mensch maschine

CAD as CAD can

Annual report 2020

Mensch und Maschine at a glance

All amounts in million EUR (unless stated otherwise)	2014	2015	2016	2017	2018	2019	2020
Revenue	140.0	160.4 +14.5%	167.1 +4.2%	160.9 -3.7%	185.40 +15%	245.94 +33%	243.98 -0.8%
Germany	66.9 47.8%	74.7 46.6%	74.9 44.8%	75.9 47.2%	83.32 44.9%	112.98 45.9%	113.08 46.3%
International	73.1 52.2%	85.7 53.4%	92.2 55.2%	85.0 52.8%	102.05 55.1%	132.96 54.1%	130.90 53.7%
Gross profit	74.7	84.5 +13%	91.4 +8.2%	94.8 +3.7%	103.91 +9.6%	127.89 +23%	127.96 +0.1%
M+M Software	36.6 49.0%	39.6 46.8%	44.7 48.9%	48.9 51.6%	54.36 52.3%	69.70 54.5%	68.85 53.8%
VAR Business	38.1 51.0%	44.9 53.2%	46.7 51.1%	45.9 48.4%	49.55 47.7%	58.19 45.5%	59.11 46.2%
Operating profit EBITDA	10.9	12.8 +18%	15.8 +23%	18.0 +14.5%	22.75 +26%	36.55 +61%*	40.33 +10%
EBITDA return from revenue	7.8%	8.0%	9.4%	11.2%	12.3%	14.9%	16.5%
Operating profit EBIT	6.8	8.5 +25%	12.5 +47%	15.2 +22%	19.66 +29%	27.19 +38%	31.03 +14%
EBIT return from revenue	4.9%	5.3%	7.5%	9.5%	10.6%	11.1%	12.7%
Net profit after minority shares	3.7	3.9 +4.0%	6.6 +70%	8.5 +30%	11.69 +37%	16.67 +43%	18.71 +12%
Net return from revenue	2.7%	2.4%	3.9%	5.3%	6.3%	6.8%	7.7%
per share in EUR	0.24	0.24	0.40	0.525	0.715	0.99	1.115
Operating cash flows	6.3	14.7 +134%	14.6 -0.1%	15.2 +4.0%	15.23 +0.2%	26.35 +73%*	33.73 +28%
per share in EUR	0.40	0.91	0.90	0.935	0.93	1.57	2.01
Dividend in EUR	0.20	0.25 +25%	0.35 +40%	0.50 +43%	0.65 +30%	0.85 +31%	1.00 +18%
Total assets	104.2	102.5 -2%	100.5 -2%	101.8 +1%	106.11 +4%	159.49 +50%*	154.73 -3%
Shareholders' equity	39.2	39.6 +1%	40.6 +2%	43.9 +8%	51.28 +17%	73.52 +43%	80.16 +9%
Equity ratio	37.7%	38.6%	40.4%	43.1%	48.3%	46.1%	51.8%
Number of shares in million	15.439	16.127 +4.5%	16.306 +1.1%	16.281 -0.2%	16.351 +0.4%	16.820 +2.9%	16.783 -0.2%
Headcount (full time equivalent)	718	731 +2%	759 +4%	784 +3%	821 +5%	946 +15%	948 +0.2%

* Comparison 2019/18 distorted by first time application of IFRS16

Content

man machine
CAD as CAD can

Dear reader,
For M+M the year 2020 started, in continuation of the record-hunting year 2019, with high double-digit sales and profit increases in Q1. From Q2 onwards, impacted by the Corona crisis, sales dropped around 10% below the previous year's records, which was more than compensated through high cost elasticity and growing margin strength during the course of the year.

Annual sales thus came in at EUR 244 mln, just slightly below the previous year's record, but profit and cash flows continued to show double-digit increases. Operating profit EBIT amounting to EUR 31.03 mln / +14% marked a new record, as did net profit amounting to EUR 18.71 mln / +12% or 111.5 Cents/share.

The absolute highlight again was operating cash flows continuing to soar and increasing +28% to EUR 33.73 mln or 201 Cents/share.

This allows us to increase the dividend to 100 Cents (PY: 85 / +18%) as planned, as in the past years optionally in cash or shares.

All in all, 2020 was another sucessful test for the scalability of the M+M business model with its active cost management and being optimized for sustainable profitable growth, under very adverse conditions.

M+M management's clear future target is to continue this sustainable profitable growth: After the robust business during 2020, we expect 125-135 Cents/share (+12-21%) net profit and 115-120 Cents dividend for 2021.

From 2022 onwards we expect to return to our long-term achieved growth mode, with +8-12% p.a. for sales and gross profit as well as +18-24 Cents/share for net profit.

Wessling, March 2021
The Managing Directors

2020 at a glance

- Sales: EUR 243.98 mln / -0.8%
  - M+M Software: EUR 75.61 mln / +0.7%
  - VAR Business: EUR 168.38 mln / -1.5%
- Record gross profit: EUR 127.96 mln / +0.1%
  - M+M Software: EUR 68.84 mln / -1.2%
  - VAR Business: EUR 59.11 mln / +1.6%
- Record EBITDA: EUR 40.33 mln / +11%
  - EBITDA margin 16.5% (PY: 14.9%)
- Record EBIT: EUR 31.03 mln / +14%
  - M+M Software: EUR 19.14 mln / +10%
  - VAR Business: EUR 11.90 mln / +21%
  - EBIT margin 12.7% (PY: 11.1%)
- Record net profit: EUR 18.71 mln / +12%
  - Per share: 111.5 Cent (PY: 99)
- Record cashflow: EUR 33.73 mln / +28%
  - Per share: 201 Cents (PY: 157)
- Dividend proposal: 100 Cents (PY: 85 / +18%)
- Headcount Dec 31, 2020: 1,030 (PY: 1,004)
  - Full time equivalent 2020: 948 (PY: 946)

Adi Drotleff
Chairman

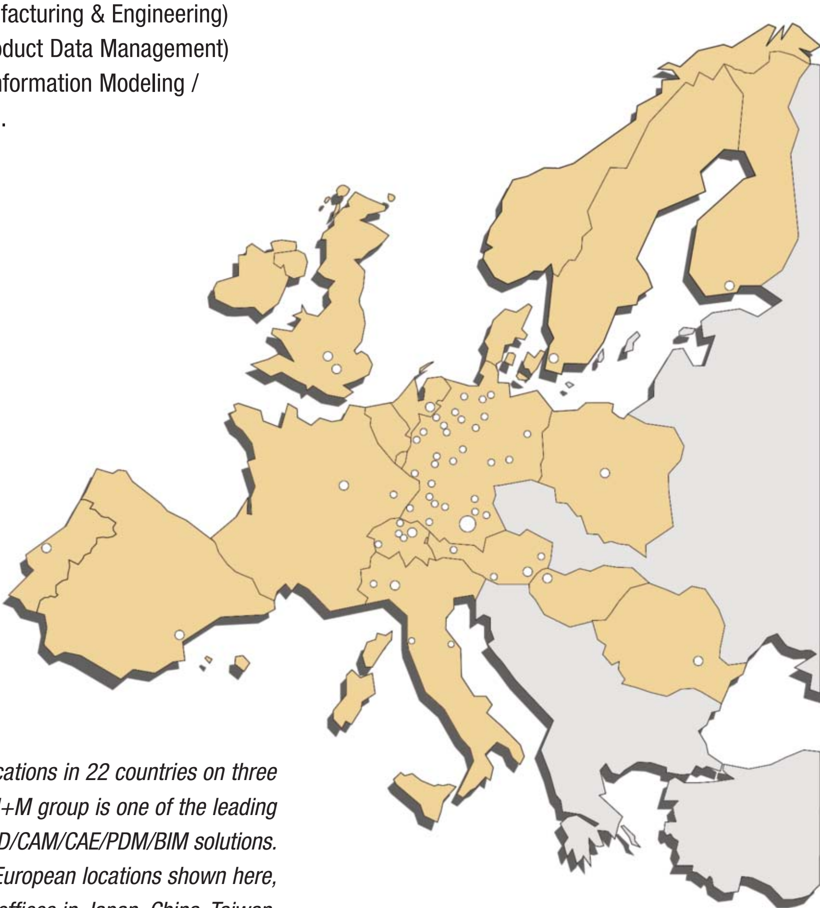
Christoph Aschenbrenner
COO

Markus Pech
CFO

Management report 2020

Enterprise and market position

Mensch und Maschine Software SE (M+M) is a leading provider of digitalization solutions in the CAD/CAM/CAE (Computer Aided Design, Manufacturing & Engineering) as well as PDM (Product Data Management) and BIM (Building Information Modeling / Management) areas.



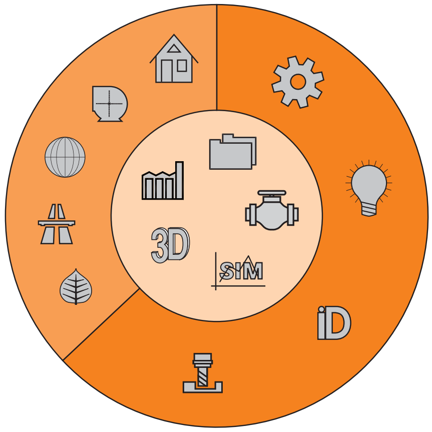
With around 75 locations in 22 countries on three continents, the M+M group is one of the leading providers of CAD/CAM/CAE/PDM/BIM solutions. In addition to the European locations shown here, additional sales offices in Japan, China, Taiwan, Singapore, India, Israel, the USA and Brazil provide global presence for M+M's own software.

Broad sector coverage
Two thirds of the M+M business is achieved in the Industrial sector, e.g. Mechanical Engineering, Automotive/Aerospace/Shipbuilding, Tool/Mold/Die Making, Electrical and Process Engineering, Hydraulics, Pneumatics or Industrial Design.
The remaining third comes from AEC, e.g. Architecture, Building Services, Structural and Civil Engineering, Bridge/Tunnel Construction, Infrastructure, Facility Management, Earthworks or Gardening & Landscaping. This breakdown is quite similar to the global CAD/CAM/CAE/PDM/BIM market. The broad sector coverage, compared to the competition, allows M+M to offer interdisciplinary solutions such as Simulation, Visualization/ Animation, Plant or ‘Digital Factory / City’.

Large customer and installation base
Altogether, Mensch und Maschine’s active installed base consists of far more than 100,000 CAD/CAM/CAE/PDM/BIM seats at over 30,000 end customer sites of all size categories - from small engineer’s or architect’s offices up to international large-scale enterprises. M+M is a pure B2B (Business-to-Business) vendor without any B2C (Business-to-Consumer) activities.

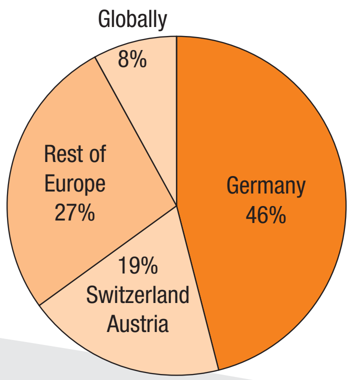
Wide price/performance range
The M+M product portfolio covers a wide price/performance range from quite simple 2D drawing software for up to 1,000 Euros through midprice 3D design solutions in the four digit Euro range up to high end systems with software investment levels from 10,000 to 100,000 Euros and more. The majority of CAD/CAE/PDM/BIM sales are generated in the midprice range, while the self-developed CAM software as well as customer specific infrastructure, facility management and ‘Digital Factory / City’ solutions are in the high end range.

Focus on German speaking countries
In 2020 the German speaking countries contributed nearly two thirds (approx. 46% Germany, approx. 19% Switzerland/Austria) to the EUR 244 mln group sales, while about 27% came from other European markets. Roughly 8% of sales (more than EUR 19 mln) were achieved in Asia, America, Africa and Australia exclusively with M+M’s own CAM and BIM / Structural Engineering Software.



Two thirds of the M+M business is achieved in the Industrial sector, e.g. Mechanical Engineering, Automotive/Aerospace/Shipbuilding, Tool/Mold/Die Making, Electrical and Process Engineering, Hydraulics, Pneumatics or Industrial Design. One third comes from AEC, e.g. Architecture, Building Services, Structural and Civil Engineering, Bridge/Tunnel Construction, Infrastructure, Facility Management, Earthworks or Gardening & Landscaping. In addition, there are interdisciplinary solutions such as Simulation, Visualization/ Animation, Plant or ‘Digital Factory / City’.

Geographically, Germany, Switzerland, Austria and Europe dominate, but a noticeable 8% of sales, more than EUR 19 mln, are achieved with M+M’s self-developed CAM / BIM Software globally.



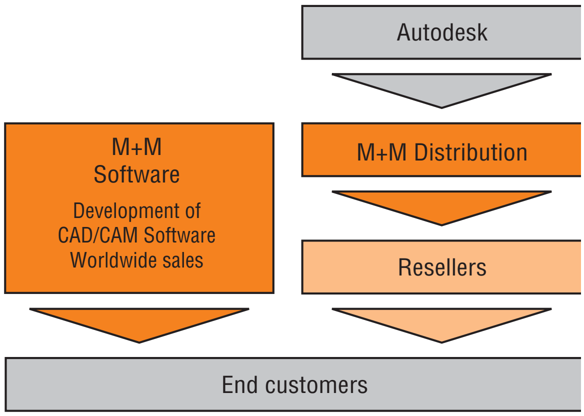
M+M business model in transition
The M+M business model has since 2009 been going through a transition process which strengthened M+M's proprietary part and significantly improved scalability.

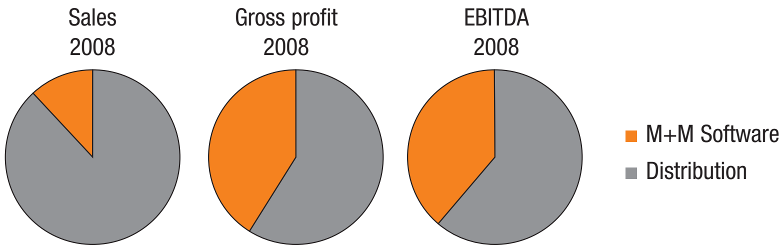
Until 2008: Software and Distribution
Since 1984, the year of foundation, M+M acted as a Value Added Distributor (VAD) for Autodesk software, while continuously increasing the development of our own CAD/CAM solutions, in order to build up an individual market profile and to be clearly distinguishable from the competition.

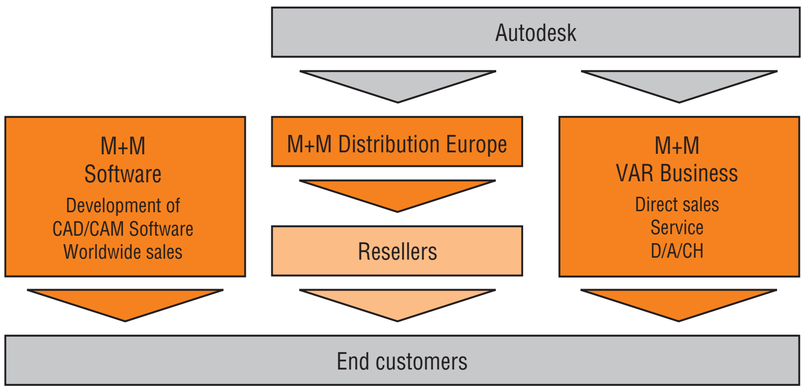
In this two-segment model, the Distribution volume business naturally dominated group sales, while in the year 2008, the high margin Software segment already contributed nearly half of gross profit and EBITDA, with 210 of the 388 group employees.

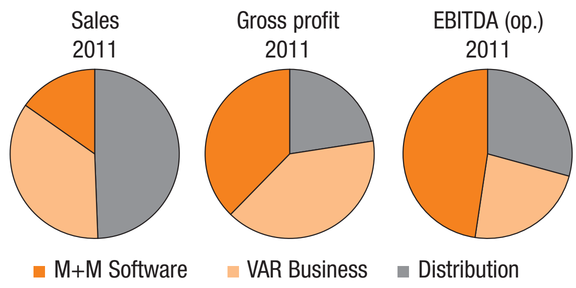
In 2008 group gross yield was 25%, EBITDA margin had reached 5.8%, and M+M was in a constant head-to-head race with the Tech Data Group for the title of largest Autodesk Distributor in Europe.

The M+M business model until 2008: Distribution was dominating sales, while M+M Software contributed nearly half to gross profit and EBITDA.









The M+M business model from 2009 to 2011: For 2011 group gross profit and EBITDA (operating) the lion's share was already contributed by the value segments Software and VAR Business.

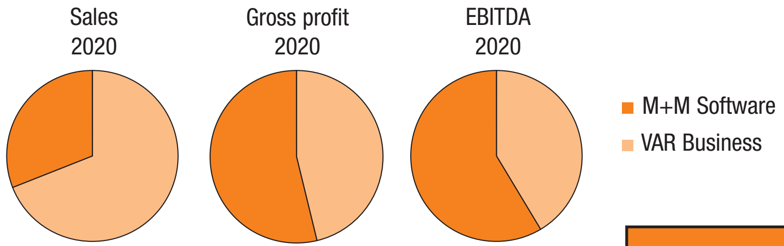
2009: VAD to VAR transition in D/A/CH
In 2009, a third segment 'VAR Business' (Value Added Reselling) was formed.
In the course of the 'Market Offensive', the M+M subsidiaries in Germany, Austria and Switzerland were transitioned from indirect business to direct selling to end customers, and more than a dozen former reselling partners were acquired.
In 2011, the third year after the start, the VAR segment contributed nearly 40% to group gross profit and achieved a positive operating result EBITDA.

