Sales and market risks:

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

Personnel risks:

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

Supplier risks:

Concentration on the main supplier Autodesk in the trading segment represents a certain risk through dependency on this supplier's product development, market competence and operational policy.

Losses at subsidiaries and shareholdings:

In all shareholding or subsidiary relationships, it is recognised that there is a risk that, contrary to positive expectations, a negative development may occur possibly proceeding to total loss. This would not only cause an appropriate impairment of goodwill or investment value but also lead to a corresponding writedown of deferred tax assets (if capitalized) in case of fully consolidated subsidiaries with loss carryovers.

Financing and liquidity risk:

As in any business model not exclusively financed by equity, there is a dependency risk for the debt financed part due to the refinancing capabilities of the financial market. This risk is counteracted by distribution of credit lines at several banks inside and outside Germany. It cannot be excluded, however, that the refinancing interest rate payable by M+M may develop negatively or the refinancing by debt may fail in parts or in total. In this respect, internal as well as external influences play a roll. Internal influences are mainly the earnings and financial status impacting the M+M market rating, as well as the management's ability in handling relationships with existing and potential creditors. External influences are for example the general interest rate level on the market, the credit policy of banks and other creditors, as well as the legal framework conditions.

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

Re section 315, para 4, no. 1, HGB
The subscribed capital of Mensch und Maschine Software SE on the balance sheet date was EUR 13,589,208 and the capital is divided into 13,589,208 no-par shares. The shares are registered in the name of the holder.

Re section 315, para 4, no. 3, HGB
Mr. Adi Drotleff, Chairman of the Administrative Board (Verwaltungsrat) and Managing Director of the company, holds around 44.2% of the subscribed capital.

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

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

According to article 43, para 3, SE-REG, the members of the administrative body are appointed by the general meeting.

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

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

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

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

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

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

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

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

Under article 7 of the articles of association, the Administrative Board was authorised by the May 29, 2008, shareholders' meeting to increase the company's share capital before or on May 28, 2013 once or several times by an aggregate amount of up to EUR 6,788,232 by issuing new no-par shares for cash deposits and/or for contributions in kind, which shares shall be entitled to a share of profits from the beginning of the financial year current at the time of issuance (authorised capital 2008). Shareholders shall be given a subscription right.

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

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

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

The share capital is conditionally increased (Conditional Capital I) in accordance with § 6 section 1 of the company's articles of association by up to EURO 707,681, divided into up to 707,681 individual shares. The purpose of the conditional capital increase is to provide subscription rights to former members of the board of management of Mensch und Maschine Software AG, to members of the management bodies of affiliated companies and to employees of the company and affiliated companies in accordance with the particular provisions of the enabling resolutions passed by the shareholders' meeting of Mensch und Maschine Software AG on May 17th 1999, May 19th 2003 and June 7th 2005. The conditional increase will only be carried out to the extent that these subscription rights are taken up. The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made.

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

The share capital is conditionally increased (Conditional Capital III) in accordance with § 6 section 3 of the company's articles of association by up to EURO 197,564 through the issue of up to 197,564 individual shares. The conditional increase will only be carried out to the extent that the holders of convertible bonds which the former board of management of Mensch und Maschine Software AG were entitled to issue by a shareholders' resolution passed on May 24th 2004 exercise their conversion rights or fulfil their obligations to convert. The new shares issued as a result of conversion rights or the fulfilment of conversion obligations are entitled to participate in profits from the beginning of the financial year in which they are created as a result of the exercise of conversion rights or the fulfilment of conversion obligations.

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

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

The Company was authorised by the sha-reholders' meeting on May 29th 2008 to acquire the Company's own shares in accordance with § 71 section 1.8 of the German Companies Act. This authorisation is restricted to the acquisition of the Company's own shares with an arithmetic share of the share capital of up to 10%. The Company or a third party acting on its account may exercise the authorisation wholly or in partial amounts or once or on several occasions. The authorisation remains in force until November 28th 2009. The acquisition will take place through the stock exchange or by way of a public offer to purchase addressed to all the Company's shareholders. Should the acquisition take place through the stock exchange, the counter-value per share paid by the Company (excluding ancillary acquisition costs) may not exceed the average closing prices (XTRA-trading or a comparable successor system) of similarly endowed shares on the Frankfurt Stock Exchange calculated during the last five trading days before the acquisi-tion by more than 10% and may not be lower by more than 20%. Should the acqui-sition take place by way of a public offer to purchase to all the Company's shareholders, the purchase price per share offered (exclu-ding ancillary acquisition costs) may not exceed the average closing price on the Frankfurt Stock Exchange on the five trading days before the date of publication by more than 10% and may not be lower by more than 20%. The offer to purchase may also provide for additional terms and conditions. In addition to sale by way of an offer to all shareholders or sale through the Stock Exchange, the executive council was also authorised to dispose of the shares of Mensch und Maschine Software SE acquired as a result of this authorisation

- by offering them as a consideration to third parties as part of company mergers, the acquisition of companies, investments in companies or parts of companies and in the acquisition of receivables due from the Company
- by selling them to third parties. The price at which the Company's shares are sold to third parties may not be materially less than the stock exchange price of the shares at the time of the sale. In using this authorisation, consideration must be given to the exclusion of subscription rights due to other authorisations in accordance with article 9 section 1 c) ii) of the European Company Statute Directive in conjunction with § 186 section 3.4 of the German Companies Act;
- by withdrawing them, without this withdrawal or its implementation requiring an additional resolution of the shareholders' meeting.

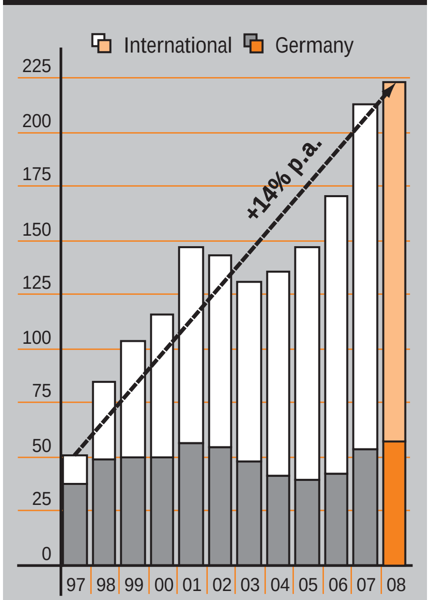
The above authorisation concerning the use of the Company's shares acquired may be exercised once or on several occasions, wholly or in parts and individually and collectively. The rights of shareholders to subscribe to the Company's own acquired shares is excluded to the extent that these shares are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

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

Course of business 2008 and situation of the group

The year 2008 was, mainly in its second half, impacted by increasing market turbulences. In spite of this, M+M managed to once again beat the 2007 sales and operating profit records and to further improve its balance sheet.

Group revenue (in million EUR)



Nominal sales increase by 4.8% …

Sales climbed by 4.8% to the new all time high of EUR 223.10 mln (PY: 212.93). After the strong years 2006 (+16%) and 2007 (+25%), the 2008 growth fell below the continued annual growth rate (CAGR) of 14 percent, which had been reached since 1997, the year of the M+M IPO.

… or by 8% in local currencies

In local currencies the growth was approx. 8 percent, as the consolidated group sales in Euro were negatively impacted by exchange rates, mainly from the downturn of the British Pound.

Nearly all markets growing

Growth drivers with rates around 10 percent and more were the German speaking area, Benelux and Scandinavia, as well as M+M's self developed software. In spite of the economic downturn, even the UK revenue climbed by nearly four percent in local currency. France and Italy came in on about the previous year's level, while Poland was the only country with sales falling by about 5%. However, M+M had more than doubled sales in Poland in the previous two years.

Romanian sales compensating currency effects

The Romanian subsidiary, which had started in Q1/2008, contributed over 6 million Euro sales, exactly compensating for the negative impact from currency exchange rates, which means that the nominal +5% roughly represents the organic growth rate in 2008.

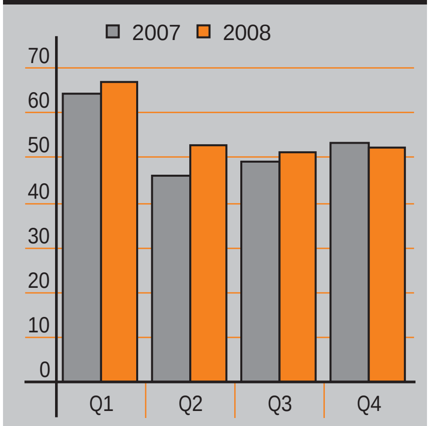
Decreasing dynamics over the year

With 53.6% share of annual sales and a +9% growth rate (approx. +12% in local currencies), the first half year of 2008 was significantly stronger than the second six months, which just saw a small plus amounting to +1% (approx. +4% in local currencies).

Q1 strong, Q2-Q4 with flat sales

In absolute numbers, the first quarter's EUR 69.99 mln sales still marked a new company record, while the three following quarters came in with nearly equal sales amounting to EUR 52.60 / 51.19 / 52.31 mln, respectively. Growth compared to the previous year in Q2 reached a maximum +20%, falling back to +4% and -2% (approx. +7% and +1% in local currencies) in Q3 and Q4, respectively.

Quarterly revenue (in million EUR)



New segmentation according to IFRS 8

The Distribution segment came in with sales amounting to EUR 196.49 mln (PY: 189.00 / +4%). In the Software segment, sales in the amount of EUR 25.16 mln (PY: 23.07 / +9%) was achieved, while the VAR segment contribution was EUR 1.45 mln (PY: 0,87). Because the sales allocation in the new IFRS 8 segmentation does not follow exactly the same pattern as the old IAS 14 segmentation, the old segment 'Trading products' and the new segment 'Distribution' are not 1:1 comparable, and the same applies to the segments 'M+M Technology' (old) and 'M+M Software' (new).

Group gross margin increased 4.2%

After deduction of purchased goods (Distribution / VAR Business) or cost of production (Software), gross margin grew to EUR 55.89 mln (PY: 53.63 / +4.2%). The share from Distribution amounted to EUR 32.18 mln (PY: 32.49 / -1%), Software contributed EUR 22.90 mln (PY: 20.47 / +12%) and EUR 0.81 mln (PY: 0.67 / +22%) came from the VAR segment.

More added value from own software
Thus the relative weight of Distribution in the added value parameter gross margin was reduced from 60.6% in the previous year to 57.6%, while the strategically more important segments ‘M+M Software’ and ‘VAR Business’ grew to 41.0% (PY: 38.2%) and 1.5% (PY: 1.2%). Please note that again the new segments ‘Distribution’ and ‘M+M Software’ are not 100% identical to the former segments ‘Trading products’ and ‘M+M Technology’.

Headcount & personnel expenses higher
After several years of very restrictive hiring policy, M+M in 2008 restarted investment in human resources. Headcount on a yearly average climbed to 388 (PY: 327 / +18%), which increased the personnel expenses to EUR 26.82 mln (PY: 23.64 / +13.5%).

Adjusted by Creata GmbH, which had been taken over as of Dec 31, 2007, and was given up at the end of 2008, the headcount was 374 (+14%) and personnel expenses amounted to EUR 25.76 mln (+9.0%).

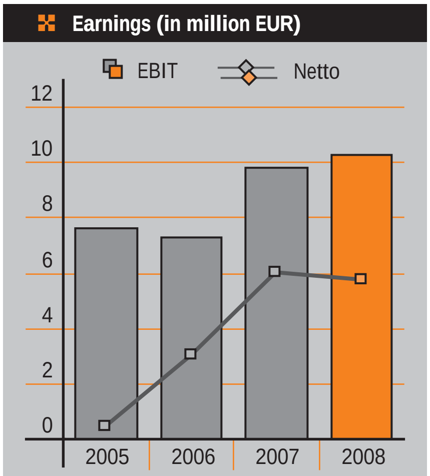
The personnel expenses include a notional amount of EUR 0.21 mln (PY: 0.21) from the application of the IFRS 2 rules (share based payments) for issuing share options to employees.

Other operating expenses excluding Creata nearly unchanged
The other operating expenses increased to EUR 22.70 mln (PY: 21.17 / +7.2%), adjusted by Creata to EUR 21.40 (+1.1%). Nearly half of the total amount was represented by the marketing budget, primarily used for advertisements, trade shows and other marketing activities to protect and expand M+M's market position.

Depreciations include amortization of acquisitions
Total depreciations in the amount of EUR 1.48 mln (PY: 0.86) - or EUR 1.27 mln adjusted by Creata - in addition to normal depreciations amounting to EUR 1.09 mln (PY: 0.80) include amortization of intangible assets from acquisitions amounting to EUR 0.39 mln (PY: 0.06).

High other operating income due to ecscad disinvestment
Other operating income in the amount of EUR 5.39 mln (PY: 1.87) include a non-recurring effect amounting to EUR 3.41 mln from the sale of the electrical engineering application ecscad, which had been developed by M+M subsidiary ECS GmbH, to Autodesk.

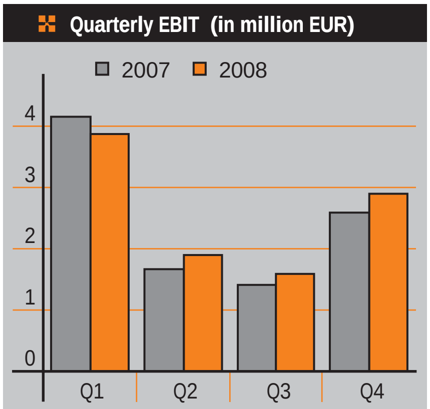
Operating profit EBIT improved by 4.6%
Operating profit EBIT before interest and taxes was improved to EUR 10.28 mln (PY: 9.83 / +4.6%). The EBIT return from revenue remained at previous year's 4.6%. With the exeption of Creata, all operating group units were profitable.



Segment breakdown as for gross margin
The contribution of the three segments to operating profit EBIT was comparable to the gross margin breakdown: With an amount of EUR 6.12 mln (PY: 6.70), Distribution had the highest contribution (59.5%), followed by M+M Software with EUR 3.95 mln (PY: 3.17) or 38.4% share and the not yet significant VAR Business with EUR 0.22 mln (PY: -0.04) or 2.1% share in group EBIT.

EBITDA increased to EUR 11.76 mln
EBIT contains depreciation and amortization amounting to EUR 1.48 mln (PY: 0.86), the operating profit EBITDA before depreciation and amortization amounted to EUR 11.76 mln (PY: 10.89).

High profile in quarterly seasonality
The quarterly seasonality in operating profit EBIT was, as usual, highly profiled. Q1 was the best quarter as in the previous year contributing EUR 3.88 mln (PY: 4.16), Q2 and Q3 at EUR 1.91 mln (PY: 1.66) and EUR 1.59 mln (PY: 1.41) were clearly slower, while the final quarter, Q4 came in at EUR 2.90 Mio (PY: 2.59).



Currency effects burden financial result
The financial result was improved to EUR -1.99 mln (PY: -2.12). Adjusted by the included exchange rate differences in the amount of EUR -0.27 mln (PY: -0.15), the finance costs were 13% lower than in the previous year.

Pretax profit increased by 7.6%
Earnings before tax rose by 7.6% to the new record mark EUR 8.29 mln (PY: 7.71).

High tax rate due to deferred taxes
Taxes on income amounting to EUR 2.72 mln (PY: 1.56) consist from real taxes in the amount of EUR 2.07 mln (PY: 1.87) and a charge from deferred tax calculation in the amount of EUR 0.65 mln (PY: relief 0.31). While the payable tax rate met exactly the expected 25 percent, the total tax rate including deferred tax calculation was significantly higher at 32.8% (PY: 20.2%). On the other hand, this lowers tax assets accordingly, relieving the balance sheet.

Net profit 4.5% under previous year
Net profit after tax and minority shares came in at EUR 5.76 mln (PY: 6.03 / -4.5%). Earnings per share (undiluted and diluted) amounted to EUR 0.42 (PY: undiluted 0.47 / diluted 0.45).

Unchanged 20 Cents dividend proposal
The management will propose to the annual shareholders' meeting dated May 28, 2009, an unchanged dividend amount of EUR 0.20 per share. This means that a total amount of EUR 2.7 mln or approx. 47% of net profit will be paid out, while the majority of profit is retained to finance future growth. As in the previous years, the dividend is paid from 'steuerliche Einlagenkonto' (§27 KStG) and does not count as taxable income, but as repayment of capital reserve.

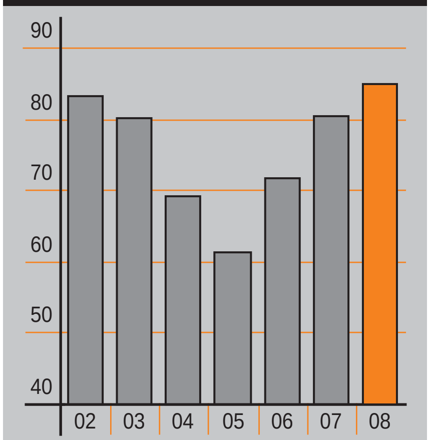
Very high operating cash flows
With an amount of EUR 9.32 mln (PY: 3.65) or 69 Cents per share, by far the highest operating cash flows in the company history could be achieved.

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 2008, an amount of EUR 0.90 mln (PY: 0.77) was invested.

ecscad sale financing Romania acquisition
In addition, there were financial investments amounting to EUR 2.83 mln (PY: 2.09) for the acquisition of the Romanian subsidiary, which were more than offset by inflows from the sale of ecscad and other assets in the amount of EUR 3.50 mln (PY: 0.03), resulting in only EUR 0.23 Mio (PY: 2.84) total capital expenditure.

Total assets increased by 6%
Total assets grew by 6% to EUR 84.99 mln (PY: 80.33), caused approximately half by a higher cash position. Inventories increased due to use of special purchase offers at year end, while receivables slightly decreased. Total non current assets remained nearly constant, because the Romanian acquisition on the one hand was nearly offset by the ecscad disposal plus writedowns for Creata and tax assets on the other.

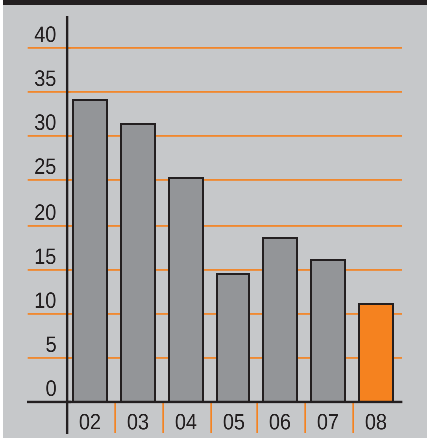
Total assets (in million EUR)



Net bank debt decreased significantly
Net bank debt decreased significantly to EUR 11.16 mln (PY: 15.98).
This amount consists of current bank debt totalling EUR 13.43 mln (PY: 15.39), plus non-current bank debt totalling EUR 1.75 mln (PY: 2.29), minus cash totalling EUR 4.03 mln (PY: 1.70).

Net bank debt as of Dec 31, 2008, equalled less than 1.0 times operating profit EBITDA 2008 (PY: 1.5 times).