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

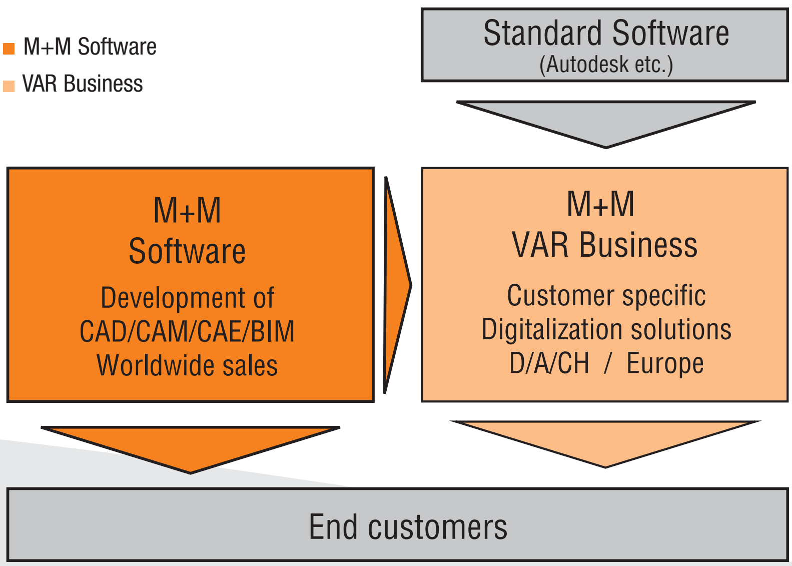
Since 2012: VAD to VAR transition in Europe
On this foundation the European M+M VAR Business was built up, accompanied by reselling partner acquisitions in I, F and RO ('Market offensive II').

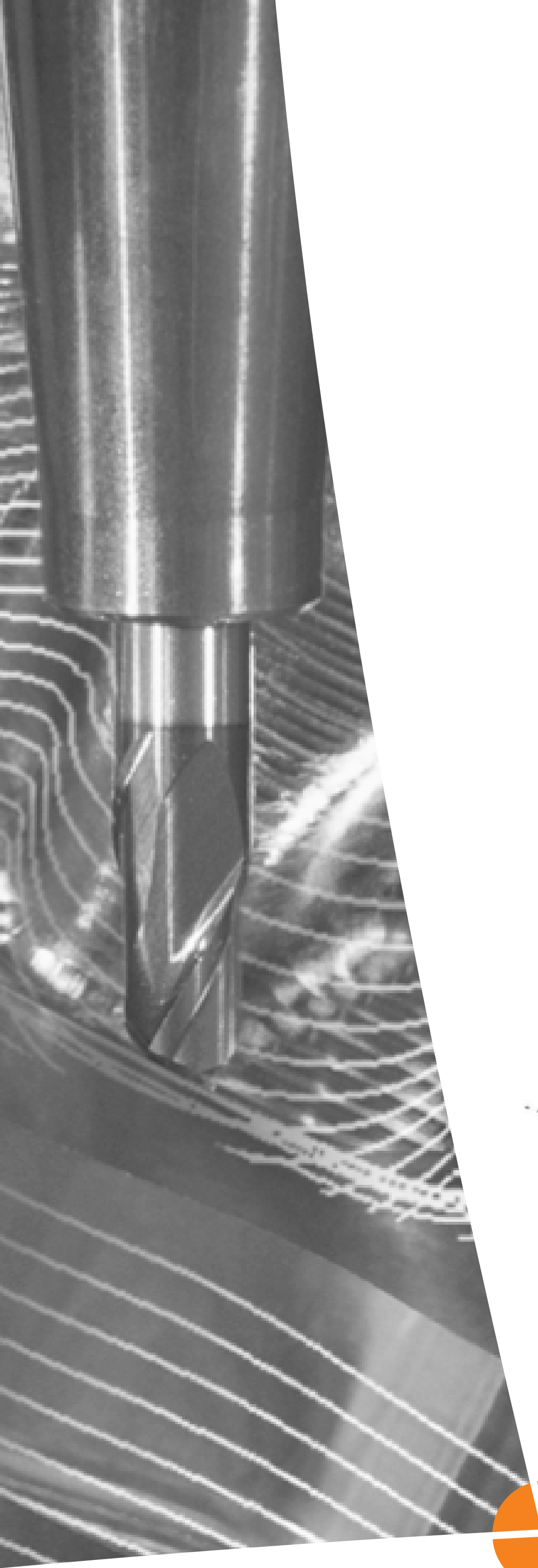
EBITDA margin 16.5% - target >20%
Due to the concentration on the high margin Software and VAR segments, the group gross yield since exceeded 50% (2008: 25%).
The EBITDA margin 2020 already reached 16.5% (2008: 5.8%) - in the mid term more than 20% should be achievable.

The main transition target to significantly grow the proprietary part of gross profit has been convincingly achieved:
While the contribution of M+M Software and services had been less than 50% until 2008 (and less than 25% in 2001), it is more than three quarters since 2016.



The actual M+M business model since 2012: The VAR Business has more sales, driving the group's market share, contribution to gross profit is quite balanced, and Software has the lead in profitability.





The M+M segments in detail

The following pages give an overview across the Software and VAR Business segments forming the actual M+M business model.

Segment M+M Software

About 65% of 2020 M+M Software sales came from CAM, while around 35% was contributed by BIM / Structural Engineering, Garden/Landscaping/Earthworks and CAE.

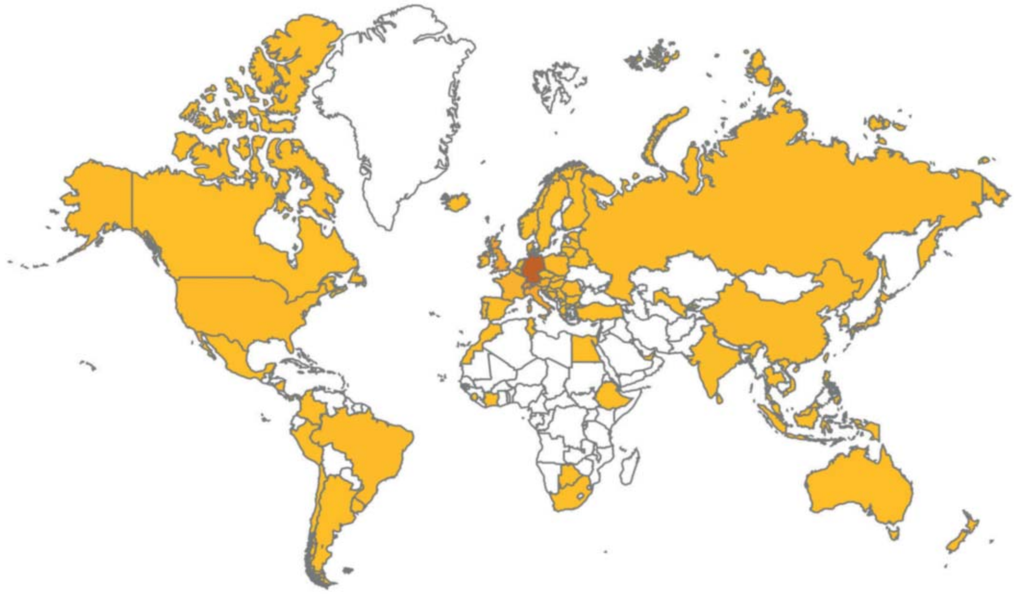
Economically, the Software segment is a standard software developer with over 75 Million Euro sales (2020), approx. 91% gross yield and more than 25% EBIT margin. As a result, the segment pulls a relatively high added value from its just 31% share in group sales. In fiscal year 2020, 53.8% of group gross profit and nearly 61.7% of operating profit EBIT were achieved by self developed software technology.

High development investment

M+M in 2020 spent EUR 20.6 mln or 27% of segment sales on maintenance and development of the proprietary software.

M+M Software is sold globally

M+M's CAM and BIM Software is sold to more than 70 countries globally through subsidiaries and distribution partners.



M+M's own CAM and BIM Software is sold to more than 70 countries on five continents

OPEN MIND
THE CAM FORCE

We push machining to the limit

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

Particularly in the highly complex 5-axis milling process, the *hyper*MILL and *hyper*-CAD S product lines from OPEN MIND hold a technologically leading position and allow the customers quick payback of their high machine tool investments, which are typically in the six to seven digit range.

A variety of applications for specific products like tyre molds, turbine blades and impellers enable and simplify the programming of complex handling, lower the machining time and improve finished quality.

The product portfolio is rounded up by the innovative *mill*TURN module for combined milling/turning machine tools and by the *hyper*MILL MAXX Machining package enabling enormous productivity gains by radical reduction of machining time. These are the main reasons why CAM solutions from OPEN MIND are used for prototype manufacturing by renowned automotive companies, several engine tuners and race teams.

CAM in practice: Shorter milling times due to intelligent machining strategies

Project: Significantly faster machining of complex parts

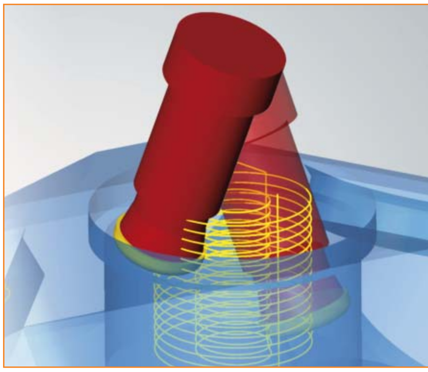
Customers: All users of precision machine tools worldwide

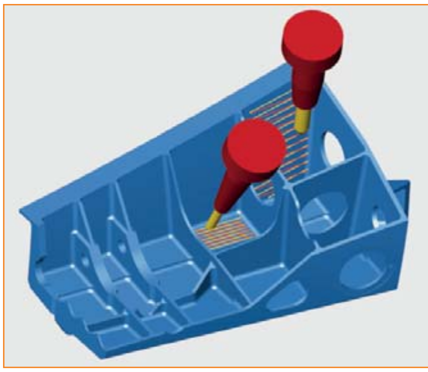
Time is money – this rule is particularly applicable for precision machine tools with purchase prices in the six or even seven digit range. *hyper*MILL significantly reduces milling times through intelligent machining strategies, pushing return on investment for these expensive machine tools to completely new dimensions.

E.g. a state-of-the-art rule so far said that for ‘Roughing’, the rough material removal in the first step, classical 3-Axis machines would be more suitable, while finishing could be better done using the more agile 5-Axis precision tools.

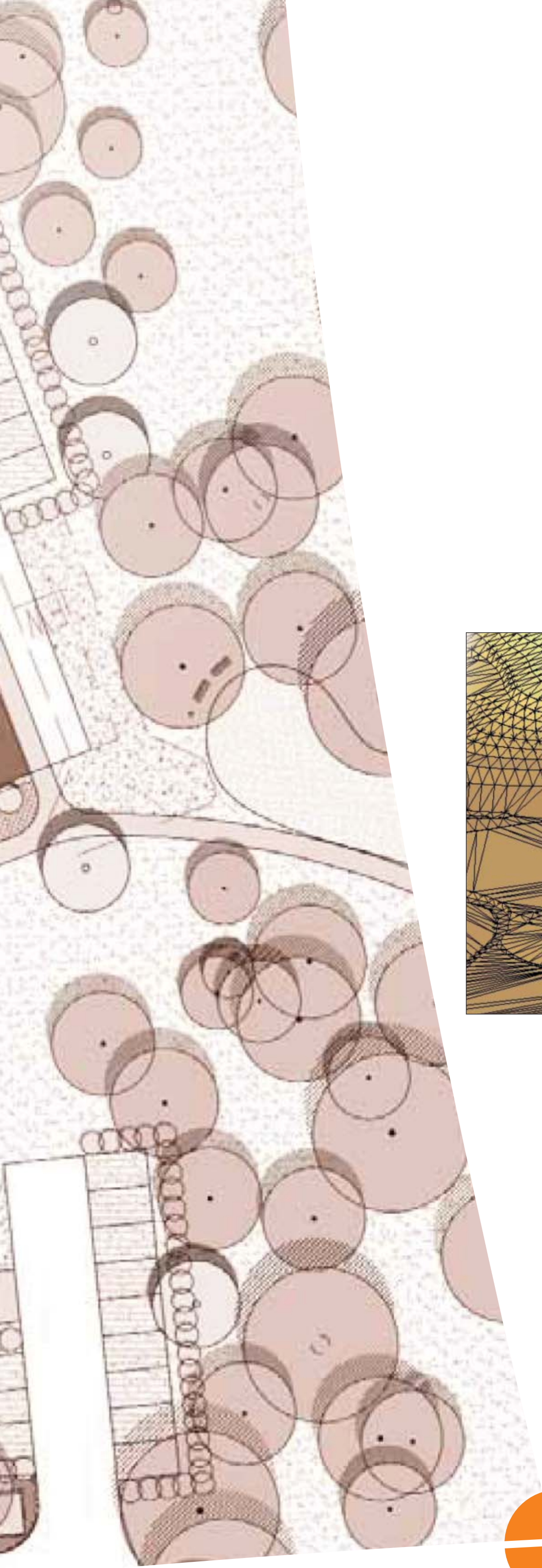
*hyper*MILL breaks through this rule by the ‘helical drilling’ method plunging the cutter into even hard materials in a staggering motion, without predrilling, enabling up to 5x higher material removal for roughing, even with less tool wear and cheaper cutters.

In combination with the *hyper*MILL method to accelerate finishing of flat surfaces up to 10x by using conical cutters with slightly convex curvature, the pictured lightweight aerospace part conventionally needing more than 10 hours machining time can be milled in just over 2 hours using *hyper*MILL - a five-folding of productivity !





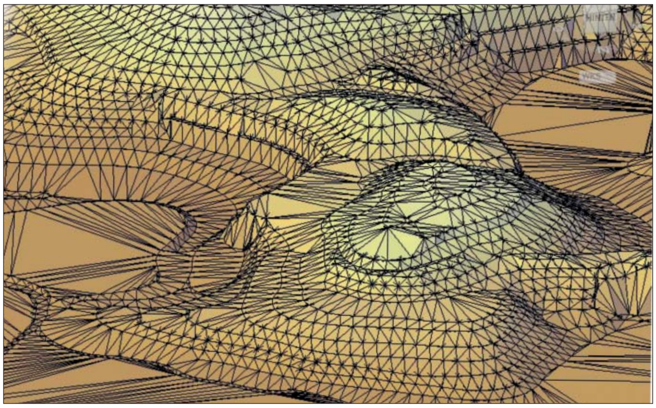
More than 6,000 customers all over the globe (here is a selection) use Open Mind CAM Software



DATAflor

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.

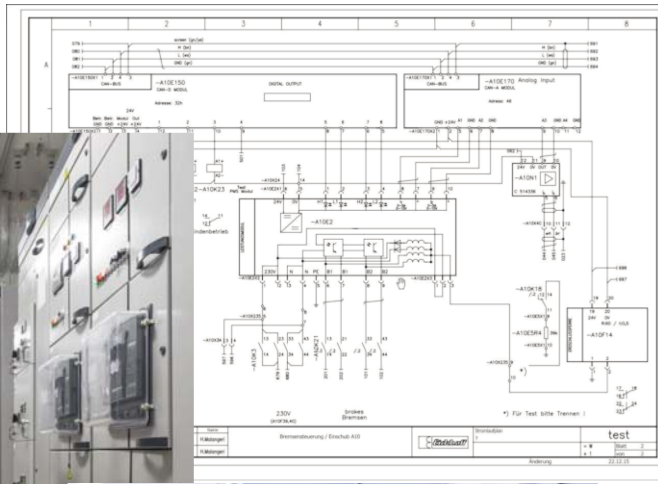
DATAflor software specializes on the organic forms, the special structures and the core competencies of landscape architects' offices as well as gardening and landscaping enterprises. Any functionality is focussed on the plants and the landscaping.
Recently DATAflor software has been made additionally available for the earthworks and civil engineering market.

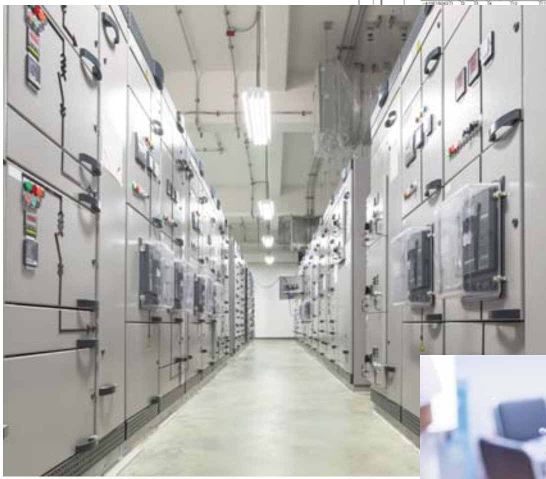


Two examples from the extensive DATAflor Software functionality:

The digital terrain model module enables convenient three dimensional landscape design. The software can read terrain data from 3D scanners or drone cameras and calculate excavation and filling material volumes for different landscape variants.