Net bank debt (in million EUR)



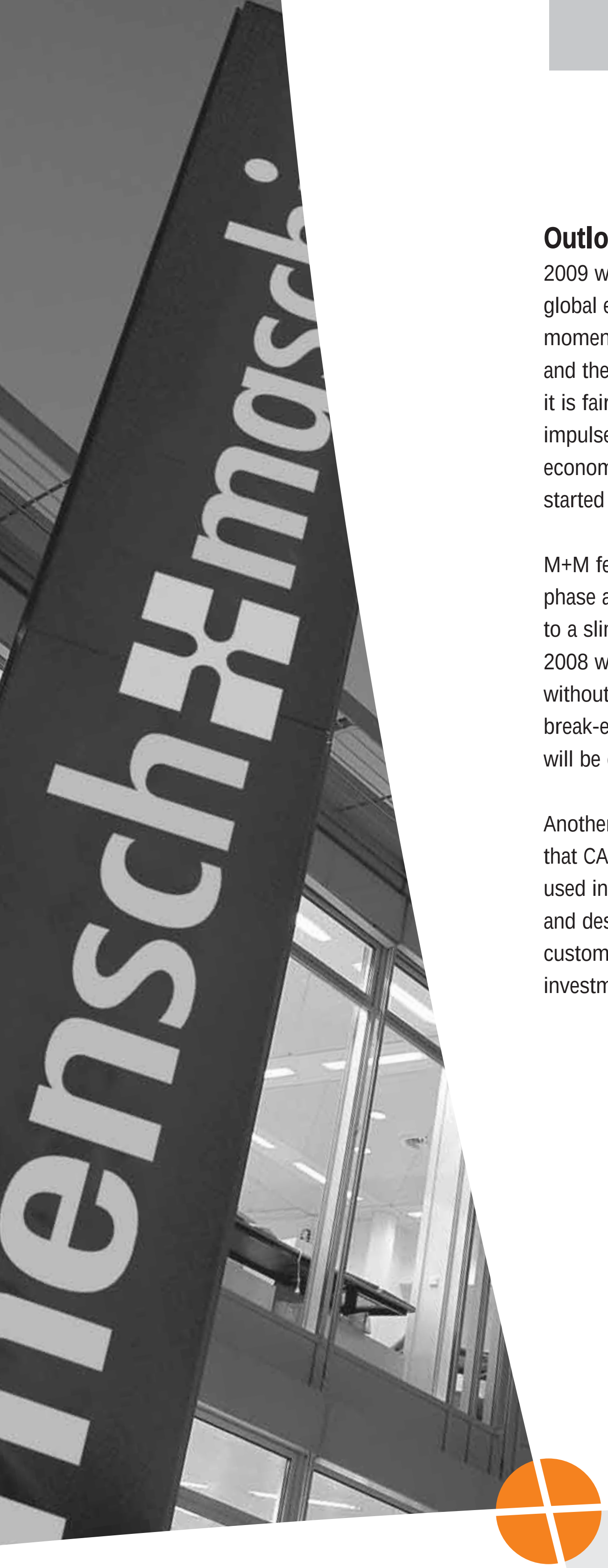
Convertible loan paid back
Additionally the residual balance of the 2004 convertible loan amounting to EUR 1.06 mln was paid back at maturity in July 2008.

Shareholders' equity further improved
Shareholders' equity as of Dec 31, 2008, improved to EUR 26.40 mln (PY: 24.37 / +8%), with capital ratio raising to 31.1% (PY: 30.3%). The improvement mainly is composed from the net result amounting to EUR 5.76 mln, minus the dividend payment amounting to EUR 2.71 mln and payments for treasury stock amounting to EUR 0.52 mln. In addition, the nominal personnel expenses according to IFRS 2 from the granting of share options to employees increased the capital reserve by EUR 0.21 mln.

Net return on equity (ROE): 21.8%
The net return on equity (ROE) amounted to 21.8% (PY: 25.2%), being above 20 percent for the third year in a row.

Events after balance sheet date
In the course of the 'Market Offensive', several previous M+M reseller partners in Germany, Austria and Switzerland were acquired. Details are described in the first part of this management report.

In early February 2009, the decision was made not to capitalize Creata GmbH any more and to write off the engagement. Consequently, Creata GmbH management applied for insolvency at Feb 5, 2009.



Outlook

2009 will be a difficult year for the whole global economy, and nobody is able at the moment to predict how long the downturn and the bottom will last. On the other hand it is fair to expect that positive investment impulses will be triggered by the public economic programs, which have been started round the globe.

M+M feels well prepared for the challenging phase after several very good years and due to a slim cost structure. In the course of 2008 we began streamlining the expenses, without risking our substance, to lower our break-even point. Wherever possible, this will be continued in the near future.

Another positive aspect for M+M is the fact that CAD/CAM solutions are not primarily used in production, but in the development and design departments. Therefore M+M customers partly showed countercyclical investment behaviour in the past.

Target 2009:
Black numbers, constant dividend

For 2009 we are expecting Q1 to be more or less on the Q4/2008 level, maybe followed by an even slower Q2 due to the ongoing transition to VAR business. For the second half year there is a chance for increasing sales and earnings, because at this time the public economic programs will create impact and our VAR business will have gained momentum.

So in the best case, 2009 could see a quarterly seasonality mirrored to 2008 with a strong Q4 and come in on previous year's sales level. In the worst case of a very deep and long recession, a 10-20% sales decrease compared to 2008 is also imaginable.

All in all, 2009 sales could range between EUR 180 and 220 million. For operating earnings EBIT, this would result in a bandwidth from a black zero to previous year's EUR 10 mln. M+M will continuously adjust expenses in the course of the year, trying to achieve a result as positive as possible within the given market environment, and aiming to be able to pay a constant dividend.

Mid to long term goal:
10-15% growth, increasing EBIT margin

Mid to long term, M+M feels well prepared to continue the average annual sales growth of 10-15% achieved in the past, while step by step increasing the EBIT return from the actual level of just under 5% due to the higher margins in the VAR business.

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

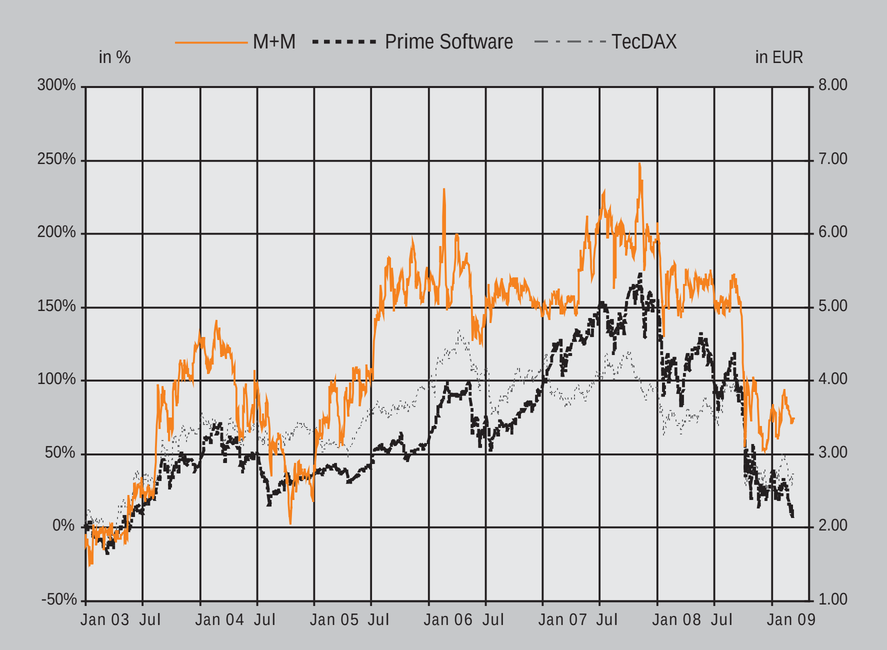
We would like to take the opportunity to thank all employees for their engagement during the past fiscal year, which enabled M+M to achieve new sales, operating profit and cash flows records in spite of a weakening market environment.

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 2009
Mensch und Maschine Software SE
The Managing Directors

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

Development of the M+M share



Statement of income

Amounts in KEUR	Note*	2008		△%	2007	
Revenues		**223,099**	**100%**	**+4.8%**	**212,935**	**100%**
Cost of materials	1	-167,205	-74.9%	+5.0%	-159,309	-74.8%
Gross margin		**55,894**	**25.1%**	**+4.2%**	**53,626**	**25.2%**
Personnel expenses	2	-26,820	-12.0%	+13.5%	-23,636	-11.1%
Other operating expenses	3	-22,699	-10.2%	+7.2%	-21,172	-9.9%
Depreciation	4	-1,485	-0.7%	+72%	-865	-0.4%
Other operating income	5	5,390	2.4%	+187%	1,875	0.9%
Operating result EBIT		**10,280**	**4.6%**	**+4.6%**	**9,828**	**4.6%**
Financial result	6	-1,989	-0.9%	-6.2%	-2,121	-1.0%
Result before taxes		**8,291**	**3.7%**	**+7.6%**	**7,707**	**3.6%**
Taxes on income	7	-2,721	-1.2%	+75%	-1,558	-0.7%
Net result after taxes		5,570	2.5%	-9.4%	6,149	2.9%
thereof attributable to M+M SE shareholders		**5,760**	**2.6%**	**-4.5%**	**6,029**	**2.8%**
thereof attributable to minority shareholders		-190	-0.1%		120	0.1%
Net income per share (basic)	8	0.4245		-9.9%	0.4710	
Net income per share (diluted)		0.4179		-7.6%	0.4590	
Weighted average shares outstanding in million (basic)	8	13.570		+6.0%	12.800	
Weighted average shares outstanding in million (diluted)		13.856		+4.1%	13.311	

* see notes on page 55 to 57

Balance sheet

Amounts in KEUR	Note*	Dec 31, 2008		△%	Dec 31, 2007	
Cash and cash equivalents		4,025		+136%	1,702	
Trade accounts receivable	9	33,435		-3%	34,469	
Inventories	10	9,864		+35%	7,303	
Prepaid expenses and other current assets	11	4,291		+11%	3,857	
Total current assets		**51,615**	**60.7%**	**+9%**	**47,331**	**58.9%**
Property, plant and equipment		2,549		-9%	2,812	
Investment properties	12	1,543		-1%	1,560	
Intangible assets		2,897		+17%	2,477	
Goodwill	13	20,210		+5%	19,226	
Other investments	14	1,871		-2%	1,912	
Deferred taxes	7	4,301		-14%	5,009	
Total non current assets		**33,371**	**39.3%**	**+1%**	**32,996**	**41.1%**
Total assets		**84,986**	**100%**	**+6%**	**80,327**	**100%**
Short term debt and current portion of long term debt	15	13,428		-13%	15,389	
Convertible loan	16	0		-100%	1,061	
Trade accounts payable		30,125		+12%	26,966	
Accrued expenses	17	4,134		+4%	3,968	
Deferred revenues		672		+51%	444	
Income tax payable		1,067		+8%	986	
Other current liabilities	18	5,958		+38%	4,310	
Total current liabilities		**55,384**	**65.2%**	**+4%**	**53,124**	**66.1%**
Long term debt, less current portion	19	1,752		-24%	2,291	
Deferred taxes	7	497		+677%	64	
Pension accruals	20	97		-62%	258	
Other accruals	17	187		-15%	219	
Other non current liabilities		667			0	
Total non current liabilities		**3,200**	**3.8%**	**+13%**	**2,832**	**3.5%**
Share capital	21	13,589		+0%	13,576	
Capital reserve	22	9,838		+3%	9,588	
Other reserves		221		0%	221	
Treasury stock	23	-517			0	
Retained earnings / accumulated deficit		2,701			-344	
Minority interest		1,115		-25%	1,482	
Currency conversion		-545			-152	
Total shareholders' equity		**26,402**	**31.1%**	**+8%**	**24,371**	**30.3%**
Total liabilities and shareholders' equity		**84,986**	**100%**	**+6%**	**80,327**	**100%**

* see notes on page 57 to 63

Statement of cash flows

Amounts in KEUR	2008	2007
Net result	**5,570**	**6,149**
Depreciation and amortization	2,760	865
Other non cash income / expenses	-727	-477
Increase/decrease in provisions and accruals	-27	367
Losses/gains on the disposal of fixed assets	0	-27
Change in net working capital	1,740	-3,231
Net cash provided by (used in) operating activities	**9,316**	**3,646**
Sale of subsidiaries	3,076	0
Purchase of subsidiaries, net of cash	-2,829	-2,093
Purchase of other fixed assets	-900	-771
Sale of other fixed assets	420	27
Net cash used in investing activities	**-233**	**-2,837**
Proceeds from issuance of share capital	54	4,858
Purchase of own shares	-517	0
Dividend payment	-2,715	-1,892
Proceeds from short or long term borrowings	-3,561	-4,773
Net cash provided by (used in) financing activities	**-6,739**	**-1,807**
Net effect of currency translation in cash and cash equivalents	-21	-88
Net increase / decrease in cash and cash equivalents	**2,323**	**-1,086**
Cash and cash equivalents at beginning of period	**1,702**	**2,788**
Cash and cash equivalents at end of period	**4,025**	**1,702**

see notes on page 63 and 64

Development of shareholders' equity Amounts in KEUR	Subscribed Capital	Capital Reserve	Other Reserves	Profit/ Loss	Minority interest	Own shares	Currency conversion	Total equity
As of Jan 01, 2007	**12,612**	**5,482**	**221**	**-4,481**	**1,014**	**0**	**64**	**14,912**
Share based payment		212						212
Capital increase	964	3,999						4,963
Capital costs		-105						-105
Dividend				-1,892				-1,892
Net result				6,029				6,029
Minority interest change					468			468
Currency conversion							-216	-216
As of Jan 01, 2008	**13,576**	**9,588**	**221**	**-344**	**1,482**	**0**	**-152**	**24,371**
Share based payment		209						209
Capital increase	13	41						54
Capital costs								0
Purchase of own shares						-517		-517
Dividend				-2,715				-2,715
Net result				5,760				5,760
Minority interest change					-367			-367
Currency conversion							-393	-393
As of Dec 31, 2008	**13,589**	**9,838**	**221**	**2,701**	**1,115**	**-517**	**-545**	**26,402**

Segment reporting

In November 2006, the International Accounting Standards Board (IASB) issued IFRS 8 “Operating Segments.” IFRS 8 replaces IAS 14 “Segment Reporting” and must be applied to reporting periods beginning on or after January 1, 2009. M+M has opted for early adoption of IFRS 8, beginning with the financial year ending on December 31, 2008. According to IFRS 8, reportable operating segments are identified based on the “management approach”. This approach stipulates external segment reporting based on the Group’s internal organizational and management structure and on internal financial reporting to the chief operating decision maker.

The measurement principles for the segment reporting structure are based on the IFRS principles adopted in the consolidated financial statements. M+M evaluates the segments’ performance based on their profit/loss from operations (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 (EBIT). Segment assets include in particular intangible assets; property, plant and equipment; trade and other receivables; and inventories. Segment liabilities include in particular trade and other payables, and significant provisions. Segment investments include additions to intangible assets and property, plant and equipment.

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

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

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

Segmentation

Amounts in KEUR	2008						2007					
	Distribution		VAR Business		M+M Software		Distribution		VAR Business		M+M Software	
Total revenue	199,047		1,452		25,571		190,736		868		23,545	
Internal revenue	-2,558				-413		-1,737				-477	
External revenue	**196,489**	**100%**	**1,452**	**100%**	**25,158**	**100%**	**189,001**	**100%**	**868**	**100%**	**23,066**	**100%**
share in percent	**88.1%**		**0.7%**		**11.3%**		**88.8%**		**0.4%**		**10.8%**	
Cost of materials	-164,313	-83.6%	-637	-43.9%	-2,255	-9.0%	-156,510	-82.8%	-200	-23.0%	-2,599	-11.3%
Gross margin	**32,176**	**16.4%**	**815**	**56.1%**	**22,903**	**91.0%**	**32,491**	**17.2%**	**668**	**77.0%**	**20,467**	**88.7%**
share in percent	**57.6%**		**1.5%**		**41.0%**		**60.6%**		**1.2%**		**38.2%**	
Personnel expenses	-12,312	-6.3%	-557	-38.4%	-13,951	-55.5%	-11,301	-6.0%	-441	-50.8%	-11,894	-51.6%
Other operating expenses	-14,119	-7.2%	-396	-27.3%	-8,184	-32.5%	-15,161	-8.0%	-284	-32.7%	-5,727	-24.8%
Depreciation	-794	-0.4%	-5	-0.3%	-686	-2.7%	-486	-0.3%	-3	-0.3%	-376	-1.6%
Other operating income	1,166	0.6%	359	24.7%	3,865	15.4%	1,157	0.6%	22	2.5%	696	3.0%
Operating result EBIT	**6,117**	**3.1%**	**216**	**14.9%**	**3,947**	**15.7%**	**6,700**	**3.5%**	**-38**	**-4.4%**	**3,166**	**13.7%**
share in percent	**59.5%**		**2.1%**		**38.4%**		**68.2%**		**-0.4%**		**32.2%**	
Financial result	-1,513	-0.8%	-50	-3.4%	-426	-1.7%	-1,559	-0.8%	-58	-6.7%	-504	-2.2%
Result before taxes	**4,604**	**2.3%**	**166**	**11.4%**	**3,521**	**14.0%**	**5,141**	**2.7%**	**-96**	**-11.1%**	**2,662**	**11.5%**
share in percent	**55.5%**		**2.0%**		**42.5%**		**66.7%**		**-1.2%**		**34.5%**	
Segment assets	59,766		243		24,977		58,810		49		21,468	
Fixed assets	10,383		21		18,666		13,063		5		14,919	
Investments	431		150		319		298		2		471	
Liabilities	44,109		855		13,620		39,618		827		15,511	

Geographical segmentation

Amounts in KEUR	2008		2007	
	Germany	International	Germany	International
Total revenue	60,607	165,832	57,112	159,208
Internal revenue	-3,340		-3,385	
External revenue	**57,267**	**165,832**	**53,727**	**159,208**
share in percent	**25.7%**	**74.3%**	**25.2%**	**74.8%**
Fixes assets	17,481	11,589	18,239	9,748
Investments	459	441	414	357

CAD in practice

Architecture and Construction

Project: BMW-Welt, Munich, Germany

Customer: Schmidt Stumpf Fruehauf und Partner GmbH, Munich (SSF)

The BMW-Welt in Munich is opening a new world of architecture and technology to its visitors. Additionally, it is a masterpiece of engineering and construction: The 14,000 sqm cantilever roof is supported at 11 points only. The bottom slab has been fixed in the soil using 775 micropiles to withstand the tremendous loads caused by ground water pressure.

For the construction of this bold design, complex computer calculations and simulations were needed. SSF's engineers use over 80 Autodesk Architectural Desktop seats for the design job. For the structural analysis SSF for years has trusted the high end solutions from SOFiSTiK AG, in which the M+M group holds a strategic minority share.

Notes

General remarks

Basis of the group financial statement

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

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

M+M SE is a global enterprise based in Germany. Its business activities are concentrated in the fields of CAD and CAM.