The GRUENSTUDIO 3D module creates a live representation of the planned garden on screen or via VR glasses, thanks to an extensive plant catalog and the 'flowering calendar' across the seasons. The time of day is also selectable, in order to show the customer different sun angles or the effects of lighting concepts by night.





THE FUTURE OF CAE

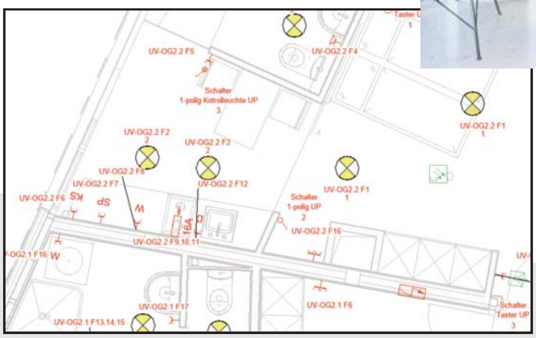
In 2020 M+M introduced eXs, a brand new CAE software (Computer Aided Engineering) redesigned from scratch, fully data compatible and largely user interface compatible to its 27 years proven predecessor ecscad, easing the transition for all existing users.

eXs introduces completely new CAE project concepts for the Industry disciplines of electrical and process engineering, hydraulics and pneumatics as well as for all building services disciplines in BIM projects.
With its high performance database, increased functionality, simplified usability and free configurability, eXs defines new standards for CAE software.

eXs allows for quick and exact digital design of electrical engineering plans with hundreds or even thousands of individual pages. Specific functions and extensive symbol libraries increase productivity, reduce errors and supply precise production information.

As eXs is based, like ecscad, on the globally market-leading AutoCAD, it is easy to fulfil the ever-increasing demand for cross-trade projects both from Industry (Mechatronics) and from Architecture/Construction (BIM).

The new eXs can be used in CAE project concepts for the Industry disciplines of electrical and process engineering, hydraulics, pneumatics or mechatronics as well as for all building services disciplines within BIM projects.



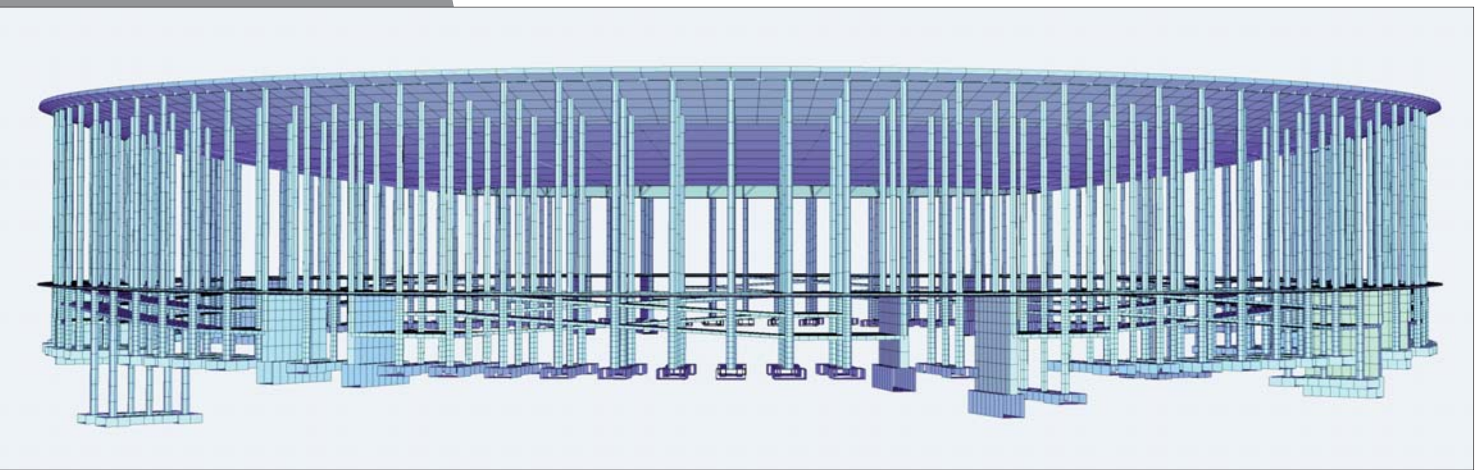
SOFiSTiK

As of Jan 1, 2019, M+M increased its long standing strategic shareholding in SOFiSTiK AG from 13.3% to 51%, significantly strengthening our BIM software offerings.

SOFiSTiK is a leading technology provider of structural analysis and reinforcement software for bridge, tunnel and construction design with impressive references around the world, e.g. BMW-Welt in Munich, the new Bosporus bridge and the Brasilia National Stadium, naming just three out of thousands of construction projects realized and calculated with SOFiSTiK software over more than 30 years.

SOFiSTiK offers solutions for all disciplines in structural engineering. From analysis to reinforcement design, from building construction to complex projects in bridge and steel design,for detailing of lightweight structures, for analysis in geotechnical engineering and tunnel construction as well as for complex applications in CFD (Computational Fluid Dynamics).

Over 3,000 customers in more than 60 countries on all 5 continents use SOFiSTiK Software to realise their projects - from reinforcement design for a family home up to the analysis of large scale buildings and facilities, everything of course according to various international standards.



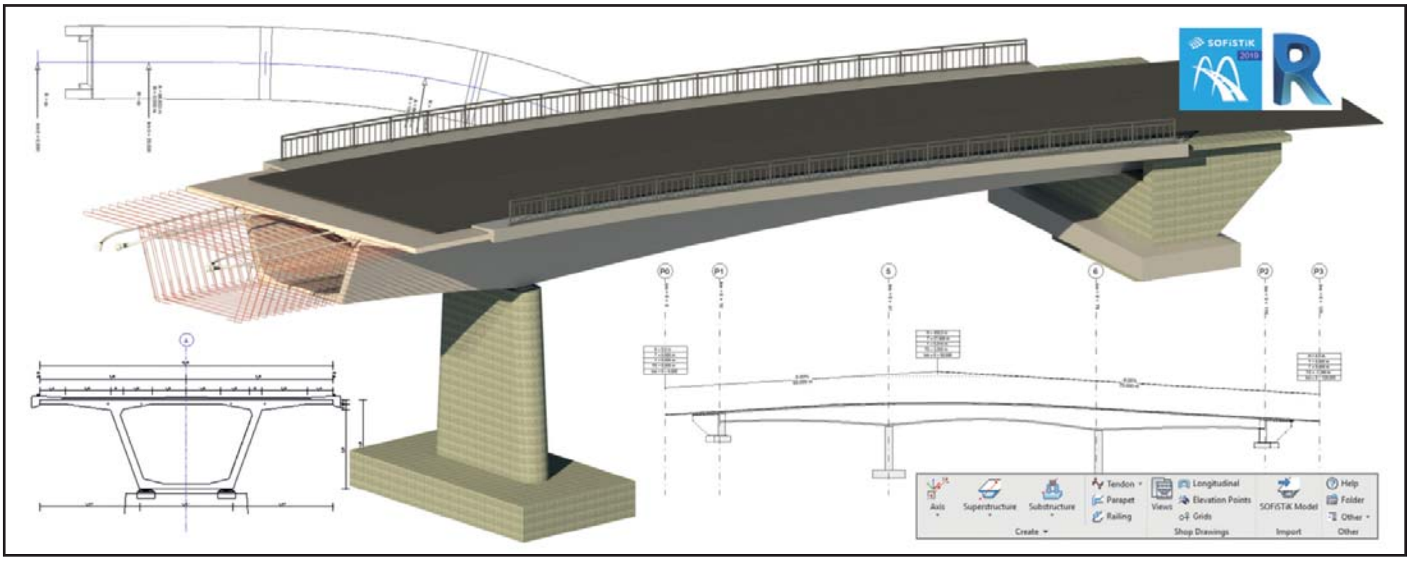
CAD/BIM in practice: Bridge and tunnel design and analysis

Software solution: The SOFiSTiK Bridge + Infrastructure Modeler

Did you know that there are more than 25,000 rail bridges, approx. 40,000 highway bridges and nearly 70,000 municipal road bridges existing in Germany? Many of them are in urgent need of renovation, or will need to be replaced by new bridges within the coming years or decades. Similar considerations are applicable throughout Europe and globally.

The Bridge + Infrastructure Modeler supports parametrized 3D design of bridges, tunnels and other profile buildings, fully compatible to BIM standards, as is mandatory e.g. in Germany since 2020 according to the German Ministry of Transport and Infrastructure.

The Modeler is based on more than 30 years of development knowhow in bridge and tunnel design. In addition to modeling, easy and intuitive automatic view/section generation as well as variant analyses are supported. The BIM model consistency is conserved during any planning changes, including all affiliated lists, plans and sections.



During construction of a new company building in Nuremberg the SOFiSTiK team collected practical BIM experience in the role of a building developer. With just one year construction time from groundbreaking to completion mid of 2019 and by largely keeping within the original cost frame, the possible productivity gains by using BIM could be proven.

Segment VAR Business

With approx. 50 locations and more than 500 employees in Germany, Austria and Switzerland as well as in UK, Italy, France, Poland, Romania and Hungary, the M+M VAR segment provides full area coverage and can serve their customers interdisciplinary solutions with the highest quality.

Dynamic growth

In 2009, approx. EUR 35 mln sales had been achieved by the then new M+M VAR Business from scratch. In the following 11 years the segment continued to grow very dynamically with a nearly fivefold increase in sales to more than EUR 168 mln in 2020.

High proprietary business contribution

Gross profit in the M+M VAR Business is made up from proprietary M+M business (e.g. customizing, own software, training, support) and from reselling standard software made by Autodesk and other providers like Microsoft, Oracle, Accruent etc.

Growth drivers: Training ...

The strong growth in proprietary business is based on highly increased demand for training in the Industry and - even more - Construction sector, where M+M created a training series called BIMready to make all stakeholders in construction projects - from draftsperson to project manager - familiar with the unprecedented new BIM project development.

bimready

Since April 2020 training is not only offered in M+M subsidiaries or on customer's site but also as virtual online presence training.

The M+M VAR segment customer list (this is a small selection) includes all sectors and company size categories across Europe

... and customer specific projects
The second growth driver is customer specific projects, in which standard software modules are connected to individually tailor-made project solutions, adding functionality where necessary.

In order to avoid re-inventing the wheel in each project, M+M has developed a growing library of application software and content to adopt the Autodesk product portfolio, which is developed for global use, to the specific requirements in Germany, Austria, Switzerland and other European countries, e.g.:

- Data management for Industry 4.0

pdm pinpoint

- Solution for Architecture/Construction

bim booster

- Solution for GIS/Infrastructure

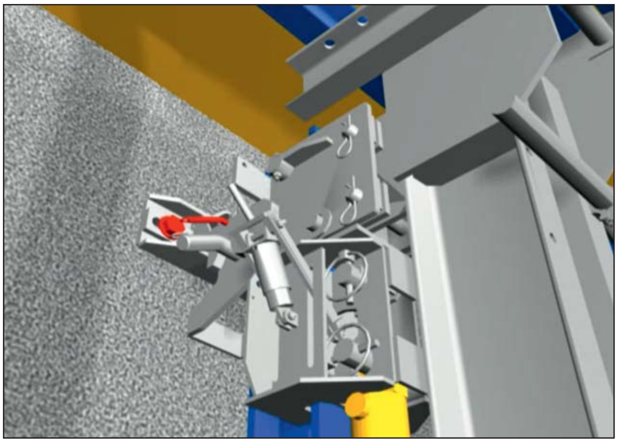
map edit

- Variant construction/configurator software

customX

M+M's customer specific projects can range from few man-days to several man-years. Large projects are usually cut into several smaller project segments.

With far more than 100 man-years invoiced service per year, project development is contributing a signicant share to service gross profit in the VAR Business.



CAD in practice: Industry 4.0 meets BIM

Project: Automatic climbing formwork e.g. for "Frankfurt high 4"

Customer: Doka GmbH, Amstetten, Austria

Doka is a global leader in formwork manufacturing with 160 locations in more than 70 countries. The portfolio comprises solutions for all kinds of buildings: Residential and Administration buildings, Hospitals, Factories, Bridges, Tunnels, Power plants etc. Many of the tallest buildings in the world could only rise to their final height thanks to automatic climbing formwork from Doka.

While the development of formwork parts are mainly a mechanical engineering task, where Doka uses the 3D-CAD software Autodesk Inventor, the BIM method has become increasingly prevalent for the design of buildings, so any part data have to be supplied in BIM compatible format.

In addition to their pure 3D structure, the parts have to carry a large amount of metadata, for example indexing in up to 34 languages for customers all over the world, or the "family intelligence", e.g. providing the part with information regarding which other parts may or may not be located in its immediate vicinity.

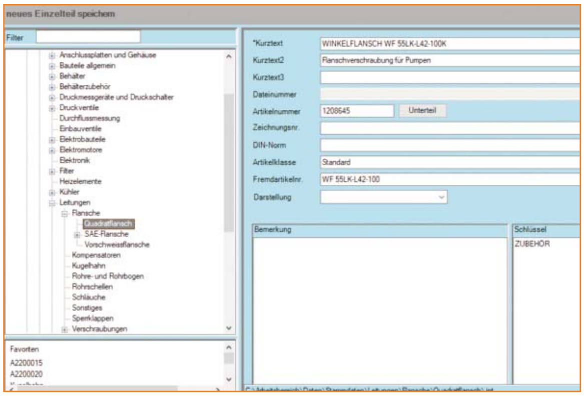
The special Inventor to BIM format migration tools, as well as the underlying data management, have been developed by M+M, serving as a long standing Doka software partner since 2005.

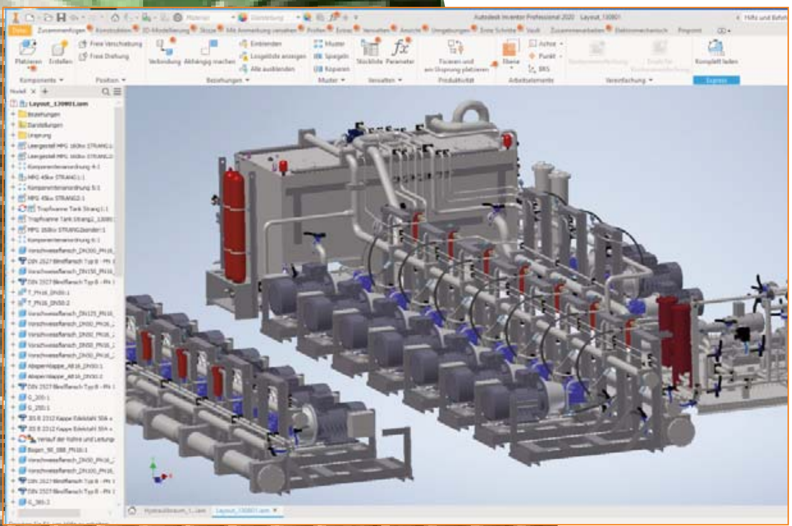
Three M+M competence teams: Industry, AEC and Infrastructure
To provide optimal professional consulting quality to customers from different sectors, the M+M VAR organisation has competence teams for Industry, Architecture/Engineering/Construction (AEC) and Infrastructure.

On our local Websites there are a lot of interesting reference stories about customers and projects from these teams.

Three examples are displayed here in short. On these two pages the connection of design and commercial information for an Industry customer and a larger municipal Infrastructure project 'Digital City'.

On the previous page a project for which the combined Know-How of Industry and AEC team was required, and on the cover pages an example showing how the new BIM methodology can lead to high efficiency increases also for Interior Design.





Digitalization in practice: Product Data Management (PDM)

Project: Connecting design data and commercial information

Customer: Otto Zimmermann GmbH, Saarbruecken, Germany

Connecting design data and commercial information is a standard request from our industry customers, however with very individual challenges and complexities depending on the situation. As one way to resolve this, M+M has developed the product line PDM pinpoint, which is currently in use in thousands of customer seats.

For example at Otto Zimmermann GmbH in Saarbruecken (OZS), a medium-sized vendor of hydraulic systems used for example in metallurgical and rolling mills, power plants, mining and road construction, offshore, automotive, chemical and paper industries.

At OZS, PDM pinpoint connects the CAD systems for Mechanical and Electrical Engineering with the ERP software INFOR, enabling smooth exchange of item data and bill of materials and providing the designers with thousands of repeat parts from the database. This avoids superfluous duplicate work and results in up to three times higher work performance.