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

The Managing Directors of M+M SE approved the consolidated financial statements on March 6, 2009 for submission to the company's Administrative Board. The Administrative Board approved the consolidated financial statements at its meeting on March 13, 2009 and approved for publication on March 16, 2009

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 2008 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, 2008. M+M is applying the following IFRSs in the reporting period for the first time:

IFRS 7 und IAS 39
Recognition, Measurement and Disclosure of Financial Assets
IFRS 8 Operating Segments
IFRIC 11 Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements
IFRIC 14 Minimum Funding Requirements on a Defined Benefit Asset

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 2008 financial year.

IAS 1 Disclosure of an Entity's Capital
IAS 23 Capitalization of Borrowing Costs
IAS 27 und IFRS 3
Business Combinations
IAS 32 und IAS 1
Presentation of Financial Instruments
IFRS 1 und IAS 27
Initial cost of investments in subsidiaries
IFRS 2 Share-based Payment
IFRIC 13 Customer Loyalty Programmes

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

IAS 39 Recognition and Measurement of Financial Instruments
IFRS 1 First-time adoption of International Financial Reporting Standards
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 17 Distribution of Non-Cash Assets to Owners
IFRIC 18 Transfer of Assets from Customers

These Standards and Interpretations have to be applied for annual periods beginning after July 1, 2008 or January 1, 2009. 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 2009.

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, 2008.

M+M group consolidated companies	
Mensch und Maschine Management AG, Wessling, Germany	100%
Mensch und Maschine Deutschland GmbH, Wessling, Germany	100%
Mensch und Maschine Akademie GmbH, Kirchheim, Germany	100%
Mensch und Maschine Software AG, Winkel (Zuerich), Switzerland	100%
Mensch und Maschine Software Ges.m.b.H., Salzburg, Austria	100%
Man and Machine S.a.r.l., Paris, France	100%
Man and Machine Software s.r.l., Vimercate (Milan), Italy	100%
Man and Machine Software Sp.ZO.O., Lodz, Poland	100%
Man and Machine Ltd., Thame, UK	100%
Man and Machine AB, Gothenborg, Sweden	100%
Man and Machine Benelux NV, Ternat (Brussels), Belgium	100%
Man and Machine Romania SRL, Bukarest, Romania	100%
yello! Digital production tools AG, Wiesbaden, Germany	83.98%
EUKLID Software GmbH, Wessling, Germany	100%
DATAflor Software AG, Goettingen, Germany	61.50%
creaTa Software GmbH, Potsdam, Germany	93.38%
OPEN MIND Technologies AG, Wessling, Germany and 100% shareholding: OPEN MIND Technologies USA Inc., Southfield/Michigan, USA OPEN MIND Technologies PTE Ltd., Singapore OPEN MIND Technologies Italia s.r.l., Rho (Milan), Italy OPEN MIND Technologies France S.a.r.l., Le Borget du Lac Cedex, France OPEN MIND Technologies UK Limited, Thame, UK OPEN MIND Technologies Japan Inc., Tokyo, Japan OPEN MIND Technologies China Co.Ltd, Shanghai, China OPEN MIND Technologies Taiwan, Chungli City, Taiwan OPEN MIND Technologies Schweiz GmbH, Bassersdorf, Switzerland	100%

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

The share in creaTa Software GmbH has initially been increased from 50.10% to 93.38% by way of capital increases and impaired as of December 31, 2008. The deconsolidation will be in the Q1, 2009 because the insolvency application has been filed in February 2009.

As of January 31, 2008, all shares in SC Technical Grup Invent SRL have been bought and the company was renamed into Man and Machine Romania SRL. Man and Machine Romania SRL was included in the consolidated financial statements as of February 1, 2008, for the first time and made a contribution of KEUR 471 to the Group result.

The fair-value adjustment amounting to KEUR 2,505 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 is 7 years.

The first step was to estimate the future duration of customer relationships to calculate the fair value of this item. Then the future expected revenue was calculated less expected maintenance and repair costs in connection with customer relationships, taking future expected margins into account.

Acquired assets and assumed liabilities in fiscal year 2008

Amount in KEUR	Net carrying amount at the date of first time consolidation	Fair-value adjustment	Net carrying amount after the acquisition
Cash and cash equivalents	0		0
Other current asstes	1		1
Other intangible asstes	0	2,505	2,505
Deferred taxes	0	-505	-505
Other current liabilities	-1		-1
Net assets	**0**	**2,000**	**2,000**
Goodwill			1,829
Purchase price			**3,829**
Aquired cash and cash equivalents			0
Cash outflow for purchase			-2,828
Net cash outflow for the acquisition			**-2,829**

The adjusted goodwill of KEUR 1,829 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 20% for Romania.

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

If the acquisition had already taken place at the beginning of 2008, revenue of the Group for the twelve months would have increased by KEUR 574 and the earnings of the Group for the twelve months would have risen by KEUR 43.

M+M SE has sold the shares of subsidiary Electro-CAE-Software GmbH (ECS GmbH) to Mensch und Maschine Deutschland GmbH (M+M Deutschland). M+M Deutschland has bought the remaining minority interest of subsidiary ECS GmbH as of September 10, 2008 and merged it on the M+M Deutschland as of September 10, 2008. By October 10, 2008 all substantial assets and liabilities of the merged ECS GmbH were sold. This unit, which is not sufficiently material to be presented as a discontinued operation, generated KEUR 519 of sales and KEUR 108 of operating income and had net assets of KEUR 307 at September 10, 2008.

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 2008 of certain exemptions granted under Sections 264, paragraph 3 of the German Commercial Code regarding the release from the publication of financial statements:

- Mensch und Maschine Management AG, Wessling
- Mensch und Maschine Deutschland GmbH, Wessling
- OPEN MIND Technologies AG, Wessling

Principles of consolidation

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

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

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

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

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

Minority shares are valued at closing time with their share in shareholders equity respective earnings of the year of the particular subsidiary. For M+M, rule IAS 27.35 is applied saying that negative minority shares have to be settled with shareholders equity and that no minority shares debit or credit shall be applied to group income statement as long as no positive minority share results which, according to IAS 27.33, has to be shown separately within shareholders equity. There were no negative minority shares in the M+M group.

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

With regard to the consolidation measures affecting results, tax deferrals pursuant to IAS 12 were carried out to the extent that the deviation in tax expenditure would conceivably be balanced in future fiscal years. Deferred taxes were not regarded in cases of semi-permanent differences (goodwill).

Management judgments in the application of accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

Exchange rates

	Average		Year end	
	2008	2007	Dec 31, 08	Dec 31, 07
1 Swiss Franc	0.6332	0.6076	0.6725	0.6040
1 British Pound	1.2437	1.4547	1.0368	1.3596
1 Polish zloty	0.2830	0.2648	0.2394	0.2786
1 Swedish Krona	0.1033	0.1080	0.0914	0.1061
1 Romania Ron	0.2704	---	0.2498	---
1 US Dollar	0.6797	0.7295	0.7094	0.6794
1 Singapore Dollar	0.4813	0.4844	0.4917	0.4700
100 Japanese Yen	0.6557	0.6199	0.7848	0.6049
1 Taiwan Dollar	0.0216	0.0221	0.0216	0.0209
1 Renminbi Yuan	0.0976	---	0.1035	---

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 prior years the income statement has been prepared using the cost of sales method. Due to the early adoption to the segment reporting according to IFRS 8 the income statement is presented with the nature of expense method, because this reflects the internal reporting system. To guarantee the comparability, the previous year was adapted accordingly.

In accordance with IAS 1, the balance sheet is apportioned into current and non-current assets and into current and non-current liabilities.

Accounting and valuation methods

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

Property, plant and equipment
Property, plant and equipment is reported at cost of acquisition less regular depreciation. These assets are depreciated over the useful economic life of 3 to 10 years.

Investment property
Investment property is all real property held to earn rental income or for long-term capital appreciation rather than for use in production or for administrative purposes. This property is measured at depreciated cost. Transaction costs are also included in the initial measurement. Depreciable investment property is depreciated over 50 years using the straight-line method. Fair values of investment property are stated in the Notes under (12) and are determined using the gross rental method or are derived from the current market prices of comparable real estate. Impairment losses for investment properties are recognized according to the principles described for intangible assets. If the reason for an impairment loss recognized in prior years has ceased to exist, a write-back is performed, whereby the increased carrying amount resulting from the write back may not exceed the depreciated cost.

Business Combinations and Goodwill
Business combinations are accounted for using the purchase method.

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

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

In the context of the impairment test, the recoverable amount of the cash generating units is determined by the current value less sales costs or the value in use. The individual subsidiaries of M+M were defined as cash generating units. The current value reflects the best estimation of the amount, for which an independent third party would acquire the cash generating units as of balance-sheet date; Sale costs are taken off.

The value in use is determined on the basis of DCF methods. To calculate this, cash flow projections are based on financial budgets approved by the Administrative Board covering a three-year period. This planning is based on experiences from the past as well as on expectations over the future market development.

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

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

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

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

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

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

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

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

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

Other Investments

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

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

In general, the shareholdings are checked for depreciation by means of valuations which are taken as a basis when the shares in shareholdings are transferred. The tran-sactions invoked for the purposes of valua-tion 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 costs. If necessary, an inventory valuation adjustment is made due to a reduced usability. All recognizable risks are considered by appropriate adjustments.

Financial Instruments

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

According to IAS 39, financial instruments are categorized as:

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

Extended loans and receivables are stated at cost less accumulated depreciation and any impairment in value. Impairments, which take the form of allowances, make adequate provision for the expected credit risk; concrete cases of default lead to the 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 of the country in which M+M operates and include all facts of which M+M 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 losses carried forward. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Currently enacted tax laws and tax laws that have been substantively enacted as of the date balance sheet date are used as the basis for measuring deferred taxes.