Digitalization in practice: Infrastructure for Municipalities

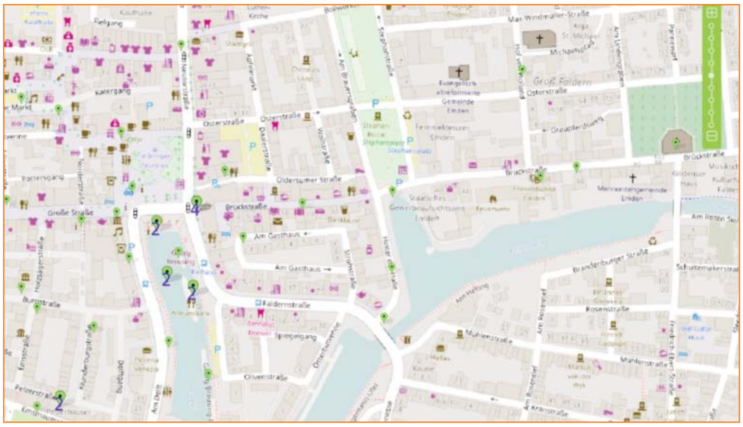
Project: MapEdit serving as a data hub for the ‘Digital City’

Customer: Stadtwerke Emden GmbH, Emden, Germany

The City of Emden in East Frisia is skillfully uniting tradition and modernity: Carefully restored buildings and modern residential and industrial areas together form a harmonic unit. The ‘Green City by the Sea’ makes significant effort to ensure careful treatment of nature and its resources. Innovative thinking inside the municipal utilities helps the city to reach its ambitious sustainability goals.

In this context, infrastructure data play a significant role. MuM’s application MapEdit links municipal utility data with other sources and provides analysis, creating the basis for decisions. For example with the solar potential calculator, enabling all citizens to check via the Internet whether an investment in solar panels on their own roof would be beneficial.

Similar solutions based on MapEdit are available, for example to check the optimal positions for electric car charging stations or the efficiency of thermal insulation for commercial or residential buildings. Or the ‘Emden view from underneath’ to check all installations and cables including associated technical data - to avoid an excavator on site being the first to 'find' the electric or data cable.



Group headcount nearly constant
Group gross headcount at Dec 31, 2020, amounted to 1,030 persons (PY: 1,004). The average full time equivalent 2020 was nearly constant at 948 (PY: 946 / +0.2%), with 484 / 51% (PY: 485 / 51%) for Software and 464 / 49% (PY: 461 / 49%) in VAR Business.

Employees are co-entrepreneurs
Traditionally, there is a very high focus on good corporate culture at M+M. During the 37 years since the foundation of the company in 1984, the employees were always seen as 'Co-Entrepreneurs' and fully integrated in the decision making process.

Whenever acquiring companies in and outside Germany in the course of the intensive expansion since IPO in 1997, M+M always cared for and respected the specific culture of the companies acquired and encouraged them to adopt the M+M corporate culture very gently.

The decision making structures in the M+M group are as decentralised as possible. The individual entities have a high degree of autonomy in order to be able to optimally meet the customers' requirements and to achieve the best possible results in the individual markets.

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

Trading under 'European SE'
In 2006, Mensch und Maschine Software AG was converted to a 'Societas Europaea' SE. In parallel, a pure holding structure was realized, with the parent company Mensch und Maschine Software SE acting as a finance holding.
Central management and service functions for the group are executed by the 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 external members.
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 (‘Geschäfts-führende Direktoren’), equalling the ‘Vorstand’ of a German AG without being a legal body (‘Organ’), consists of Adi Drotleff, Christoph Aschenbrenner (COO) and Markus Pech (CFO).

Public and private company

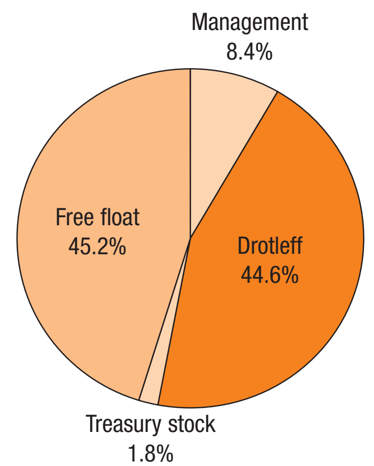
Though M+M shares have been listed on the stock market for 24 years, a large portion of the shares are still in the hands of the management. Adi Drotleff held about 7.65 Million shares or 44.6% of the approx. 17.15 Million shares outstanding on Dec 31, 2020.

Other management members hold approx. 1.44 Million M+M shares (approx. 8.4%), which formally belong to free float, as nobody holds a package of 3% or more.

A package of 316,905 shares (~1.8%) was held by M+M SE in treasury stock at Dec 31, 2020. It was bought through the stock repurchase program started in 2008.
By Dec 31, 2020, over 1.7 Million shares have been repurchased, of which a large part was re-issued in the course of acquisitions, for share dividends and for employee stock programs.

The free float at Dec 31, 2020, contained about 7.75 Million shares / 45.2%. Including the 8.4% shares in packages below 3% held by the management, the free float contained approx. 9.19 Million shares / 53.6%.

All in all, M+M SE can be seen as a public and a private company in one.



Listed in scale and m:access

Since March 31, 2010, the M+M share has been listed in the m:access trading segment of Munich stock exchange, since Jan 2, 2012, additionally in the Entry Standard segment of Frankfurt Stock exchange, which since March 1, 2017 has been replaced by a listing in the premium SMB segment scale. The M+M share has been a member of the scale30 selection index since its start in 2018.

Both segments prescribe, for admission, consequential duties above and beyond legal requirements, guaranteeing a high degree of transparency. In M+M’s view, they are ideal market segments for achieving a reasonable cost-benefit ratio of a stock exchange listing in relation to the market capitalisation, protecting the legitimate interests in transparency of the shareholders.

Due to the requirements for disclosure and transparency these market segments represent fully operational markets with protective mechanisms that are very close to that of the regulated market and that guarantee the marketability of the shares including the tradability through Xetra.

In addition, M+M is highly overfulfilling the scale and m:access rules by publishing full quarterly reports and German/English IFRS reporting.

Risks and Opportunities

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

In our risk management system, sources of uncertainty are systematically identified, documented, evaluated and as far as possible controlled.

In all business units there are so called risk owners, responsible for the description, evaluation and control of risks in their fields. All units' risks are documented in a risk inventory together with the initiated counteractions, and the remaining risk is evaluated. The evaluation takes into account the likelihood of occurence and the impact on the group.

The risk inventory with its documentation of counteractions, together with the monitoring of various early indicators, allows control of the development of a risk. The reduced risk impacts and likelihoods of occurence after successful counteractions, are duly monitored and reported to the Managing Directors.

The remaining risks, particularly, are taken into account in business planning.

The accounting is integrated into the risk management, which allows identification and evaluation of risks which are in conflict with the compliance of the group financial statements. At this stage, we cannot see any such risks.

The whole accounting is subject to efficient control mechanisms. These particularly include extensive monthly reporting and liquidity planning, which are controlled in detail. Additionally, there is a regular review concerning specific items.

In addition, the financial transactions are supervised continuously. Within finance and accounting, there is additional protection by the principle of dual control.
Systematic limit controls (e.g. for open sales orders or for capital expenditure invoices) supplement the control mechanisms.

In detail, the following risk categories exist:

Credit risks:
Bad debt risks are counteracted with customer credit insurance, individual bad debt provisions, and streamlined receivables management.
Also favourable in this respect, is the fact that sales are divided among many individual customers each of which carries less than 2% of the total group revenue.

Warehouse and transport risks:
The risk of loss in value during warehousing can be considered low due to very low stock level and fast turnover.
Transport risks are generally covered by corresponding insurance contracts.

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

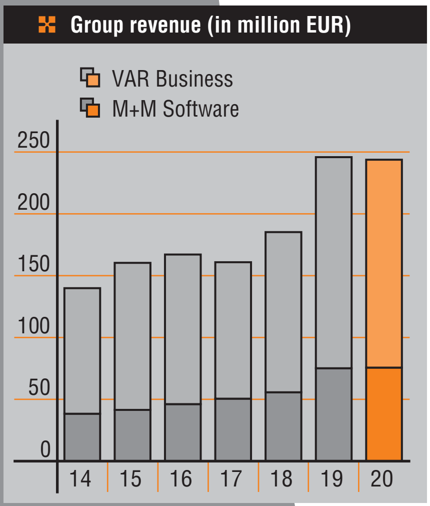
Personnel risks:
As an enterprise in the software industry, M+M is, in principle, dependent on individuals with special skills.
M+M's distinctive corporate culture, so far, has been instrumental in keeping employee turnover exceptionally low.
The risk of dependence upon key top management people has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

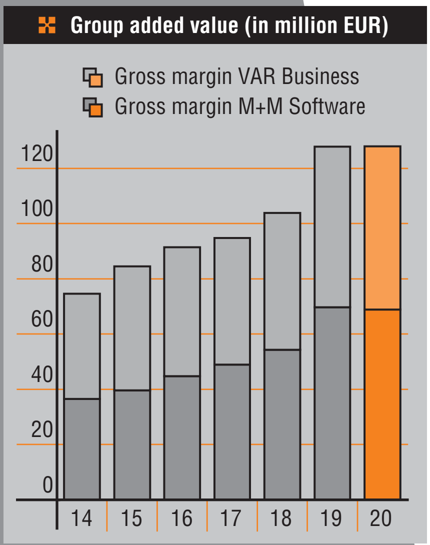
Supplier risks:
Concentration on the main supplier Autodesk in the VAR segment represents a certain risk through dependency on this supplier's product development, market competence and operational policy.

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 role. Internal influences are mainly the earnings and financial status impacting the M+M market rating, as well as the management's ability in handling relationships with existing and potential creditors. External influences are for example the general interest rate level on the market, the credit policy of banks and other creditors, as well as the legal framework conditions.

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





Course of business 2020 and situation of the group

For M+M the year 2020 started, in continuation of the record-hunting year 2019, with high double-digit sales and profit increases in Q1. From Q2 onwards, impacted by the Corona crisis, sales dropped around 10% below the previous year's records, which was more than compensated through high cost elasticity and growing margin strength during the course of the year.

Annual sales thus came in just slightly below the previous year's record, but profit and cash flows showed double-digit increases, again proving the scalability of the M+M business model under very adverse conditions.

Sales slightly below PY record
Group sales amounted to EUR 243.98 mln (PY: 245.94 / -0.8%), with EUR 75.61 mln (PY: 75.08 / +0.7%) from Software and EUR 168.38 mln (PY: 170.86 / -1.5%) from the VAR segment.

Wafer-thin gross profit record
Gross profit at EUR 127.96 mln was wafer-thin above the previous year's record of EUR 127.89 mln, with Software contributing EUR 68.84 mln (PY: 69.70 / -1.2%) and VAR Business EUR 59.11 mln (PY: 58.19 / +1.6%). Gross yield grew to 52.4% (PY: 52.0%), with 47.4% in Q1 and 54.8% in the remaining 9M.

Corona-braked personnel expenses
Personnel expenses at EUR 79.03 mln (PY: 77.27 / +2.3%) were slightly above the previous year, with EUR 39.81 mln (PY: 38.74 / +2.7%) in Software und EUR 39.22 mln (PY: 38.53 / +1.8%) in the VAR Business. An increase of +7.9% in Q1 and +0.4% in the remaining 9 months proves the successful Corona-braking of personnel expenses.

Low travel and event costs
Other operating expenses dropped primarily through the reduction in travel and event costs to EUR 13.73 mln (PY: 17.52 / -22%), with EUR 7.71 mln (PY: 10.04 / -23%) in Software and EUR 6.02 mln (PY: 7.49 / -20%) in VAR Business. Other operating income increased to EUR 5.13 mln (PY: 3.45 / +49%), mainly due to selective use of furloughing benefits during Q2 and Q3.

Record EBITDA +10% / Margin 16.5%
Operating profit EBITDA before depreciation, amortization, interest and taxes climbed to a record EUR 40.33 mln (PY: 36.55 / +10%). EBITDA margin rose to 16.5% (PY: 14.9%).

Depreciation slightly lower
Total depreciation was slightly lower, with EUR 3.51 mln (PY: 3.32 / +2.3%) for fixed assets, EUR 5.47 mln (PY: 5.57 / -1.8%) for depreciation leasing (IFRS16) and EUR 0.32 mln (PY: 0.47 / -33%) for amortization on purchase price allocation (PPA).

Record EBIT +14% / Margin 12.7%

Operating profit EBIT before interest and taxes at EUR 31.03 mln (PY: 27.19 / +14%) marked a new record, still with the lion's share EUR 19.14 mln (PY: 17.37 / +10%) from Software, but the VAR Business at EUR 11.90 mln (PY: 9.82 / +21%) continued to further catch up.

EBIT margin climbed to 12.7% (PY: 11.1%) in the group, 25.3% (PY: 23.1%) for Software and 7.1% (PY: 5.7%) in the VAR segment.

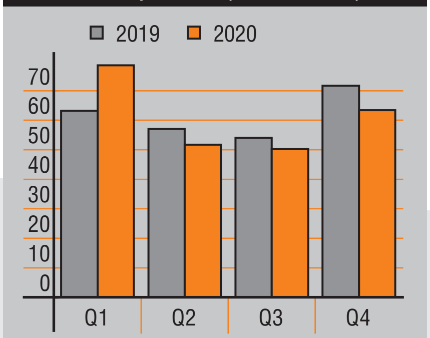
Quarterly seasonality with two anomalies

During 2019/20 quarterly seasonality showed the pattern typical for M+M with strong starting and ending quarters and calmer mid-year, but with two anomalies: Firstly in Q4/2019 and Q1/2020 peaking Autodesk revenues in the final sprint of maintenance to subscription offer. Secondly from Q2/2020 onwards the Corona retarding effect on sales, dampened for gross profit by M+M's high-margin business retaking the lead towards Q4, and at EBIT level overcompensated through cost elasticity, so that after +36% in Q1 we at least achieved +4.8% in the remaining 9M.

Quarterly revenue:

Q1: EUR 78.63 mln (PY: 63.17 / +24.5%)
Q2: EUR 51.75 mln (PY: 57.05 / -9.3%)
Q3: EUR 50.23 mln (PY: 54.05 / -7.1%)
Q4: EUR 63.37 mln (PY: 71.67 / -11.6%)

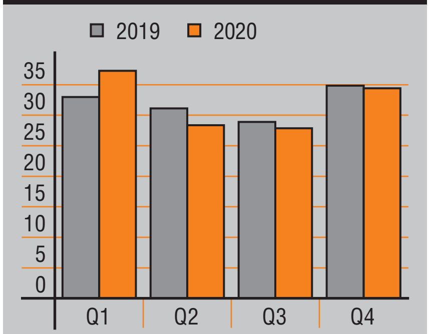
Quarterly revenue (in million EUR)



Quarterly gross profit:

Q1: EUR 37.29 mln (PY: 33.00 / +13%)
Q2: EUR 28.39 mln (PY: 31.12 / -8.8%)
Q3: EUR 27.86 mln (PY: 28.91 / -3.6%)
Q4: EUR 34.41 mln (PY: 34.86 / -1.3%)

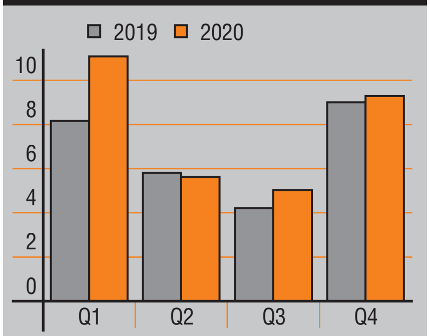
Quarterly Gross margin (in million EUR)



Quarterly EBIT:

Q1: EUR 11.08 mln (PY: 8.16 / +36%)
Q2: EUR 5.63 mln (PY: 5.82 / -3.7%)
Q3: EUR 5.03 mln (PY: 4.21 / +19.6%)
Q4: EUR 9.29 mln (PY: 9.00 / +3.2%)

Quarterly EBIT (in million EUR)

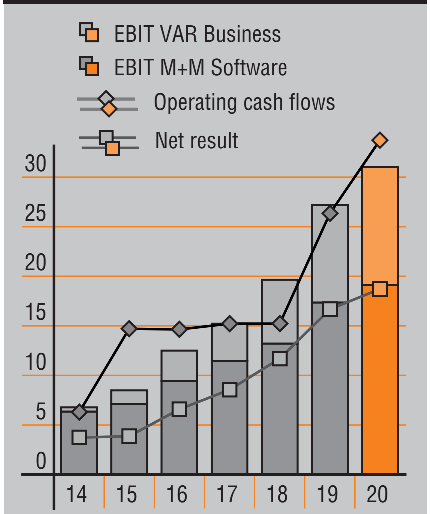


Pretax profit increased to EUR 29.78 mln (PY: 26.27 / +13%). Income tax rate declined to 29.8% (PY: 30.3%), resulting in tax charge rising slightly disproportionate to EUR -8.87 mln (PY: -7.96 / +11%).

Record net profit 111.5 Cents/share

After tax and minority shares amounting to EUR 2.19 mln (PY: 1.64 / +33%) net profit rose to a record EUR 18.71 mln (PY: 16.67 / +12%) or 111.5 Cents / share (PY: 99).

Earnings (in million EUR)



Record cash flows 201 Cents/share

Operating cash flows continued to soar, achieving a new record EUR 33.73 mln (PY: 26.35 / +28%) or 201 Cents / share (PY: 157).

Dividend proposal 100 Cents (+18%)
Management will propose to the annual shareholders' meeting on May 11, 2021 to pay 100 Cents (PY: 85) dividend per share. 87 of 100 Cents can be paid out tax-free from the 'steuerliches Einlagenkonto' (§27 KStG). The maximum total payout is EUR 17.15 mln, the exact amount depends on the then actual number of shares in treasury stock. As in previous years, we plan to optionally offer cash or share dividend.

Investing activities
As in the M+M business model the main future investment is in the area of software development, the expenses for which are mostly not capitalized, there is only relatively small capital expenditure necessary to keep the fixed assets on an actual status.

In 2020 there were one-time investments in an extension building for DATAflor in Goettingen and purchase of additional minority interest (PY: SOFiSTiK building in Nuremberg and purchase of a customer base), resulting in EUR 5.91 mln (PY: 8.56) total investments.

Total assets decreased
Total assets decreased to EUR 154.73 mln (PY: 159.49 / -3%).

Shareholders' equity / ratio 51.8%
Shareholders' equity as of Dec 31, 2020 rose to EUR 80.16 mln (PY: 73.52 / +9%), equity ratio at 51.8% (PY: 46.1%) exceeded 50% for the first time.

The M+M headquarters in Wessling near Munich

Review and Outlook

During the past six years since 2014, gross profit has gained EUR +53.3 mln or +71%, resulting in EUR +8.9 mln or +9.4% p.a. In the same period EBIT was increased by a total EUR +24.3 mln or +359%, hence EUR +4.05 mln or +29% per year.

The relation between EBIT and gross profit gain over these six years was approx. 46 percent, meaning that each Euro gross profit surplus created an average EBIT surplus of 46 Cents.

This shows that M+M's business model is highly scalable, and that cost management, optimized for sustainable profitable growth, is working successfully, even and above all in challenging phases.

M+M management's clear future target is to continue this sustainable profitable growth.

2021: EPS target 125-135 Cents / +12-21%

After the robust business during 2020 we expect for 2021 continued margin strength, resulting in a net profit increase to 125-135 Cents/share (+12-21%).

We assume mirrored seasonality compared to the previous year: Q1 strong, but yet below the all-time records of 2020, and with Q4 being the strongest quarter of the year.

From 2022: EPS target +18-24 Cents p.a.

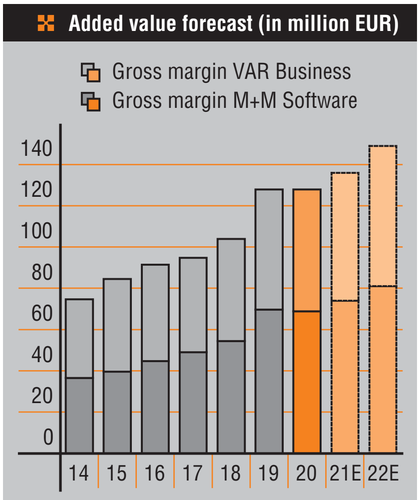
From 2022 onwards we expect to return to our long-term achieved growth mode, with +8-12% p.a. for sales and gross profit as well as +18-24 Cents/share for net profit.

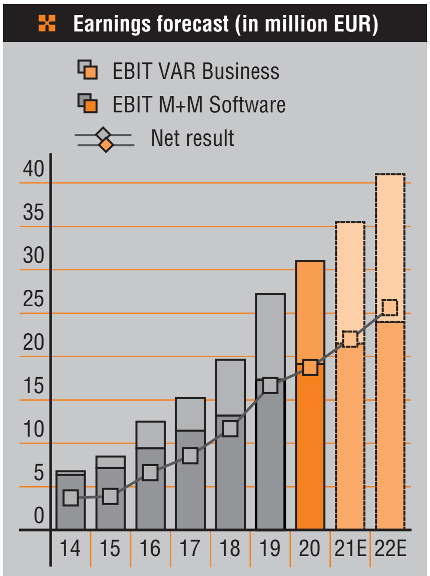
Annual dividend increase planned

Assuming we achieve these targets we plan to raise the dividend for the year 2021 to 115-120 Cents and from 2022 onwards by another +15-20 Cents p.a.

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.





Target achievement 2020

The ‘EUR 140-143 mln‘ gross profit target for 2020 from the previous year’s annual report was withdrawn due to Corona.
The net profit target ‘117-123 Cents / share‘ was reduced to ‘107-118 Cents' in the 9M report and met by the achieved 111.5 Cents.

Events after the balance sheet date

There were no material events after the balance sheet date.

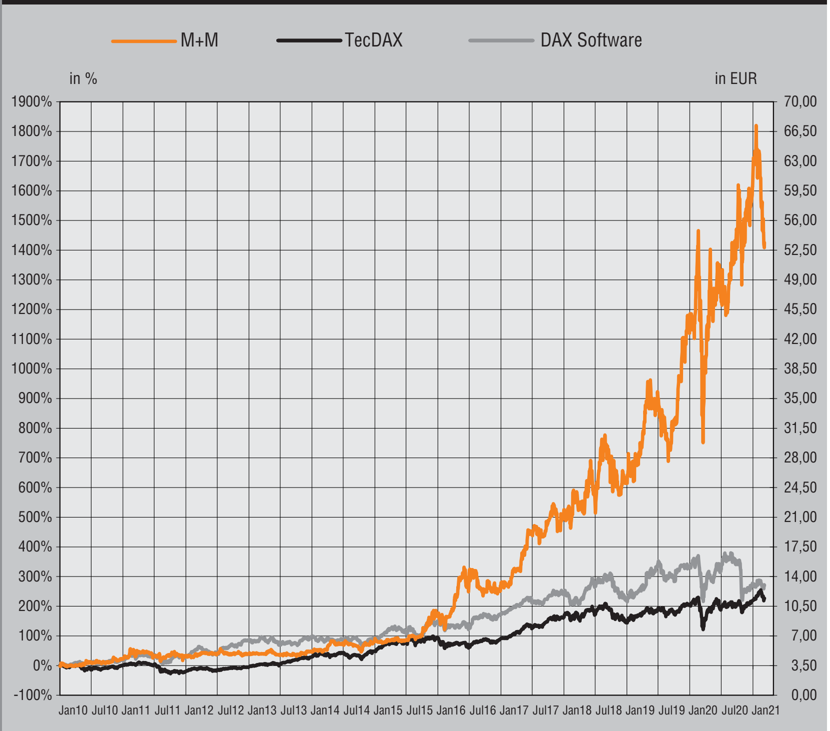
Expression of thanks

We would like to take the opportunity to thank all employees for their engaged work in the extremely challenging and turbulent Corona year 2020, which helped M+M to achieve a highly respectable performance.

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 2021
Mensch und Maschine Software SE
The Managing Directors

Development of the M+M share



The M+M share rose significantly in the past years, since 2010 the share price at times nearly 20-folded. In addition, total dividends amounting to 350 Cents have been paid out during this period, so the total value for the shareholder has improved significantly.
The share price performance till 2015 was parallel to the TecDAX and DAX Software indexes, but since then the M+M share has gained an enormous lead.

Statement of income

Amounts in KEUR	Note*	2020		△%	2019	
Revenues	1	**243,983**	**100%**	**-0.8%**	**245,939**	**100%**
Cost of materials	2	-116,027	-47.6%	-1.7%	-118,050	-48.0%
Gross profit		**127,956**	**52.4%**	**+0.1%**	**127,889**	**52.0%**
Personnel expenses	3	-79,029	-32.4%	+2.3%	-77,269	-31.4%
Other operating expenses	4	-13,730	-5.6%	-22%	-17,525	-7.1%
Other operating income	6	5,133	2.1%	+49%	3,453	1.4%
Operating result EBITDA		**40,330**	**16.5%**	**+10%**	**36,548**	**14.9%**
Depreciation	5	-3,510	-1.4%	+5.8%	-3,317	-1.3%
Depreciation finance leasing (IFRS 16)	5	-5,472	-2.2%	-1.8%	-5,570	-2.3%
Amortisation PPA	5	-316	-0.1%	-33%	-471	-0.%
Operating result EBIT		**31,032**	**12.7%**	**+14%**	**27,190**	**11.1%**
Financial result	7	-1,255	-0.5%	-37%	-919	-0.4%
Result before taxes		**29,777**	**12.2%**	**+13%**	**26,271**	**10.7%**
Taxes on income	8	-8,874	-3.6%	+11%	-7,959	-3.2%
Net result after taxes		20,903	8.6%	+14%	18,312	7.4%
thereof attributable to M+M shareholders		**18,712**	**7.7%**	**+12%**	**16,669**	**6.8%**
thereof attributable to minority shareholders		2,191	0.9%	+33%	1,643	0.7%
Net income per share in EUR	9	1,1150		+12.5%	0,9910	
Weighted average shares outstanding in million		16,783		-0.2%	16,820	

*see notes on pages 46 to 48

Consolidated statement of comprehensive income

Amounts in KEUR	2020	2019
Net result after taxes	20,903	18,312
thereof attributable to M+M shareholders	**18,712**	**16,669**
thereof attributable to minority shareholders	2,191	1,643
Currency conversion difference	-461	773
Other comprehensive income that may be reclassified subsequently to profit or loss	**-461**	**773**
Actuarial gains / losses on pension obligations	-106	-274
Deferred taxes therof	32	82
Other comprehensive income that will not be reclassified subsequently to profit or loss	**-74**	**-192**
Total other result	**-535**	**581**
Total comprehensive income	20,368	18,893
thereof attributable to M+M shareholders	**18,177**	**17,250**
thereof attributable to minority shareholders	2,191	1,643

Balance sheet

Amounts in KEUR	Note*	Dec 31, 2020		Δ%	Dec 31, 2019	
Cash and cash equivalents		15,977		+24%	12,918	
Trade accounts receivable	10	30,794		-22%	39,583	
Inventories	11	3,717		+17%	3,182	
Prepaid expenses and other current assets	12	6,676		+31%	5,102	
Total current assets		**57,164**	**36.9%**	**-6%**	**60,785**	**38.1%**
Property, plant and equipment		4,020		+4%	3,866	
Real estate		18,094		+6%	17,094	
Intangible assets		15,211		+4%	14,663	
Goodwill	13	46,482		0%	46,482	
Other investments		31		0%	31	
Rights to use leasing contracts (IFRS 16)	14	11,285		-13%	13,041	
Deferred taxes	8	2,441		-31%	3,532	
Total non current assets		**97,564**	**63.1%**	**-1%**	**98,709**	**61.9%**
Total assets		**154,728**	**100%**	**-3%**	**159,494**	**100%**
Short term debt and current portion of long term debt	15	2,911		+83%	1,593	
Current finance lease obligations (IFRS 16)	14	4,296		-16%	5,135	
Trade accounts payable		14,549		-31%	21,229	
Accrued expenses	16	10,694		-3%	10,991	
Deferred revenues		2,835		+44%	1,973	
Income tax payable		4,261		+13%	3,776	
Other current liabilities	17	7,178		+17%	6,144	
Total current liabilities		**46,724**	**30.2%**	**-8%**	**50,841**	**31.9%**
Long term debt, less current portion	18	11,170		-37%	17,813	
Long term finance lease obligations (IFRS 16)	14	7,099		-11%	8,006	
Mortgage-secured real estate financing long term	18	5,058		+1%	5,004	
Deferred taxes	8	3,224		+3%	3,136	
Pension accruals	19	1,206		+11%	1,091	
Other accruals	16	88		0%	88	
Total non current liabilities		**27,845**	**18.0%**	**-21%**	**35,138**	**22.0%**
Share capital	20	17,149		0%	17,149	
Capital reserve and other reserves	21	40,672		+7%	37,987	
Treasury stock	22	-6,777		+5%	-6,460	
Retained earnings / accumulated deficit		23,657		+23%	19,157	
Other comprehensive income / loss		-1,530		+32%	-1,156	
Equity attributable to non-controlling (minority) interest		6,347		+5%	6,034	
Currency conversion		641		-20%	804	
Total shareholders' equity		**80,159**	**51.8%**	**+9%**	**73,515**	**46.1%**
Total liabilities and shareholders' equity		**154,728**	**100%**	**-3%**	**159,494**	**100%**

* see notes on pages 47, 49 to 57

Statement of cash flows

Amounts in KEUR	2020	2019
Net profit	**20,903**	**18,312**
Interest result	228	256
Depreciation and amortization	9,312	9,357
Other non cash income / expenses	1,878	786
Increase/decrease in provisions and accruals	-113	527
Gains/losses from the disposal of fixed assets	-16	-59
Change in net working capital	1,541	-2,829
Net cash provided by (used in) operating activities	**33,733**	**26,350**
Purchase of subsidiaries, net of cash	-356	-997
Purchase of real estate	-1,334	-2,962
Purchase of other fixed assets	-4,290	-4,663
Sale of other fixed assets	72	60
Net cash provided by (used in) investing activities	**-5,908**	**-8,562**
Proceeds from issuance of share capital	2,845	2,413
Interest proceeds/payments	-415	-423
Purchase/disposal of treasury stock	-317	-2,569
Dividend payment to M+M shareholders	-14,212	-10,630
Dividend payment to minority shareholders	-1,745	-513
Proceeds from short or long term borrowings	-5,257	2,609
Change in finance lease obligations IFRS 16	-5,435	-5,387
Net cash provided by (used in) financing activities	**-24,536**	**-14,500**
Net effect of currency translation in cash and cash equivalents	-230	42
Net increase / decrease in cash and cash equivalents	**3,059**	**3,330**
Cash and cash equivalents at beginning of period	**12,918**	**9,588**
Cash and cash equivalents at end of period	**15,977**	**12,918**

see notes on page 58

Development of shareholders' equity

Amounts in KEUR	Subscribed Capital	Capital-Reserve	Other Reserves	Profit/-Loss	Other comprehensive income/loss	Own shares	Currency conversion	attributable to M+M SE shareholders	Minority interest	Total equity
As of Dec 31, 2018	**16,683**	**24,859**	**0**	**13,118**	**-1,251**	**-3,891**	**321**	**49,839**	**1,443**	**51,282**
Capital increase	466	11,055						11,521		11,521
Purchase of own shares						-3,606		-3,606		-3,606
Dividend		2,073		-10,630		1,037		-7,520	-513	-8,033
Net result				16,669				16,669	1,643	18,312
Minory interest change									3,461	3,461
Other comprehensive income from pension assessment					-192			-192		-192
Currency conversion					287		483	770		770
As of Dec 31, 2019	**17,149**	**37,987**	**0**	**19,157**	**-1,156**	**-6,460**	**804**	**67,481**	**6,034**	**73,515**
Purchase of own shares		622				-2,188		-1,566		-1,56
Dividend		2,223		-14,214		1,871		-10,120	-1,744	-11,864
Net result				18,712				18,712	2,191	20,903
Minory interest change		-160						-160	-134	-294
Other comprehensive income from pension assessment					-74			-74		-74
Currency conversion					-300		-163	-463		-463
As of Dec 31, 2020	**17,149**	**40,672**	**0**	**23,657**	**-1,530**	**-6,777**	**641**	**73,812**	**6,347**	**80,159**

Notes

Segment reporting

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

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

Segment assets and liabilities include all assets and liabilities that are attributable to operations and whose positive or negative results determine profit/loss from operations. Segment assets include, in particular, intangible assets; property, plant and equipment; trade and other receivables; and inventories. Segment liabilities include, in particular, trade and other payables, and significant provisions.

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

The M+M business model is based on the segments VAR Business and M+M Software. The VAR Business segment covers direct selling of CAD software to end users and associated services. The M+M Software segment contains the own development of CAD/CAM/CAE software.

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

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

Segmentation

Amounts in KEUR	M+M Software 2020		△%	M+M Software 2019		VAR Business 2020		△%	VAR Business 2019	
Total revenue	76,716			76,885		186,787			196,249	
Internal revenue	-1,110			-1,804		-18,410			-25,391	
External revenue	**75,606**	**100%**	**+0.7%**	**75,081**	**100%**	**168,377**	**100%**	**-1.5%**	**170,858**	**100%**
share in percent	**31.0%**			**30.5%**		**69.0%**			**69.5%**	
Cost of materials	-6,764	-8.9%	+26%	-5,382	-7.2%	-109,263	-64.9%	-3.0%	-112,668	-65.9%
Gross profit	**68,842**	**91.1%**	**-1.2%**	**69,699**	**92.8%**	**59,114**	**35.1%**	**+1.6%**	**58,190**	**34.1%**
share in percent	**53.8%**			**54.5%**		**46.2%**			**45.5%**	
Personnel expenses	-39,806	-52.6%	+2.7%	-38,741	-51.6%	-39,223	-23.3%	+1.8%	-38,528	-22.5%
Other operating expenses	-7,772	-10.3%	-23%	-10,037	-13.4%	-5,958	-3.5%	-20%	-7,488	-4.4%
Other operating income	2,382	3.2%	+76%	1,352	1.8%	2,751	1.6%	+31%	2,101	1.2%
Operating result EBITDA	**23,646**	**31.3%**	**+6.2%**	**22,273**	**29.7%**	**16,684**	**9.9%**	**+17%**	**14,275**	**8.4%**
share in percent	**58.6%**			**60.9%**		**41.4%**			**39.1%**	
Depreciation	-1,988	-2.6%	+6.8%	-1,862	-2.5%	-1,522	-0.9%	+4,6%	-1,455	-0.9%
Depreciation Leasing (IFRS 16)	-2,206	-2.9%	-19%	-2,725	-3.6%	-3,266	-1.9%	+15%	-2,845	-1.7%
Amortisation PPA	-316	0.4%	0%	-316	0.4%	0	0.0%	-100%	-155	-0.1%
Operating result EBIT	**19,136**	**25.3%**	**+10%**	**17,370**	**23.1%**	**11,896**	**7.1%**	**+21%**	**9,820**	**5.7%**
share in percent	**61.7%**			**63.9%**		**38.3%**			**36.1%**	
Segment assets	74,074			73,704		78,214			82,258	
Fixed assets	48,270			50,064		46,853			45,110	
Investments	3,096			5,721		2,529			2,901	
Liabilities	24,205			24,783		50,365			61,196	

Geographical segmentation

Amounts in KEUR	2020 Germany	2020 International	2019 Germany	2019 International
External revenue	**113,080**	**130,903**	**112,981**	**132.958**
share in percent	**46.3%**	**53.7%**	**45.9%**	**54.1%**
Fixed assets	62,462	32,661	67,739	27,435
Investments	4,941	684	6,114	2,508

General remarks

Basis of the group financial statements

The consolidated financial statements of Mensch und Maschine Software SE, Wessling, Germany have 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 315e 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, headquartered at Argelsrieder Feld 5, 82234 Wessling and registered in the Commercial Register of the Munich Local Court under the number HRB 165230. Its business activities are concentrated in the fields of CAD and CAM.