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

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

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

Pension accruals
The pension accruals essentially exist at the parent company and refer to a defined benefit plan for the Managing Directors. The pension commitment contains a retirement pay, a widow's pension as well as a disablement pension. In the case of pension the payments are made monthly in advance.

Pursuant to the Projected Unit Credit Method according to IAS 19 the pension accruals are measured at the present value of the defined benefit liability.

The calculations were based on the following assumptions:

	2008	2007
Discount rate	6.00%-6.25%	5.00%-5.25%
Estimated return on plan asset	5.00%	5.00%-5.10%
Future changes in remuneration	1.50%-3.00%	1.50%-2.00%

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

Other assets and liabilities
For all identifiable risks of other assets, appropriate allowances are taken.

Liabilities are valued at their repayment value.

Foreign currency receivables and liabilities
In the individual financial statements, receivables and liabilities are translated at the rate on the balance sheet date. Profits and losses from the translation of foreign currency receivables and liabilities are reported in the Statement of Income under other income and expenses. As the income and expenses are not substantial, there are no notes relating to this position.

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

Development of stock option rights

	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	
Day of issuance	**Jun 2, 00**	**Jun 6, 01**	**Jun 3, 02**	**Jun 2, 03**	**Jul 12, 05**	**May 31,06**	**May 4, 07**	**Jun 26, 08**	**Total**
Total number granted	177,000	226,296	249,268	242,908	315,250	249,425	244,507	261,170	1,965,824
Strike price (EUR)	12.47	6.85	6.21	2.45	3.59	5.64	5.15	5.23	
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, 2008	49,200	60,250	163,304	11,938	165,415	240,855	244,507	0	935,469
In the reporting period									
granted options	0	0	0	0	0	0	0	261,170	261,170
forfeited options	0	5,000	8,784	500	16,400	25,470	21,166	3,500	80,820
exercised options	0	0	0	5,250	1,200	0	0	0	6,450
expired options	49,200	0	78,810	0	0	0	0	0	128,010
Outstanding options as of Dec 31, 2008	0	55,250	75,710	6,188	147,815	215,385	223,341	257,670	981,359
Exercisable options as of Dec 31, 2008	0	55,250	75,710	6,188	26,045	107,693	0	0	270,886
Capital increase in KEUR for:									
Exercisable options only	0	378	470	15	94	607	0	0	1,564
All options outstanding	0	378	470	15	531	1,215	1,150	1,348	5,107

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 2008, 261,170 new options have been issued and 6,450 options have been converted. In the period 128,010 options have expired and 80,820 have forfeited. As of December 31, 2008, 981,359 options are outstanding.

Parameter for the calculation

	Tranche 5		Tranche 6		Tranche 7		Tranche 8		Tranche 9	
	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
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
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
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
Expected dividend yield	0.00%	0.00%	4.30%	4.30%	5.45%	5.17%	3.59%	4.04%	7.85%	7.98%
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%
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%
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%

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, 2008, and the lower line reports all outstanding options.

If all 270,886 exercisable options were converted, this would lead to an injection of capital amounting to KEUR 1,564. In terms of the number of shares as at December 31, 2008, amounting to 13,589,208 and the equity as at December 31, 2008, of KEUR 26,402, this would correspond to 1.99% growth in the number of shares and a 5.92% increase in the equity. In terms of the total number of 981,359 outstanding options and an associated injection of capital amounting to KEUR 5,107, the following values are derived: number of shares +7.22% and capital growth +19.34%.

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 are used. Thus the costs of this remuneration system are measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The total value of the granted stock options as of December 31, 2008, under IFRS amounts to KEUR 1,489 (PY: 1,240).

As of the balance sheet date a total expense of KEUR 907 (PY: 698) 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 209 (PY: 212).

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

Related Parties

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

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

KTB Technologie Beteiligungsgesellschaft mbH & Co KG which holds shares of more than 3% as of December 31, 2008, granted M+M loans amounting to KEUR 2,475 (PY: 2,475) and therefore received interest of KEUR 123 (PY: 134).

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 209 (PY: 212).

3. Other Operating Expenses

Amounts in KEUR	2008	2007
Insurance	829	809
Costs for building	2,496	2,637
Travel costs	1,419	1,217
Car expenses	2,159	1,983
Advertising and promotion	10,199	9,683
Communication	712	694
IT-Budget	285	282
Consulting and Lawyer fees	937	1,053
Impairment	1,275	0
Rest of other operating expenses	2,388	2,814
	22,699	**21,172**

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	2008	2007
Depreciation of property, plant and equipment	749	794
Depreciation of investment properties	17	10
Amortization due to purchase price allocated intangible assets	601	60
Amortization of other intangible assets	118	1
	1,485	**865**

5. Other operating income

Amounts in KEUR	2008	2007
Return from private use of cars and telephones	593	585
Rents received	156	156
Disinvestment profit	3,407	0
Other income	1,234	1,134
	5,390	**1,875**

6. Financial result

Amounts in KEUR	2008	2007
Interest income	184	84
Interest expense	-1,903	-1,833
Income from other investments and participations	47	32
Other financial expenses	-50	-257
Foreign currency exchange gains / losses	-267	-147
Financial result	**-1,989**	**-2,121**

The other financial expenses mainly contain bank charges.

7. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 2,070 (PY: 1,856), a surplus amounting to KEUR 708 (PY: relief of 333) from further development and revaluation of deferred tax assets, as well as a relief of KEUR 55 (PY: surplus of 35) from deferred tax liabilities.

Tax reconciliation

Amounts in KEUR	2008	2007
Result before income tax	**8,291**	**7,707**
Legal tax rate	30%	37%
Expected tax load	**-2,487**	**-2,852**
Tax rate variances		
Foreign tax rate differential	-156	130
Deviation of the taxable base from		
Non deductable expenses	-155	-137
Tax free income from investments	13	12
Taxable depreciation of intangible assets	105	480
Valuation of deferred tax assets		
Non execution of deferred tax assets	0	51
Belated execution of deferred tax assets	0	1,313
Change of tax rate	0	-537
Other	**-41**	**-18**
Actual tax load	**-2,721**	**-1,558**
Effective tax rate in percent	**32.82%**	**20.22%**

In total there are realizable tax loss carry forwards amounting to KEUR 18,796 (PY: 26,127). This creates gross tax credits of KEUR 5,879 (PY: 8,112). The realization of the tax loss carry forward has been proved by planning forecasts and flexible tax models of optimization. Hereby only those tax loss carry forwards are capitalized, which can presumably be used within the following five years, resulting in deferred tax assets with an amount of KEUR 4,185 (PY: 4,893). This means 71.20% (PY: 60.32%) 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 116 (PY: 116) resulting from different valuations of intangible assets, as well as deferred tax liabilities amounting to KEUR 497 (PY: 64). The changes have been booked as tax expenditure or proceeds.

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

8. Calculation of shares outstanding and earnings per share

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

For the purpose of calculating diluted earnings per share, the profit and loss attributable to ordinary equity holders and the weighted average number of shares outstanding has to be adjusted for the effects of all diluting potential ordinary shares. In accordance with IAS 33, net income is adjusted for the after tax effect of the interest of KEUR 31 (PY: 80) recognized for the convertible loan.

	2008	2007
Net result KEUR attributable to M+M shareholders	5,760	6,029
Weightes number of shares	13,569,547	12,799,803
Non diluted earnings per share EUR	0.4245	0.4710
Diluted net result KEUR	5,791	6,109
Diluted number of shares	13,856,442	13,311,429
Diluted earnings per share EUR	0.4179	0.4590

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 372 (PY: 498).

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	2008	2007
As of Jan 1	498	725
Translation differences	-45	0
Addition	149	212
Disposal	-192	-203
Reversing	-38	-236
As of Dec 31	**372**	**498**

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 follwing periods				
	book value		30 < 60	60 < 90	90 < 180	180 < 360	> 360
As of Dec 31, 2008	33,435	29,238	1,913	462	797	549	475
As of Dec 31, 2007	34,469	29,778	2,829	405	324	564	73

Fixed assets register 2007

	Acquisition costs					Accumulated depreciation				Net book value	
	Jan 1,07	Consolidations effects	Addition	Disposal	Dec 31,07	Jan 1,07	Addition	Disposal	Dec 31,07	Jan 1,07	Dec 31,07
I. Tangible assets	**8,214**	**51**	**670**	**0**	**8,935**	**5,329**	**794**	**0**	**6,123**	**2,885**	**2,812**
II. Investment Properties	**1,574**	**0**	**0**	**0**	**1,574**	**4**	**10**	**0**	**14**	**1,570**	**1,560**
III. Other intangible assets	**3,282**	**1,585**	**32**	**0**	**4,899**	**2,361**	**61**	**0**	**2,422**	**921**	**2,477**
1. Purchase price allocation	420	1,487	0	0	1,907	0	60	0	60	420	1,847
2. Other	2,862	98	32	0	2,992	2,361	1	0	2,362	501	630
IV. Goodwill	**28,619**	**0**	**1,878**	**0**	**30,497**	**11,271**	**0**	**0**	**11,271**	**17,348**	**19,226**
V. Financial assets	**3,765**	**0**	**69**	**-27**	**3,807**	**1,895**	**0**	**0**	**1,895**	**1,870**	**1,912**
1. Financial assets	3,691	0	1	0	3,692	1,895	0	0	1,895	1,796	1,797
2. Other	74	0	68	-27	115	0	0	0	0	74	115
(all amounts in KEUR)	**45,454**	**1,636**	**2,649**	**-27**	**49,712**	**20,860**	**865**	**0**	**21,725**	**24,594**	**27,987**

10. Inventories

This position predominantly contains purchased goods amounting to KEUR 7,219 (PY: 5,281), software licences amounting to KEUR 1,988 (PY: 1,615) and work in progress amounting to KEUR 657 (PY: 407).
The inventory is reduced by a specific allowance amounting to KEUR 141 (PY: 285).