The Managing Directors of M+M SE approved the consolidated financial statements on February 25, 2021 for submission to the company's Administrative Board.

The Administrative Board approved the consolidated financial statements at its meeting on March 11, 2021 and approved for publication on March 15, 2021.

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 2020 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, 2020. M+M is applying the following IFRSs in the reporting period for the first time:

IFRS 3 Definition of Business Operation
IFRS 9, IAS 39 and IFRS 7
Interest Rate Benchmark Reform
IAS 1 and IAS 8
Definition of Material
Improvements to the Conceptual Framework

The 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 2020 financial year:

IFRS 16	COVID-19 rent concessions amendment
IFRS 4	Temporary exemption from IFRS 9
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Changes and simplifications for Interest Rate Benchmark Reform

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

IFRS 17	Insurance Contracts
IAS 1	Classification of Liabilities as Current or Non-current
IFRS 3	Reference to the Conceptual Framework
IAS 16	Regarding proceeds before intended use
IAS 37	Onerous Contracts - Cost of Fulfilling a Contract

These Standards and Interpretations have to be applied for annual periods beginning after January 1, 2021. 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 2021.

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 statements of December 31, 2020.

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

M+M group consolidated companies

Mensch und Maschine Management AG, Wessling, Germany	100%	SOFiSTiK AG, Oberschleissheim, Germany	51%
Mensch und Maschine Deutschland GmbH, Wessling, Germany	100%	and shareholdings:	
Mensch und Maschine Infrastruktur GmbH, Stuttgart, Germany	70%	BiMOTiON GmbH, Nürnberg	51%
Mensch und Maschine At Work GmbH, Osnabrück, Germany	85.03%	SOFiSTiK North America Corp., New York, USA	100%
Mensch und Maschine Haberzettl GmbH, Nürnberg, Germany	100%	SOFiSTiK ME LTD, Tel Aviv, Israel	51%
Mensch und Maschine Integra GmbH, Limburg, Germany	75.1%	SOFiN Consulting Ltd., Espo, Finland	51%
customX GmbH, Limburg, Germany	58,1%	OPEN MIND Technologies AG, Wessling, Germany	100%
Mensch und Maschine Scholle GmbH, Velbert, Germany	87.5%	and 100% shareholdings:	
Mensch und Maschine acadGraph GmbH, München, Germany	82.75%	OPEN MIND Technologies USA Inc., Needham, MA, USA	
Mensch und Maschine Schweiz AG, Winkel (Zürich), Switzerland	100%	OPEN MIND Technologies PTE Ltd., Singapore	
Mensch und Maschine Austria GmbH, Großwilfersdorf, Austria	100%	OPEN MIND Technologies S.r.l., Rho, Italy	
Man and Machine France S.a.r.l., Paris, Frankreich	100%	OPEN MIND CAD-CAM Technologies S.r.l., Rho, Italy	
Man and Machine Software s.r.l., Vimercate (Mailand), Italy	100%	OPEN MIND Technologies France S.a.r.l., Limas, France	
Man and Machine Software Sp. z o.o., Lodz, Poland	100%	OPEN MIND Technologies Japan Inc., Tokyo, Japan	
Man and Machine Ltd., Thame, UK	100%	OPEN MIND Technologies Portugal, Marinha Grande, Portugal	
Man and Machine Romania SRL, Bukarest, Romania	100%	OPEN MIND Technologies UK Limited, Bicester, UK	
Mensch und Maschine Medienzentrum AG, Wessling, Germany	99,7%	OPEN MIND Technologies China Co.Ltd, Shanghai, China	
Mensch und Maschine Mechatronik GmbH, Donzdorf, Germany	100%	OPEN MIND Technologies Taiwan Inc., New Taipei City, Taiwan	
DATAflor Software AG, Göttingen, Germany	67.2%	OPEN MIND Technologies Schweiz GmbH, Wängi, Switzerland	
		OPEN MIND CAD-CAM Technologies India Private Ltd, Bangalore, India	
		OPEN MIND Technologies Iberia S.L., Valencia, Spain	
		OPEN MIND Technologia Brasil LTDA, Sao Paulo, Brazil	

In fiscal year 2020, the percentage ownership of the subsidiary Mensch und Maschine At Work GmbH, Osnabrück, Germany was increased from 80.00% to 85.03%, of Mensch und Maschine Scholle GmbH, Velbert, Germany from 75.00% to 87.50% and of Mensch und Maschine Tedikon GmbH, Weissenhorn, Germany from 50.10% to 100%.

In Germany the subsidiaries Mensch und Maschine bencon 3D GmbH, Hamburg, Mensch und Maschine Tedikon GmbH, Weissenhorn and Mensch und Maschine CAD-praxis GmbH, Düren were merged with Mensch und Maschine Deutschland GmbH, Wessling.

The subsidiary SOFiN Consulting Ltd., Espo, Finland was founded as of July 1, 2020.

The effects of the acquisition in SOFiSTiK AG closed in 2019 on the assets and liabilities of M+M are shown in the following table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow:

Acquired assets and assumed liabilities in the previous year

Amounts in KEUR	Net carrying amount at the date of first consolidation	Fair-value adjustment	Net carrying amount after the acquisition
Cash and cash equivalents	2,730		2,730
Inventories	5		5
Other current assets	1,539		1,539
Property, plant and equipment	4,811		4,811
Other intangible assets	98	4,732	4,830
Deferred taxes	0	-1,419	-1,419
Short term debt	-1,000		-1,000
Other currebt liabilities	-1,317	-2,675	-3,992
Accruals	-1,247		-1,247
Net assets	**5,619**	**638**	**6,257**
Minority interest			-3,061
Goodwill			13,196
Other investments			-4,214
Purchase price			**12,178**
Share swap by contribution in kind	11,181		11,181
Cash and cash equivalents at the time of initial consolidation	2,730		2,730
Cash reserved for dividend payments to former shareholders	-2,730		-2,730
Cash outflow for purchase 2019	997		997
Net cash outflow for the acquisitions			**-997**

Other remarks

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 audit opinion.

The following domestic subsidiaries made use in 2020 of certain exemptions granted under Sections 264, paragraph 3 of the German Commercial Code regarding the management report and release from the publication of financial statements:

- Mensch und Maschine Management AG, Wessling, Germany
- OPEN MIND Technologies AG, Wessling, Germany

Principles of consolidation

The consolidated financial statements include subsidiaries. Subsidiaries are companies over which M+M is currently able to exercise power by virtue of existing rights. Power means the ability to direct the activities that significantly influence a company's profitability. Control is therefore only deemed to exist if M+M is exposed, or has rights, to variable returns from its involvement with a company and has the ability to use its power over that company to affect the amount of that company's returns. The ability to control another company generally derives from M+M direct or indirect ownership of a majority of the voting rights.

Inclusion of an entity's accounts in the consolidated financial statements begins when the Group is able to exercise control over the entity and ceases when it is no longer able to do so.

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

Acquisition costs incurred are expensed and included in administrative expenses.

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

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

The purchase of shares (participation rate increase) after the initial consolidation is accounted for as an equity transaction.

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

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

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

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable.

Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

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

Non-controlling interests are valued at closing time with their share in shareholders' equity respective earnings of the year of the particular subsidiary.

Receivables, reserves, liabilities, accruals and deferrals resulting from intra-group transactions are mutually offset. Differences from the consolidation of debt are treated with effect on earnings.

Contingent liabilities were consolidated to the required extent. Interim profits and losses resulting from intra-group supply and service trading were likewise eliminated as were investment returns from companies included in the consolidation. Intra-group sales revenues as well as other intra-group earnings were offset by the appropriate expenditures.

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

Management judgements 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 judgement.

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 judgements 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.

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 judgement 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. The only tax loss carry forwards capitalized by M+M are those which can presumably be used within the following five years.

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.

The Management exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to litigation or outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement.

Provisions are recorded for liabilities when losses are expected from pending contracts, a loss is considered probable and can be reasonably estimated. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision.

In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates of these losses from executory contracts may significantly affect future operating results.

Currency conversion

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

Exchange rates

	Average		Year end	
	2020	2019	Dec 31, 2020	Dec 31, 2019
1 Swiss Franc	0.9343	0.8897	0.9258	0.9213
1 British Pound	1.1246	1.1399	1.1123	1.1754
1 Polish Zloty	0.2251	0.2327	0.2193	0.2349
1 Romanian Ron	0.2067	0.2107	0.2054	0.2091
1 US Dollar	0.8762	0.8932	0.8149	0.8902
1 Singapore Dollar	0.6355	0.6548	0.6166	0.6618
100 Japanese Yen	0.8212	0.8193	0.7906	0.8201
1 Taiwan Dollar	0.0390	0.0298	0.0290	0.0298
1 Renminbi Chinese Yuan	0.1271	0.1293	0.1246	0.1279
1 India Rupie	0.0118	0.0127	0.0112	0.0125
1 Brazilia Real	0.1698	0.2226	0.1569	0.2241
1 Hungarian Forint	0.0028	0.0030	0.0027	0.0030
1 Israeli Schekel	0.2531	0.2589	0.2535	0.2574

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

In accordance with IAS 1, the balance sheet is apportioned into current and non-current assets and into current and non-current liabilities. Assets and liabilities are regarded as current if they mature within one year.
To improve the clarity in the balance sheet the mortgage-backed real estate loans are shown separately.

Accounting and valuation methods

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

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

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

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

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

The discount rate is determined on the basis of market data and considers credit and market risks. For the cash generating units the after-tax basis discount rate amounts between 5.46% and 10.25%.

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 15 years and are included in the depreciation.

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 15 years. The amortization period for an intangible asset with a finite useful life is reviewed regularly. The expense for the amortization is taken to the income statement through the amortizations.

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 capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. Development expenditure on an individual project is capitalized if their future recoverability can reasonably be regarded as assured.

Research costs are expensed as incurred

Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of nother entity.

Financial assets

Since January 1, 2018, the Group classifies its financial assets into the following evaluation categories:

- those subsequently measured at fair value (either directly in equity or through profit or loss), and
- those measured at amortized cost.

The classification is dependent on the company's business model for managing financial assets and on the contractual cash flows. In the case of assets measured at fair value, gains and losses are recognised either in profit or loss or directly in equity. For investments in equity instruments that are not held for trading, this depends on whether the Group has irrevocably decided at the time of initial recognition to measure the equity instruments at fair value through equity.

A normal market purchase or sale of financial assets is recognised on the trade date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On initial recognition, the Group measures a financial asset at fair value plus, in the case of a subsequent financial asset not measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition of that asset. Transaction costs of financial assets at fair value through profit or loss are recognised as an expense in profit or loss.

Subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- About amortized costs:
  Assets that are held to collect the contractual cash flows, and for which these cash flows represent exclusively interest and principal payments, are measured at amortized cost. Interest income from these financial assets is reported under financial income using the effective interest method. Gains or losses from derecognition are recorded directly in the income statement.

- Financial assets assessed at fair value through profit or loss:
  Assets that are held to collect the contractual cash flows and sell the financial assets, and for which the cash flows represent exclusively interest and principal payments, are measured at fair value through equity. Changes in the carrying amount are recognised in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains or losses that are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other operating income/ expense. Interest income from these financial assets is reported under financial income using the effective interest method.

- Financial assets assessed at fair value through profit or loss:
  Assets that do not meet the other criteria are classified as at fair value through profit or loss and gains or losses are recognised in other operating income/expense in the period in which they arise.

Since January 1, 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its assets measured at amortized cost or at fair value through profit or loss. The impairment method depends on whether there is a significant increase in credit risk.

In the case of trade receivables, the Group applies the simplified approach permitted by IFRS 9, according to which expected credit losses over the term are to be recognised from the initial recognition of the receivables.

Leases
M+M assesses at the beginning of the contract whether a contract constitutes or contains a lease. This is the case if the contract entitles to control the use of an identified asset against payment of a fee for a certain period of time.

Since January 1, 2019, the group as a lessee recognizes in general for all leases within the statement of financial position an asset for the right of use of the leased assets and a liability for the lease payment commitments at present value.

These are primarily rentals of property and buildings, technical equipment and machinery, other plants and operating and office equipment. The right of use assets reported under property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses. Payments for non-lease components are not included in the determination of the lease liability. The lease liabilities reported under financial liabilities reflect the present value of the outstanding lease payments at the time the asset is made available for use. Lease payments are discounted at the interest rate implicit in the lease if it can be readily determined. Otherwise, they are discounted at the lessee's incremental borrowing rate.

The derivation of the interest rate is based on the assumption that an adequate amount of funds will be raised over an adequate period of time in the amount of an asset comparable to the right of use asset, taking into account the economic environment and comparable collateral.

The lease liabilities include the following lease payments:

- Fixed payments, less lease incentives to be paid by the lessor;
- variable lease payments that are based on an index or an interest rate;
- expected amounts to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the exercise is reasonably certain and
- payment of penalties for the termination of the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Right-of-use assets are measured at cost, which are comprised as follows:
- Lease liability,
- lease payments made at or before the commencement date less any lease incentives received,
- initial direct costs, and
- dismantling obligations.

Subsequent measurement is performed at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the lease term, unless the useful life of the underlying asset is shorter. If the lease agreement contains reasonably certain purchase options, the right of use is depreciated over the economic life of the underlying asset.

In subsequent measurement, the lease liability is compounded, and the corresponding interest expense is recognized in the financial result. The lease payments made reduce the carrying amount of the lease liability.

In accordance with the recognition exemptions, low-value leases of and short-term leases (less than twelve months) are recognized in the statement of income. Only leased assets with a value of up to €5,000 are classified as low-value leased assets. Furthermore, the new regulations are not applied to leases of intangible assets.
For contracts comprising a nonlease component as well as a lease component, each lease component must be accounted for separately from non-lease component as a lease.
The lessee must allocate the contractually agreed-upon payment to the separate lease components based on the relative standalone selling price of the lease component and the aggregated standalone selling price of the non-lease components.

The term of the lease is determined based on the non-cancellable lease term. Especially real estate leases contain extension and termination options. Such contractual conditions offer the greatest possible operational flexibility to the Group. In determining the lease term, all facts and circumstances are considered that provide an economic incentive to exercise renewal options or not to exercise termination options. Lease term modifications from the exercise or non-exercise of such options are only considered in the lease term if they are reasonably certain and are based on an event that is within the control of the lessee.

Financial liabilities

All financial liabilities are initially measured at fair value, in the case of loans and liabilities less directly attributable transaction costs. After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.

In the case of financial liabilities, the Group has not yet made use of the option to designate these as financial liabilities at fair value through profit or loss upon initial recognition.

M+M does not use derivative financial instruments.

Inventory

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

Income taxes

Income taxes include current income taxes payable as well as deferred taxes. Tax liabilities mainly comprise liabilities for domestic and foreign income taxes. They include liabilities for the current period as well as for prior periods. The liabilities are measured based on the applicable tax law in the countries where M+M operates and include all facts of which the Company is aware.

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

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

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

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

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

Government grants
Government grants compensating expenses are recognized in profit or loss as other operating income in the period in which the related expenses incurred.

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

Accruals
Pursuant to IAS 37, accruals are to be reported at the amount resulting from the best estimate of the financial outflow required to meet current obligations as at the balance sheet date.

The value stated for other accruals takes into account all identifiable risks based on past experience and where the scope and maturity is uncertain.

Pension accruals
The pension accruals mainly exist at the parent company and refer to a defined benefit plan for the Managing Directors. The pension commitment contains a retirement pay, a widow's pension as well as a disablement pension. In the case of pension, the payments are made monthly in advance. Pursuant to the Projected Unit Credit Method according to IAS 19 the pension accruals are measured at the present value of the defined benefit liability and cover all benefits after termination of employment.

The calculations were based on the following assumptions:

	2020	2019
Discount rates	0.50%	0.90%
Estimated return on plan assets	2.00%	2.00%
Future changes in Remunerations	1.50%	1.50%

The amount of the pension obligations was determined using actuarial principles using biometric data. The provision is reduced by the amount of the plan assets which consist of pension liability insurances. The service cost is disclosed in staff costs and other comprehensive income.