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, 2008, the fair value of investment property amounted to KEUR 1,579 (PY: 1,569). 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 93 (PY: 61). Direct operating expenses totalled KEUR 26 (PY: 21).

Fixed assets register 2008

Acquisition costs						Accumulated depriciation					Net book value	
Jan 1,08	Consolidate-ion effects	Currency	Addition	Disposal	Dec 31,08	Jan 1,08	Currency	Addition	Disposal	Dec 31,08	Jan 1,08	Dec 31,08
8,935	**0**	**0**	**833**	**-541**	**9,227**	**6,123**	**0**	**749**	**-194**	**6,678**	**2,812**	**2,549**
1,574	**0**	**0**	**0**	**0**	**1,574**	**14**	**0**	**17**	**0**	**31**	**1,560**	**1,543**
4,899	**2,505**	**-183**	**67**	**0**	**7,288**	**2,422**	**-25**	**1,994**	**0**	**4,391**	**2,477**	**2,897**
1,907	2,505	-183	0	0	4,229	60	-25	1,876*	0	1,911	1,847	2,318
2,992	0	0	67	0	3,059	2,362	0	118	0	2,480	630	579
30,497	**1,829**	**-134**	**0**	**-711**	**31,481**	**11,271**	**0**	**0**	**0**	**11,271**	**19,226**	**20,210**
3,807	**0**		**0**	**-41**	**3,766**	**1,895**	**0**	**0**	**0**	**1,895**	**1,912**	**1,871**
3,692	0		0	0	3,692	1,895	0	0	0	1,895	1,797	1,797
115	0		0	-41	74	0	0	0	0	0	115	74
49,712	**4,334**	**-317**	**900**	**-1,293**	**53,336**	**21,725**	**-25**	**2,760***	**-194**	**24,266**	**27,987**	**29,070**

* thereof KEUR 1,275 extraordinary depreciation

13. Goodwill

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

Goodwill development

Amounts in KEUR	Dec 31, 2007	Addition	Currency	Dec 31, 2008
OPEN MIND	9,341			9,341
M+M UK	2,982			2,982
M+M Romania	0	1,829	-134	1,695
M+M Sweden	1,438			1,438
M+M Switzerland	1,265			1,265
DATAflor	1,135			1,135
M+M Italy	1,116			1,116
M+M Poland	474			474
M+M Akademie	350			350
M+M France	333			333
M+M Austria	81			81
ECS	711	-711		0
Total	**19,226**	**1,118**	**-134**	**20,210**

14. Other investments

Other investments mainly include strategic shareholdings. As of December 31, 2008, the following investments existed:

Investments

Amounts in KEUR	Dec 31, 2008 in %	Dec 31, 2008 Book value	Dec 31, 2007 in %	Dec 31, 2007 Book value
CTB GmbH & Co KG, Buchholz	19.9	200	19.9	200
SOFiSTiK AG, Oberschleissheim	14.3	897	14.3	897
BlueCielo ECM Solutions, Netherlands	7.4	700	7.4	700

M+M is performing current evaluations of the financial assets. For this purposes DCF models as well as industry-specific 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, 2008, 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. Convertible loan

As of July 15, 2004, 348,599 unregistered convertible loans have been issued with a nominal amount of EUR 1.00. The loans were issued at EUR 5.75 each. The convertible loan had a running time of maximum four years and interest was paid annually with 5.75% of the issuing amount from July 15, 2004 (included) till July 14, 2008 if not paid back or converted. The interest was paid annually due on July 15 of the years 2005 to 2008. The loans were paid back at the latest July 15, 2008 if not converted before. Each loan creditor had the irrevocable right during the conversion window (one month after July 15, 2005, 2006, 2007 and last from June 1 to 30, 2008) to convert each loan held in the nominal amount of EUR 1.00 in 1 (one) ordinary share with a par value of EUR 1.00 of M+M SE. 6,294 conversion rights were exercised in 2008.

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

Consequently, the liability component has been measured at cost up to the conversion or maturity of the loan. In the fiscal year non cash interest expenditures of KEUR of 24 (PY: 48) has been allocated to the loan capital. However the equity component measured at the date of issuing of the loan remains unchanged.

The convertible loan has been paid off on July 15, 2008.

17. 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 reversing.

Table of accrual development

Amounts in KEUR	Dec 31, 2007	Disposal	Addition	Dec 31, 2008
Personnel accruals	1,208	-1,208	1,464	1,464
Outstanding bills	1,357	-1,357	1,011	1,011
Other	1,403	-1,403	1,659	1,659
Total current accruals	**3,968**	**-3,968**	**4,134**	**4,134**
Personnel accruals	219	-32	0	187
Total non current accruals	**219**	**-32**	**0**	**187**
Total accruals	**4,187**	**-4,000**	**4,134**	**4,321**

18. 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, 2008. Furthermore this position includes debts from VAT and tax on wages and salaries, outstanding social security costs and deferred income.

Non current liabilities

19. Long term debt, less current portion

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

Debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of Dec 31, 2008				
Bank debt	15,180	13,428	1,752	0
Financial liability	**15,180**	**13,428**	**1,752**	**0**
As of Dec 31, 2007				
Bank debt	17,680	15,389	2,291	0
Convertible loan	1,061	1,061	0	0
Financial Liability	**18,741**	**16,450**	**2,291**	**0**

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

20. 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 97 (PY: 258), of which an amount of KEUR 97 (PY: 258) represents the determined cash value of the performance-oriented obligation not financed via funding. The cash value determined as at the balance sheet date of the performance-oriented obligations financed via funds amounts to KEUR 3,616 (PY: 3,007). 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 105 (PY: 100), interest expenses amounting to KEUR 115 (PY: 113) and current time of service expenditure amounting to KEUR 48 (PY: 55). The stated expenses and income are included in the general and administrative expenses. In the financial year, pension has been paid in the amount of KEUR 39 (PY: 39).

The status of the defined benefit obligations is as follows:

Amounts in KEUR	2008	2007
Benefit obligation at start of year	3,265	2,714
Interest cost	115	113
Service cost	48	55
Benefits paid	-39	-39
Net actuarial gain	324	422
Benefit obligation at end of year	**3,713**	**3,265**
Plan assets at start of year	3,007	2,250
Employer contributions	-39	-39
Actual return on plan assets	105	100
Net actuarial gain	543	696
Plan assets at year end	**3,616**	**3,007**
Net recognized liability	**97**	**258**

Pension benefits payable in the future are estimated as follows:

	Amounts in KEUR
2009	52
2010	53
2011	54
2012	55
2013	95
2014 - 2018	542

21. Shared capital

The subscribed capital of M+M SE as of Dec 31, 2008, comprised 13,589,208 (PY: 13,576,464) shares, with a calculated stake of EUR 1.00 per share. In 2008, 6,450 options and 6,294 convertible loans have been converted.

22. Capital reserve

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

Amounts in KEUR	2008	2007
Capital reserve as of Jan 1	9,588	5,482
Capital increase	11	3,288
Convertible loan	30	711
Share based payments	209	212
Cost of capital increase	0	-105
Capital reserve as of Dec 31	**9,838**	**9,588**

M+M has contingent capital, which serves to grant the members of the Board of Directors and other employee's stock options. In 2008, 6,450 options have been converted with a premium amounting to KEUR 11.

Furthermore the capital reserve includes the premium amounting to KEUR 30 from the 6,294 conversions of the convertible loan.

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, 2008, M+M holds 163,825 shares of treasury stock. This is 1.21% of issued capital. Treasury shares are carried at cost.

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 1,903 (PY: 1,833) and cash flows used for interest expenses of KEUR 184 (PY: 84)
- KEUR 2,070 (PY: 1,856) in taxes on income paid (less income tax refunds)
- cash flows from investments (dividends) amounting to KEUR 42 (PY: 32)

The other expenses / income not using cash are mainly the change of the deferred taxes amounting to KEUR 708 (PY: -365) and the change of deferred revenues of KEUR 228 (PY: 100) as well as the expenses for share base payments of KEUR 209 (PY: 212).

Cash flows from financing activities include KEUR 2,715 (PY: 1,892) which was paid out to M+M shareholders, which is EUR 0.20 per share (PY: 0.15).

Cash and cash equivalents of KEUR 0 (PY: 135) stemming from acquisitions are offset against capital expenditure on financial assets.

Amounts in KEUR	2008	2007
Purchase price	3,829	350
Selling price	4,101	0
Cash outflow for purchase	2,829	350
Cash in for sale	3,076	0
Acquired cash	0	135
Disposed cash	0	0

The acquired original assets and liabilities are shown below:

Amounts in KEUR	2008	2007
Fixed assets	0	51
Current assets	1	138
Accruals	0	121
Liabilities	1	554

The disposed assets and liabilities are shown below:

Amounts in KEUR	2008	2007
Fixed assets	18	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 9,058 (PY: 9,856). In the current financial year, rent and leasing payments are contained amounting to KEUR 2,948 (PY: 3,047).

The due dates of payments are as following:

	Amounts in KEUR
2009	2,744
2010	1,848
2011	1,464
2012	1,280
2013	1,216
Following years	506
Total	**9,058**

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

Risk management

Principles of risk management

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

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

Currency risks

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

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

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

Amounts in KEUR	2008	2007
Increase of 5%	-304	-328
Decrease of 5%	304	328

Interest rate risks

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

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

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

Amounts in KEUR	2008	2007
Increase of 100 basis points	-56	-189
Decrease of 100 basis points	56	189

Liquidity risks

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

Liquidity risks 2008

Amounts in KEUR	book value	Cash flows 2009		Cash flows 2010		Cash flows from 2011	
	Dec 31,2008	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	15,180	317	13,817	74	951	50	412
Convertible loan	0	0	0				
Other current liabilities	5,565	0	4,899		333		333
Financial liability	**20,745**	**317**	**18,716**	**74**	**1,284**	**50**	**745**

Liquidity risks 2007

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

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

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

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

Liquidity risks 2008

Amounts in KEUR Assets	Category in accordance with IAS 39	Book value Dec 31, 2008	Fair Value Dec 31, 2008	Amounts recognized in balance sheet according to IAS39 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2008
Cash and cash equivalents	LaR	4,025	4,025	4,025		4,025
Trade accounts receivable	LaR	33,435	33,435	33,435		33,435
Other current assets	LaR	3,680	3,680	3,680	611	4,291
Liabilities						
Bank debt	FLAC	15,180	15,336	15,180		15,180
Convertible loan	FLAC	0	0	0		0
Tradeaccounts payable	FLAC	26,966	26,966	26,966		26,966
Other current liabilities	FLAC	5,565	5,565	5,565	1,060	6,625
Of which aggregated by category in accordance with IAS 39						
Loans and Receivables (LaR)		41,140	41,140	41,140		
Financial Liabilities Measured at Amortised Cost (FLAC)		47,711	47,711	47,711		

Liquidity risks 2007

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

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

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

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

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, 2008, M+M did not hold any material investments to be classified as "available-for-sale".

Credit risk

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

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

Capital management

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

The gearing ratio improved from 1.49 to 0.86 and the equity ratio comes to 31.1% from 30.3%.

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, 2008.

Research and development expenses

The research and development expenses for the financial year amounts to KEUR 7,619 (PY: 7,322). Thereof an amount of KEUR 5,804 (PY: 5,335) refers to the continuing 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 388 (PY: 327). The number of trainees was 9 (PY: 9).

Administrative Board

According to article 23 and 24 of the SE implementing law in connection with article 10, para 1, of the articles of association of predecessor Mensch und Maschine Software AG provides that the Administrative Board is made up of three members. The general meeting of Mensch und Maschine Software SE on May 30, 2006 elected the following persons to the Administrative Board for the duration according to the articles of association:

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

Managing Directors

The following gentlemen were appointed Managing Director during fiscal year 2008:

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

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

Remuneration of Managing Directors and Administrative Board

The remuneration for the Managing Directors is shown below:

Remuneration of Managing Directors

2008 in KEUR	fix	variable	non cash	Options	Total
Adi Drotleff	164	34	67	0	**265**
Michael Endres	113	34	27	6	**180**
Peter Schuetzenberger	110	34	25	6	**175**
Jens Jansen	108	34	28	6	**176**
Werner Schwenkert	144	36	30	6	**216**
Total 2008	**639**	**172**	**177**	**24**	**1,012**
2007 in KEUR					
Adi Drotleff	160	32	67	0	**259**
Michael Endres	109	32	27	6	**174**
Peter Schuetzenberger	109	32	25	6	**172**
Jens Jansen	108	32	28	6	**174**
Werner Schwenkert	132	32	30	6	**200**
Total 2007	**618**	**160**	**177**	**24**	**979**

The fair value of the share options was measured by applying a binomial model (PY: Black-Scholes-Merton formula).

The pension obligation for the Managing Directors amounts to KEUR 1,073 (PY: 1,115) as of December 31, 2008.

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

Directors' shareholdings and options

Stock and option ownership of Directors and Board members as per Dec 31, 2008, is shown in the following table:

Directors' holdings

	Dec 31, 2008		Dec 31, 2007	
Directors	**Shares**	**Options**	**Shares**	**Options**
Adi Drotleff	6,003,212	10,200	5,875,285	15,400
Michael Endres	24,000	36,000	24,000	34,000
Jens Jansen	24,657	36,000	24,657	33,400
Peter Schuetzenberger	30,000	39,600	30,000	37,600
Werner Schwenkert	836,800	27,600	831,800	22,200
Total Directors	**6,918,669**	**149,400**	**6,785,742**	**142,600**
Administrative Board				
Norbert Kopp	5,000	0	5,000	0
Thomas Becker	0	0	0	0
Total Admin. Board	**5,000**	**0**	**5,000**	**0**

Other Advisory Board memberships of Administrative Board members

On December 31, 2008, Mr. Drotleff also served as chairman of the Advisory Board of DATAflor AG, Goettingen, and was a member of the Advisory Board for SOFiSTiK AG, Munich.

On December 31, 2008, Mr. Kopp also served as a member of the Advisory Board of Foris AG, Bonn, of EasyMeter GmbH, Bielefeld, of MergeOptics GmbH, Berlin, as well as GUV Gesellschaft für Umwelttechnik und Vertrieb GmbH, Saarbruecken.

On December 31, 2008, Mr. Becker also served as a member of the Advisory Board for DATAflor AG, Goettingen.

Group accountant fee volume

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

Amounts in KEUR	2008	2007
Audit	115	109
Tax consulting	35	40
Other	9	10
Total	**159**	**159**

Events after balance sheet date

In the course of the „Market Offensive“, M+M is acquiring several key reseller partner companies in the German speaking area by share swaps, and is massively expanding its own end user business, which so far has played a subordinate role.

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

Company	Shares
CAD-LAN AG, Suhr, Switzerland	75.0%
Haberzettl GmbH, Nuremberg, Germany	50.1%
LeyCAD, Reichshof/Cologne, Germany	100.0%
Dressler GmbH, Friedrichshafen, Germany	100.0%

All partner companies have been acquired retroactive as of January 1, 2009 and will be included in the consolidated financial statements in Q 1/2009 for the first time.

CreaTa Software GmbH has filed the insolvency application on February 5, 2009.

Appropriation of net income

M+M SE has unappropriated retained earnings amounting to KEUR 6,261 as of December 31, 2008. The Administrative Board will propose to the shareholders meeting a dividend of EUR 0.20 per share. With consideration of the 167,025 own shares acquired till March 6, 2009 the total dividend payment amounts to KEUR 2,684. The remaining balance is carried forward to unappropriated net income of KEUR 3,577. If the number of own shares should change up until the shareholders meeting at May 5, 2009, the dividend payment will be adapted accordingly.

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

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

The Managing Directors

Adi Drotleff

Michael Endres

Jens Jansen

Peter Schützenberger

Werner Schwenkert

Independent Auditor´s Report

‘We have audited the consolidated financial statements prepared by Mensch und Maschine Software SE, Wessling, comprising the income statement, balance sheet, cash flow statement, statement of recognized income and expense and the notes to the consolidated financial statements, together with the group management report, for the business year from January 1, 2008, to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the e.u., and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Stuttgart, March 6, 2009

A W T
AUDIT WIRTSCHAFTS - TREUHAND AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Hahn
Wirtschaftsprüfer

Huber
Wirtschaftsprüfer

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

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

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

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

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

During fiscal year 2008, five Administrative Board meetings took place on February 28, March 14 (by phone), May 29, October 2 and December 18.

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
- Acquisition and ramp up of the new subsidiary in Romania
- Preparation of the Market Offensive to introduce a VAR Business segment
- Sale of ecscad technology
- Decisionmaking upon Creata GmbH
- Reaction on market slowdown
- Use of exisiting tax loss carryovers and tax optimisation
- Dividend policy

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

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

The Managing Directors and the Administrative Board explicitly commited to the recommendations for responsible corporate governance fixed in the German Corporate Governance Codex in April 2008 in accordance with §161 AktG. This commitment is permanently accessible by the shareholders on the company's website.

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

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

The annual report of Mensch und Maschine Software SE as of December 31, 2008, including the management report, as well as the group annual report as of December 31, 2008, including the management report for the group was set up by the Managing Directors and audited by AWT Audit Wirtschafts-Treuhand AG Wirtschaftspruefungsgesellschaft (auditing firm), Stuttgart, and endorsed with an unqualified audit opinion.

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

The auditor took part in the annual fiscal year report meetings on February 27 and March 13, 2009, 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 2008.

Wessling, March 2009
The Administrative Board
Adi Drotleff
Chairman

Events

April 27, 2009	Quarterly report Q1/2009
May 28, 2009	Annual shareholders' meeting
July 24, 2009	Half year report 2009
October 26, 2009	Quarterly report Q3/2009
March 15, 2010	Annual report 2009
March 15, 2010	Analysts' conference

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CAD/CAM in practice: Prototype construction in motorsport

Project: CNC programming for manufacturing

Customer: DAISHIN SEIKI CORPORATION, Japan

Sectors like aerospace or motorsport industries are driving technological advancement and they do so using CAM solution hyperMILL from the M+M subsidiary OPEN MIND.
It offers innovative technologies that open up new manufacturing methods.

DAISHIN SEIKI CORPORATION is a well-known prototype manufacturer of motorcycle and automotive parts. In 2008, the company decided to introduce the CAD/CAM solution hyperCAD/hyperMILL together with new 5-axis machining centres. Prototypes can be constructed in 3D, and therefore very vividly, in a continuous process. Contractors' strict requirements for precision and surface quality can be implemented very profitably with subsequent CAM programming and 5-axis manufacturing.

Thanks to the intelligent 5-axis technology from hyperMILL, both programming and machining times are reduced. As a result, the DAISHIN SEIKI CORPORATION has become one of the leading manufacturers of prototypes for motorsport, motorcycle and automotive industries in the space of just a few months.

mensch und maschine

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