The actuarial gains and losses arising from two defined benefit plans are recognized in other comprehensive income.

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

Liabilities are valued at their repayment value.

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

Principles of revenue recognition
Revenue from the sale of products (software) and other related services is recognised when the customer obtains control of them.

MuM recognises revenues from services, especially maintenance contracts, over a specific period of time, since the customer receives the benefit from the Group's services and simultaneously utilises this benefit.

Revenue from the sale of software is recognised at a specific point in time, generally upon delivery.

M+M usually issues invoices with payment terms of less than 60 days.

For sales transactions with several partial services, such as the sale of products and related services or maintenance agreements, sales are allocated to the various services mainly on the basis of their estimated relative individual sales prices.

The Group pays its employees sales commissions for each contract they win for the bundled sale of software and services. These additional costs of initiating a contract are recognised immediately as an expense when they are incurred if the amortisation period would not exceed one year.

Deferred revenue
If a customer pays a consideration before the Group transfers goods or services to it, a deferred revenue item is recognised when the payment is made or becomes due. Deferred revenues are recognised as revenue as soon as the Group meets its contractual obligations.

Related Parties
M+M's Principal, CEO and Chairman of the Board Adi Drotleff and members of his family granted M+M loans amounting to KEUR 3,170 (PY: 2,813) at Dec 31, 2020 and therefore received interest in 2020 of KEUR 55 (PY: 45).

Notes on the statement of income

1. Revenues

Group sales are generated exclusively from contracts with customers within the meaning of IFRS 15.

Revenues from contracts with customers in the reporting period consisted of service obligations fulfilled at a specific point in time of KEUR 211,677 (PY: 215,706) and service obligations fulfilled over a specific period of KEUR 32,306 (PY: 30,433). Revenues of KEUR 1,973 (PY: 1,182) were recorded, which were included in deferred revenues in the previous period.

2. Cost of materials

Amounts in KEUR	2020	2019
Cost of materials	-105,338	-108,285
Costs of outstanding services	-2,941	-3,076
Licences in other production costs for proprietary Software	-7,748	-6,689
	-116,027	**-118,050**

3. Personnel expenses

Amounts in KEUR	2020	2019
Wages and salaries	-66,285	-65,408
Social security	-12,561	-11,861
Pension costs and welfare	-183	0
	-79,029	**-77,269**

4. Other operating expenses

Amounts in KEUR	2020	2019
Insurance	-566	-581
Costs of building	-1,103	-1,159
Travel costs	-1,506	-4,035
Car expenses	-2,149	-2,479
Advertising and promotion	-2,053	-3,658
Communication	-968	-970
IT costs	-921	-378
Consulting and Laywer fees	-1,367	-1,360
Rest of other operating expenses	-3,098	-2,905
	-13,730	**-17,525**

The item 'Rest of other operating expenses' consist of various items less than KEUR 300.

5. Depreciation and Amortization

Amounts in KEUR	2020	2019
Depreciation of property, plant and equipment	-1,851	-1,749
Depreciation of other intangible assets	-1,659	-1,568
Amortization due to purchase price allocated intangible assets	-316	-471
Depreciation finance lease	-5,472	-5,570
	-9,298	**-9,358**

6. Other operating income

Amounts in KEUR	2020	2019
Return from private use of cars and telephones	1,290	1,649
Rents received	273	202
Marketing funds	947	613
Corona related grants and furloughing benefits	1,456	0
Other income	1,167	989
	5,133	**3,453**

The item 'Other income' consist of various items, all of which are less than KEUR 300.

7. Financial result

Amounts in KEUR	2020	2019
Interest income	115	152
Interest expenses	-344	-409
Income from investments and participations	0	351
Minority interest in VAR business partners	-121	-259
Other income and expenses	-382	-335
Interest for finance lease IFRS16	-163	-215
Foreign currency exchange gains / losses	-360	-204
Financial result	**-1,255**	**-919**

8. Taxes on income

This item encompasses actual tax expenses amounting to KEUR 7,665 (PY: 7,865), a charge amounting to KEUR 1,113 (PY: relief 285) from further development and revaluation of deferred tax assets, as well as a charge of KEUR 88 (PY: relief 191) from deferred tax liabilities.

In total there are realizable tax loss carry forwards amounting to KEUR 8,889 (PY: 10,049). This creates gross tax credits of KEUR 1,821 (PY: 2,803). The realization of the tax loss carry forward has been proved by planning forecasts and flexible tax models of optimization. The only tax loss carry forwards capitalized are those which can presumably be used within the following five years, resulting in deferred tax assets with an amount of KEUR 885 (PY: 1,633).

This means 48.59% (PY: 58.26%) of the total gross tax credits are capitalized.
At the moment there are no significant 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 1,556 (PY: 1,899) resulting from different valuations of accruals, as well as deferred tax liabilities amounting to KEUR 1,994 (PY: 1,811), mainly resulting from the capitalization of development costs.

The average domestic tax rate contains the corporate income tax ("Körperschaftsteuer") plus solidarity surcharge ("Solidaritätszuschlag") as well as the trade tax "Gewerbesteuer").

The transition between the expected taxes and the actual tax proceeds are explained by the reconciliation in the following table:

Tax reconciliation

Amounts in KEUR	2020	2019
Result before income tax	**29,777**	**26,271**
Average domestic tax rate	30%	30%
Expected tax charge	**-8,933**	**-7,881**
Tax rate variances		
Foreign tax rate differential	199	-24
Deviation of the taxable base from		
Non-period income taxes	50	9
Non deductable expenses	-301	-259
Tax free income from investments	0	105
Taxable depreciation of intangible assets	70	70
Valuation of deferred tax assets		
Non-recognition of deferred tax assets	150	0
Subsequent recognition of deferred tax assets	0	-27
Other	**-109**	**48**
Actual tax charge	**-8,874**	**-7,959**
Effective tax rate in percent	**29.80%**	**30.30%**

9. 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 shares in treasury stock are included in the calculation of earnings per share.

	2020	2019
Net result in KEUR	18,712	16,669
Weighted number of shares	16,782,784	16,820,266
Earnings per share EUR	1.1150	0.9910

The diluted and undiluted number of shares as well as the net result is identical.

Notes on the balance sheet

Assets

Current assets

10. 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 allowance amounting to KEUR 1,286 (PY: 1,000).

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	2020	2019
Allowances as of Jan 1	1,000	1,165
Translation differences	-15	10
Addition	462	235
Disposal	-125	-236
Reversing	-14	-174
Allowances as of Dec 31	**1,286**	**1,000**

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.

11. Inventories
This position predominantly contains purchased goods amounting to KEUR 2,870 (PY: 2,634), software licenses amounting to KEUR 9 (PY: 8) and work in process amounting to KEUR 839 (PY: 540). As in the previous year allowances have not been made.

12. Other current assets
This position primarily comprises tax credits, loans and creditor receivables from pending reimbursements.

Trade receivables

Amounts in KEUR		of which neither impaired nor past due on the reporting date	of which not impaired on the reporting date and past due in the following periods				
	Book value		30<60	60<90	90<180	180<360	>360
As of Dec 31, 2020	30,794	28,529	819	32	540	292	582
As of Dec 31, 2019	39,583	36,022	1,556	581	705	464	255

Fixed assets register 2019

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 19	Others	Currency	Addition	Disposal	Dec 31, 19	Jan 01, 19	Others	Currency	Addition	Disposal	Dec 31, 19	Jan 01, 19	Dec 31, 19
I. Tangible assets	**9,945**	**2,186**	**95**	**2,174**	**-1,686**	**12,714**	**7,310**	**1,723**	**65**	**1,436**	**-1,686**	**8,848**	**2,635**	**3,866**
II. Property	**13,203**	**3,878**	**20**	**2,962**	**0**	**20,063**	**2,636**	**0**	**20**	**313**	**0**	**2,969**	**10,567**	**17,094**
III. Other intangible assets	**33,187**	**5,249**	**20**	**2,489**	**-120**	**40,825**	**23,824**	**420**	**-1**	**2,039**	**-120**	**26,162**	**9,363**	**14,663**
1. Development costs	10,168	0	0	500	0	10,668	3,001	0	0	918	0	3,919	7,167	6,749
2. Purchase price allocation	15,647	4,731	0	0	0	20,378	15,492	0	0	471	0	15,963	155	4,415
3. Other	7,372	518	20	1,989	-120	9,779	5,331	420	-1	650	-120	6,280	2,041	3,449
IV. Goodwill	**39,597**	**0**	**0**	**13,196**	**0**	**52,793**	**6,311**	**0**	**0**	**0**	**0**	**6,311**	**33,286**	**46,482**
V. Financial assets	**4,973**	**-4,939**	**0**	**0**	**-3**	**31**	**725**	**-725**	**0**	**0**	**0**	**0**	**4,248**	**31**
1. Financial assets	4,939	-4,939	0	0	0	0	725	-725	0	0	0	0	4,214	0
2. Other	34	0	0	0	-3	31	0	0	0	0	0	0	34	31
VI. Right of use leasing contracts	**0**	**16,444**	**104**	**2,082**	**-329**	**18,301**	**0**	**0**	**19**	**5,570**	**-329**	**5,260**	**0**	**13,041**
(all amounts in KEUR)	**100,905**	**22,818**	**239**	**22,903**	**-2,138**	**144,727**	**40,806**	**1,418**	**103**	**9,358**	**-2,135**	**49,550**	**60,099**	**95,177**

Non current assets

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

The column 'Others' includes reclassifications, write-ups as well as consolidation effects.

Fixed assets register 2020

	Acquisition costs						Accumulated depreciation						Net book value	
	Jan 01, 20	Others	Currency	Addition	Disposal	Dec 31, 20	Jan 01, 20	Others	Currency	Addition	Disposal	Dec 31, 20	Jan 01, 20	Dec 31, 20
I. Tangible assets	**12,714**	**32**	**-111**	**1,711**	**-889**	**13,457**	**8,848**	**0**	**-70**	**1,486**	**-827**	**9,437**	**3,866**	**4,020**
II. Property	**20,063**	**23**	**-22**	**1,334**	**-14**	**21,384**	**2,969**	**0**	**-23**	**365**	**-21**	**3,290**	**17,094**	**18,094**
III. Other intangible assets	**40,825**	**-55**	**-2**	**2,577**	**-398**	**42,947**	**26,162**	**0**	**-2**	**1,975**	**-399**	**27,736**	**14,663**	**15,211**
1. Development costs	10,668	0	0	500	0	11,168	3,919	0	0	918	0	4,837	6,749	6,331
2. Purchase price allocation	20,378	0	0	0	0	20,378	15,963	0	0	316	0	16,279	4,415	4,099
3. Other	9,779	-55	-2	2,077	-398	11,401	6,280	0	-2	741	-399	6,620	3,499	4,781
IV. Goodwill	**52,793**	**0**	**0**	**0**	**0**	**52,793**	**6,311**	**0**	**0**	**0**	**0**	**6,311**	**46,482**	**46,482**
V. Financial assets	**31**	**2**	**0**	**2**	**-4**	**31**	**0**	**0**	**0**	**0**	**0**	**0**	**31**	**31**
1. Financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Other	31	2	0	2	-4	31	0	0	0	0	0	0	31	31
VI. Right of use leasing contracts	**18,301**	**0**	**-70**	**3,760**	**-5,248**	**16,743**	**5,260**	**0**	**-26**	**5,472**	**-5,248**	**5,458**	**13,041**	**11,285**
(all amounts in KEUR)	**144,727**	**2**	**-205**	**9,384**	**-6,553**	**147,355**	**49,550**	**0**	**-121**	**9,298**	**-6,495**	**52,232**	**95,177**	**95,123**

13. Goodwill

The development of goodwill is shown in the Goodwill register.

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

Goodwill development

Amounts in KEUR	Dec 31, 2019	Addition / Impairment	Currency	Dec 31, 2020
VAR Business D/A/CH	16,214			16,214
SOFiSTiK	13,196			13,196
OPEN MIND	9,341			9,341
M+M UK	2,982			2,982
M+M Romania	1,610			1,610
DATAflor	1,216			1,216
MuM Italy	1,116			1,116
MuM Poland	474			474
MuM France	333			333
Total	**46,482**			**46,482**

14. Leasing

MuM has leasing contracts in place for office space, vehicles, operating and business equipment and software. Leasing agreements for vehicles, operating and office equipment and software generally have terms of between 3 and 5 years, while the term for office rent is usually between 2 and 10 years.

The following table shows the carrying amounts of the rights of use recognized in the balance sheet during the reporting period:

The following table shows the leasing liabilities and the changes during the reporting period:

Amounts in KEUR	2020	2019
As of Jan 1	13,141	16,444
Addition	3,760	2,082
Interest	162	215
Payment	-5,579	-5,688
Currency	-89	88
As of Dec 31	**11,395**	**13,141**
thereof short term	4,296	5,135
thereof long term	7,099	8,006

Development right of use leasing

Amounts in KEUR	Jan 1, 2020	Addition/ Disposal	Depreciation	Currency	Dec 31, 2020
Offices	6,385	3,218	-2,506	-24	7,073
Cars	2,824	1,994	-1,878	-20	2,920
Equipment	318	-30	-135	0	153
Software	3,514	-1,422	-953	0	1,139
Total	**13,041**	**3,760**	**-5,472**	**-44**	**11,285**

The cash outflows for leases amounted to KEUR 5,579 (PY: 5,688), while non-cash additions of rights of use and lease liabilities amounted to KEUR 3,760 (PY: 2,082).

The maturity analysis of the leasing liabilities is shown under the item "Liquidity risks" on page 60.

The following amounts were recognised in profit or loss in the reporting period:

Amounts in KEUR	**2020**	**2019**
Depreciation leasing	5,472	5,570
Interest for finance lease	162	215
Total amount recognized in profit and loss	**5,634**	**5,785**

The weighted average marginal borrowing rate used for the recognition of lease liabilities is 1.5%.

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.

In the balance sheet, the bank liabilities classified as current are those which have to be paid back within the next 12 months. Fixed credit lines with indefinite durations are classified as non current, even if they are refinanced on a short term base (low interest rates). This increases the clarity of the financing structure, and avoids the wrong impression that most of the bank debt would be short-term.

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 46.8 million (PY: 47.2). M+M does not pay commitment fees on unused credit lines.

16. Accrued expenses

Accruals are calculated by taking all identifiable risks into account and always represent the expected repayment amount.

The development of the accruals in the reporting period is shown in the table of accrual development.

Table of accrual development

Amounts in KEUR	Dec 31, 2019	Disposal	Addition	Dec 31, 2020
Personnel accruals	9,037	-7,239	7,247	9,045
Outstanding bills	948	-948	680	680
Other	1,006	-311	274	969
Total current accruals	**10,991**	**-8,498**	**8,201**	**10,694**
Other accruals	88	0	0	88
Total non current accruals	**88**	**0**	**0**	**88**
Total accruals	**11,079**	**-8,498**	**8,201**	**10,782**

The other non current accruals mainly include provisions for archiving.

17. Other current liabilities

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

Non current liabilities

18. Long term debt, less current portion
This position contains the fixed and unsecured credit lines with indefinite period of redemption, shareholder loans as well as bank loans for financing properties secured by mortgages.

In the Table 'Changes in liabilities arising from financing activities' an addition from the first time consolidation of SOFiSTiK is reported in the column 'Other' in 2019.

Debt

Amounts in KEUR	Total	within 1 year	due > 1 year < 5 years	due > 5 years
As of Dec 31, 2020				
Debt	12,934	1,764	11,170	0
Real estate financing secured by mortgage	6,205	1,147	4,382	676
Financial liability	**19,139**	**2,911**	**15,552**	**676**
As of Dec 31, 2019				
Debt	18,146	333	17,813	0
Real estate financing secured by mortgage	6,264	1,260	4,058	945
Financial liability	**24,410**	**1,593**	**21,871**	**945**

Changes in liabilities arising from financing activities

Amounts in KEUR	As of	Cash Flow	Currency	Other	As of
	Jan 1, 2020				**Dec 31, 2020**
Short term debt and current portion of long term debt	1,593	1,332	-14	0	2,911
Long term debt, less current portion	17,813	-6,643	0	0	11,170
Real estate financing secured by mortgage	5,004	54	0	0	5,058
Finanzielle Verbindlichkeiten	**24,410**	**-5,257**	**-14**	**0**	**19,139**
	Jan 1, 2019				**Dec 31, 2019**
Short term debt and current portion of long term debt	2,014	-411	-10	0	1,593
Long term debt, less current portion	15,622	2,191	0	0	17,813
Real estate financing secured by mortgage	3,175	829	0	1,000	5,004
Financial liability	**20,811**	**2,609**	**-10**	**1,000**	**24,410**

19. Pension accruals

The pension accruals essentially exist at the parent company and refer to a defined benefit plan for the Managing Directors. The pension commitment contains a retirement pay, a widow's pension as well as a disability pension.

The pension accruals are determined according to actuarial principles of the projected unit credit method in accordance with IAS 19.

The pension accruals at the balance sheet date amount to KEUR 1,206 (PY: 1,091), of which an amount of KEUR 1,206 (PY: 1,091) 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 2,740 (PY: 2,776). 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 40 (PY: 51), interest expenses amounting to KEUR 34 (PY: 84) and current time of service expenditure amounting to KEUR 0 (PY: 0).

The stated expenses and income are included in the personnel expenses and the financial result.

The recognition of actuarial gains and losses are shown in total in other comprehensive income (see notes to the pension accruals on page 45).

In the financial year, pension has been paid in the amount of KEUR 149 (PY: 202).

The reconciliation to the net recognized liability is as follows:

Amounts in KEUR	**2020**	**2019**
Benefit obligation at start of the year	3,867	4,487
Interest cost	34	84
Benefits paid	-149	-202
Net actuarial gain	194	-502
Benefit obligation at end of year	**3,946**	**3,867**
Plan assets at start of year	2,776	2,783
Received contributions	-148	-154
Actual return on plan assets	40	51
Net actuarial gain	72	96
Plan assets at end of year	**2,740**	**2,776**
Net recognized liability	**1,206**	**1,091**

Pension benefits payable in the future are estimated as follows

Year	Amounts in KEUR
2021	61
2022	62
2023	63
2024	80
2025	182
2026 - 2031	1,209

The benefit obligation has an average statistical expected remaining life of 16 years (PY: 17).

The table below shows the sensitivity of pension accruals on changes in the parameters:

Amounts in KEUR	2020	2019
Change in discount rate +0.5%	-228	-224
Change in discount rate -0.5%	256	249
Change in projected future benefit increases +0.5%	51	46
Change in projected future benefit increases -0.5%	-46	-43
Change in life expectancy + 1 year	139	97

When calculating the sensitivity of the DBO to significant assumptions, the same method has been applied as when calculating the pension liability recognised in the statement of financial position. The above sensitivity analysis are based on a change in one assumption while holding all other assumptions constant.

Shareholders' equity

20. Share capital

The subscribed capital of M+M SE as of Dec 31, 2020, comprised 17,149,052 (PY: 17,149,052) shares, with a calculated stake of EUR 1.00 per share.

As of Dec 31, 2020 the approved capital amounts to 7,875 (PY: 7,875). It was authorized by the general meeting on May 9, 2018 and expires on May 8, 2023.

21. Capital reserve

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

Amounts in KEUR	2020	2019
Capital reserve as of Jan 1	37,987	24,859
Share dividend	2,223	2,073
Delivery of own shares	622	339
Minority interest change	-160	0
Acquisition of additional shares of already fully consolidated companies	0	10,716
Capital reserve as of Dec 31	**40,672**	**37,987**

22. Treasury stock

The board of administration of M+M SE resolved to start the share buyback program at October 9, 2008. M+M acquired 80,592 (PY: 131,435) M+M shares at a total amount of KEUR 2,676 (PY: 4,083) or EUR 33.21 (PY: 31.06) per share. In the financial year, 87,493 (PY: 87,455) treasury shares were used to service the stock dividend and 22,858 (PY: 25,586) treasury shares for the employee participation program. As of Dec 31, 2020, M+M held 316,905 (PY: 346,664) shares of treasury stock. This is 1.85% (PY: 2.02%) of the issued capital.

Treasury shares are carried at cost amounting to KEUR 6,777 (PY: 6,460) or EUR 21.38 (PY: 18.63) per share.

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:
- KEUR 7,513 (PY: 6,054) paid for taxes on income (net of income tax refunds
- cash flows from investments (dividends) amounting to KEUR 0 (PY: 351)

The other non cash expenses / income are mainly the change of the deferred taxes amounting to KEUR 1,179 (PY: 1,420), the change of deferred revenues of KEUR 862 (PY: 791) and the change of the other comprehensive income of KEUR 374 (PY: 95).

In the cash flows from financing activities dividends to M+M shareholders amounting to KEUR 14,214 (PY: 10,630) or EUR 0.85 (PY 0.65) per share are included of which KEUR 4,094 (PY: 3,110) was contributed back to equity since the option share dividend was chosen. The actual total payment to M+M shareholders was KEUR 10,120 (PY: 7,520).

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

Other supplementary information

Other financial obligations and contingent liabilities
Until Dec 31, 2018 the other financial obligations were mainly the result of long term rental and operating lease contracts for the group as a whole. Since January 1, 2019 these are recognised in the balance sheet as rights of use according to IFRS 16. There were no further relevant other financial obligations as of Dec 31, 2020.

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 risk

M+M is exposed to currency risks from its investing and operating activities. Usually foreign currencies are not hedged. The individual Group entities predominantly execute their operating activities in their respective functional currencies. This is why the assessment of exchange rate risk from ongoing operations is low.

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

Amounts in KEUR	2020	2019
Increase of 5%	-246	-296
Decrease of 5%	246	296

Interest risk

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

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

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

Amounts in KEUR	2020	2019
Increase of 25 basis points	-31	-35
Decrease of 25 basis points	31	35

Liquidity risks

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

The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before the balance sheet date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Liquidity risk 2020

Amounts in KEUR	Book value	Cash flows 2021		Cash flows 2022		Cash flows from 2023	
	Dec 31, 2020	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	15,968	85	10,912	66	1,113	220	3,943
Shareholders' loan	3,170		3,170				
Trade accounts payable	14,549		14,549				
Other current liabilities	4,708		4,708				
Finance lease obligation	12,075		5,520		2,980		3,575

Liquidity risk 2019

Amounts in KEUR	Book value	Cash flows 2020		Cash flows 2021		Cash flows from 2022	
	Dec 31, 2019	Interest rate	Repayment	Interest rate	Repayment	Interest rate	Repayment
Bank debt	21,597	97	16,596	74	1,159	135	3,842
Shareholders' loan	2,813		2,813				
Trade accounts payable	21,229		21,229				
Other current liabilities	2,391		2,391				
Finance lease obligation	13,139		5,293		3,566		4,280

All instruments held at balance sheet date 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 expected future outflow of cash is covered by the operating business, the trade accounts receivables as well as the available credit lines.

The following table shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument and reconciliation to the corresponding line item in the balance sheet.

Since the line items ‘Other receivables’ and ‘Other liabilities’ contain both financial instruments and non-financial assets and liabilities (such as other tax receivables or advance payments for services to be received in the future), the reconciliation is shown in the column headed ‘Non-financial assets / liabilities’.

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

Fair Values 2020

Amounts in KEUR Assets	Category in accordance with IFRS 9	Book value Dec 31, 2020	Fair Value Dec 31, 2020	Amounts recognized in balance sheet according to IFRS9 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2020
Cash and cash equivalents	AC	15,977	15,977	15,977		15,977
Trade accounts receivables	AC	30,794	30,794	30,794		30,794
Other current assets	AC	4,418	4,418	4,418	2,258	6,676
Liabilities						
Bank debt	AC	15,968	16,456	15,968		15,968
Shareholders’ loan	AC	3,170	3,170	3,170		3,170
Trade accounts payable	AC	14,549	14,549	14,549		14,549
Other current liabilities	AC	4,708	4,708	4,708	2,469	7,177
Of which aggregated by category in accordance with IFRS 9						
Financial assets measured at fair value through profit or loss	AC	51,189	51,189	51,189		
Financial Liabilities Measured at Amortised Cost (FLAC)	AC	38,396	38,883	38,396		

Fair Values 2019

Amounts in KEUR Assets	Category in accordance with IFRS 9	Book value Dec 31, 2019	Fair Value Dec 31, 2019	Amounts recognized in balance sheet according to IFRS9 Amortized cost	non-financial assets / liabilities	Book value on balance sheet Dec 31, 2019
Cash and cash equivalents	AC	12,918	12,918	12,918		12,918
Trade accounts receivables	AC	39,583	39,583	39,583		39,583
Other current assets	AC	2,588	2,588	2,588	2,514	5,102
Liabilities						
Bank debt	AC	21,597	21,929	21,597		21,597
Shareholders’ loan	AC	2,813	2,813	2,813		2,813
Trade accounts payable	AC	21,229	21,229	21,229		21,229
Other current liabilities	AC	2,391	2,391	2,391	3,757	6,148
Of which aggregated by category in accordance with IFRS 9						
Financial assets measured at fair value through profit or loss	AC	55,089	55,089	55,089		
Financial Liabilities Measured at Amortised Cost (FLAC)	AC	48,030	48,362	48,030		

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

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

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

Other price risks

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes. As of December 31, 2020, M+M did not hold any material investments to be classified as ‘available-for-sale’.

Credit risk

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

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

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

Capital management

The primary objective of the capital management of M+M was to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. M+M´s policy is to keep an equity ratio of at least 30%. Above that the gearing ratio should be below 3 times EBITDA. The gearing ratio improved from 0.21 to -0.05 and the equity ratio increased from 46.09% to 51.81%.

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, 2020.

Research and development expenses

The research and development expenses for the financial year amounted to KEUR 20,620 (PY: 19,691).

Thereof KEUR 20,120 (PY: 19,191) was expensed and KEUR 500 (PY: 500) was capitalized as development cost for individual projects under other intangible assets, because their future recoverability could reasonably be assured.

Employees

The group's average number of employees (full time equivalent) during the fiscal year was 948 (PY: 946).

Administrative Board

The Administrative Board consist of the following persons:

Adi Drotleff, Diplom-Informatiker, Munich
(Chairman)
Heike Lies, Magister Artium, Munich,
(Deputy Chairwoman)
Municipal employee
Dr. Johannes Harl, Diplom-Kaufmann, Nuremberg

According to article 23 and 24 of the SE implementing law in connection with article 10, para 1, of the articles of association of Mensch und Maschine Software SE, the Administrative Board is made up of three members and is elected for 5 years. The last election was on May 3, 2016.

Managing Directors

The following gentlemen were appointed Managing Directors during fiscal year 2020:

Adi Drotleff, Diplom-Informatiker, Munich (Chairman)
Christoph Aschenbrenner, Diplom-Ingenieur (FH) Eresing (COO)
Markus Pech, Betriebswirt (FH), Schrobenhausen (CFO)

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

Remuneration of Managing Directors and Administrative Board

The remuneration for the Managing Directors in 2020 amounted to KEUR 1,121 (PY: 1,059). It was composed of fixed salaries of KEUR 552 (PY: 534), variable components of KEUR 498 (PY: 455) and non-cash salary components of KEUR 71 (PY: 70).

The pension obligation for the Managing Directors amounted to KEUR 2,206 (PY: 1,955) as of December 31, 2020.

Remuneration for the Administrative Board in 2020 totaled to KEUR 16 (PY: 16).

Audit fees

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

Amounts in KEUR	**2020**	**2019**
Audit	215	219
Tax consulting	87	64
Total	**302**	**283**

Appropriation of retained earnings of Mensch und Maschine Software SE

Mensch und Maschine Software SE has unappropriated retained earnings amounting to KEUR 17,941 as of December 31, 2020.

The administrative board will propose to the shareholders meeting a dividend of EURO 1.00 per share for fiscal year 2020. With consideration of the 316,905 shares in treasury stock acquired till March 1, 2021, the total dividend payment amounts to KEUR 16,832. The remaining balance of KEUR 1,109 is carried forward.

If the number of shares in treasury stock should change before the shareholders' meeting on May 11, 2021, the dividend payment will be adapted accordingly.

“INDEPENDENT AUDITOR’S REPORT

Mensch und Maschine Software SE:

Audit Opinions

We have audited the consolidated financial statements of Mensch und Maschine Software SE and its subsidiaries (the Group) - consisting of consolidated balance sheet as at December 31, 2020, the consolidated profit and loss statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the financial year from January 1 to December 31, 2020, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Mensch und Maschine Software SE for the financial year from January 1 to December 31, 2020.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315e HGB (´Handelsgesetzbuch`: German Commercial Code) and give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2020 and of its financial performance for the financial year from January 1 to December 31 and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Article 322 Paragraph 3 Clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Article 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report.

We are independent of the Group Companies in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The legal representatives are responsible for the other information. The other information comprises the remaining components of the annual report, with the exception of the audited consolidated financial statements and the management report and our Auditor’s Report. Our audit opinions on the consolidated financial statements and the combined management report do not extend to cover the other information, and accordingly we do not issue an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be substantially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report on that fact. We have nothing to report in this regard.

Responsibilities of the Legal Representatives and the Administrative Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315e Paragraph 1 HGB, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with these accounting principles. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for using the going concern basis of accounting, unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The administrative board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Article 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315e Paragraph 1 HGB.
- Obtain sufficient suitable audit evidence for the accounting information of the Companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring, and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.“

Stuttgart, March 5, 2021

RSM GmbH
Wirtschaftspruefungsgesellschaft
Steuerberatungsgesellschaft

Hahn
Wirtschaftspruefer (Auditor)

Riedhammer
Wirtschaftspruefer (Auditor)

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

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

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

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

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

During fiscal year 2020, four Administrative Board meetings took place on March 11, June 17, October 20 and December 18, 2020.

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

- Impacts of the Corona pandemic situation on M+M's course of business and strategy
- Development and maintenance of the group's own software technology
- Impact of the Autodesk transition from software sales to a rental model
- Improvement of the individual subsidiaries' operating profitability
- Use of existing tax loss carryovers and tax optimisation
- Dividend policy

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

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

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

The annual report of Mensch und Maschine Software SE as of December 31, 2020, as well as the group annual report as of December 31, 2020, including the management report for the group was set up by the Managing Directors and audited by RSM GmbH Wirtschaftspruefungsgesellschaft Steuerberatungsgesellschaft (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 meeting on March 11, 2021, 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 2020.

Wessling, March 2021
The Administrative Board

Adi Drotleff
Chairman

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Mensch und Maschine acadGraph GmbH	Fritz-Hommel-Weg 4	D-80805 München	+49 (0) 89 / 3 06 58 96 - 0	+49 (0) 89 / 3 06 58 96 - 20	www.acadgraph.de
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	Charlottenstraße 65	D-10117 Berlin	+49 (0) 30 / 8 91 10 08	+49 (0) 30 / 8 93 17 08	
	Oststraße 88	D-22844 Norderstedt	+49 (0) 40 / 43 25 79 - 0	+49 (0) 40 / 43 25 79 - 79	
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	Dülmener Weg 221	D-46325 Borken	+49 (0) 28 61 / 6 80 21 - 0	+49 (0) 28 61 / 6 80 21 - 20	
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	Am Hohenwiesenweg 1	D-63679 Schotten	+49 (0) 60 44 / 98 91 98	+49 (0) 60 44 / 95 11 73	
customX GmbH	In den Fritzenstücker 2	D-65549 Limburg	+49 (0) 64 31 / 49 86 -0	+49 (0) 64 31 / 49 86 -29	www.customx.de
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	Ettingerstrasse 393	CH-4153 Reinach	+41 (0) 61 / 6 43 00 90	+41 (0) 61 / 6 43 00 91	
	Reiherweg 2	CH-5034 Suhr	+41 (0) 62 / 8 55 60 60	+41 (0) 62 / 8 55 60 00	
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Events

April 21, 2021	Quarterly report Q1/2021
May 11, 2021	Annual shareholders' meeting
July 21, 2021	Half year report 2021
October 21, 2021	Quarterly report Q3/2021
March 14, 2022	Annual report 2021
March 14, 2022	Annual press conference

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Digitalization in practice: Building Information Modeling (BIM)

Project: High efficiency gain through BIM in Interior Design

Customer: BMS[2] GmbH, Munich, Germany

All disciplines of a building project working together in 3D, collaborating, and sharing information via a common database, that's BIM - also known as 5D, as time and cost dimensions are usually additionally attributed to the model.

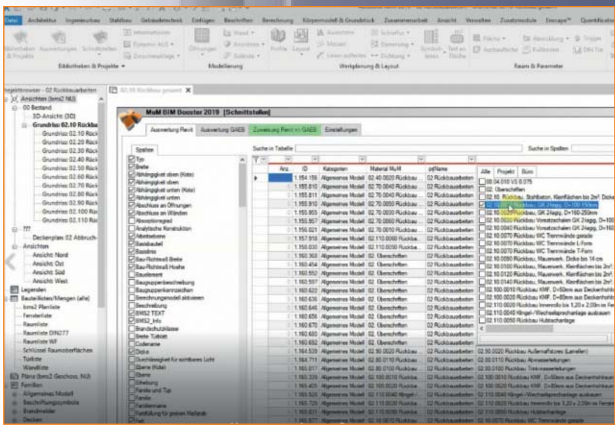
M+M mainly focuses on the globally leading Autodesk Revit BIM technology and has developed BIM Booster, an extensive Revit application for particular European needs of architecture and building technology. In addition, M+M's certified 'BIM Ready' training concept makes all participants involved in construction projects familiar with this new working method.

bim booster

bim ready

After investing in the BIM Ready training, Revit and the BIM Booster, the Munich Interior Design specialist BMS[2] GmbH experienced that BIM is not only useful for large Building and Civil Engineering projects.

Supported by the M+M team, an extensive component familiy catalog was developed, allowing the design of detailed 3D models, virtually tangible through VR glasses, and with perfect implementation plans.



A real quantum leap in productivity and time savings for complex interior projects was realized using the calculation module of BIM Booster, as now more than 95% of all tender specifications can be created fully automatically.

BMS[2] founder Dirk Schilling summarizes with a twinkle:
'Not using the BIM Booster for calculation would be your own fault.'

mensch maschine
CAD as CAD can

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