



6 – MONTH REPORT 2003

USU-Openshop AG

6-MONTH REPORT 2003	2003	2002	
<i>in Thsd. EUR, except the number of employees</i>	01.01.-30.06.2003	01.01.-30.06.2002	01.01.-30.06.2002
			<i>pro forma</i>
REVENUES	9,982	9,109	13,547
EBITDA	-1,569	-9,427	-10,966
EBIT	-2,100	-11,473	-14,500
NET LOSS	-1,032	-9,980	-15,322
EARNINGS PER SHARE (EUR)	-0,06	-0,70	-0,89
NUMBER OF EMPLOYEES			
AT THE END OF THE PERIOD	240	351	351

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Dear shareholders,
dear readers,

On 12 June 2003 the Annual General Meeting of the company was held in Ludwigsburg. At this Annual General Meeting the shareholders present approved all items of the agenda by a large majority. Apart from the discharge of the Management Board and the Supervisory Board, the change of the company from USU-Openshop AG to USU Software AG was resolved as part of standardising name structures. The entry of the change of name into the Commercial Register should be effected in August 2003.

The report of the Management Board to the Annual General Meeting presented the corporate strategy and the growth outlook of the company to the shareholders present. In this context, the Management Board explained that only a restrained business development was foreseeable in the short-term, due to the general economic instability and curbed investment propensity in the IT sector.

In this respect, Q2 2003 was characterised by a continuing corporate investment restraint, caused in particular by the insecure future economic development. In spite of increased requirements for rationalisation and renewal by the customer, even necessary investments have been delayed or downgraded. Due to the drop in investments, the IT market has also been characterised by fiercer competition on price.

As forecast in the 2003 Q1 report, business development was restrained over the entire first half of 2003. The company thus generated half-year sales of EUR 10.0 million (PY: EUR 9.1 million, pro forma PY: EUR 13.5 million). In so doing, a decline of sales in the licensing area was recorded, against the pro forma previous year. The fiercer price competition also led to a decline in consultancy fees. As a result of the cost savings measures implemented, the net loss of the first six months of the 2003 financial year was reduced significantly compared to the previous year and amounted to EUR -1.0 million (PY: EUR -10.0 million, pro forma PY: EUR -15.3 million).

The Management Board is expecting a slight improvement of business in the second half of 2003 over the first six months of the current financial year. Achieving the profitability target will largely depend on the stabilisation of licensing revenues.

Yours

Bernhard Oberschmidt

Chairman of the Management Board of USU-Openshop AG

The reporting period comprises the first half of 2003, consisting of the six months from 1 January 2003 to 30 June 2003. Correspondingly, the comparative period of the previous year consists of the six months from 1 January 2002 to 30 June 2002. USU AG was consolidated from 11 March 2002.

To secure comparability for the first half of 2003 with that of the same period of the previous year, additional pro forma details are posted for the Income Statement, presenting a pro forma consolidation of USU AG from 1 January 2002.

Economic development. According to initial calculations by the Institut für Wirtschaftsforschung (ifo) (Institute for Economic Research) the euro zone did not record any significant increase of gross domestic product (GDP) in the past quarter, following zero growth in Q1 2003.

In Germany, the overall economic weakness also continued throughout the first half of 2003. Following the drop of GDP in Q1 2003 compared to the previous quarter, ifo is anticipating stagnation for Q2 2003. In addition to continuing investment restraint, the decline in demand abroad, due to the strong rise in the price of the euro, impacted economic development considerably.

Business development. The USU-Openshop Group achieved sales of EUR 10.0 million (PY: EUR 9.1 million, pro forma PY: EUR 13.5 million) in the first half of 2003, despite the continuing difficult economic environment. The IT Controlling segment posted sales revenues totalling EUR 4.2 million. Business Solutions contributed EUR 5.8 million to sales. The adjustment of the portfolio and the extensive reduction of staff combined with increasingly fierce competition on price in the first half of 2003, resulted in a pro forma sales decline year-on-year. At the same time, budget cuts and delayed projects negatively impacted the development of sales in the licensing area.

As a result of the restructuring measures executed in the previous year, the cost basis was decreased considerably. As a result, marketing, sales, research and development costs as well as general and administrative costs dropped considerably in the reporting period to EUR 5.4 million (PY: EUR 13.3 million, pro forma PY: EUR 14.6 million). Thus, USU-Openshop improved group EBIT from EUR -11.5 million in the previous year (pro forma PY: EUR -14.5 million) to EUR -2.1 million in the reporting period.

At EUR -1.0 million, the net loss during the first six months of the 2003 financial year was also significantly lower than in the previous year (PY: EUR -10.0 million, pro forma PY: EUR -15.3 million). With the average number of outstanding shares at 17,211,186 (PY: 14,255,231 shares, pro forma PY: 17,211,186 shares), the company achieved a result of EUR -0.06 per share (PY: EUR -0.70 per share, pro forma PY: EUR 0.89 per share).

6-MONTH REPORT 2003 Comparison of Real and Pro forma figures of Consolidated income statement (Thsd. EUR)	2003	2002	
	REAL	REAL	PRO FORMA
	01.01.2003 - 30.06.2003	01.01.2002 - 30.06.2002	01.01.2002 - 30.06.2002
Revenues	9,982	9,109	13,547
Cost of revenues	-7,053	-5,393	-10,077
Gross profit	2,929	3,716	3,470
Selling and Marketing expenses	-2,140	-5,709	-7,092
General and administrative expenses	-1,636	-2,619	-3,891
Research and development expenses	-1,591	-4,952	-3,606
Amortization (and impairment) of goodwill	0	-974	-1,870
Restructuring expense	0	-1,072	-1,841
Stock compensation expense	97	-44	-44
Operating loss	-2,341	-11,654	-14,874
Interest income and expenses	1,107	1,179	1,253
Income from investments and participations	0	0	-15
Income/expense from investments accounted for by the equity method	0	5	0
Foreign currency exchange gains/losses	0	0	0
Other income / expense	240	181	374
Result before income tax (and minority interest)	-994	-10,289	-13,262
Income tax	-76	161	-2,213
Extraordinary income/expenses	1	0	0
Result before minority interest	-1,069	-10,128	-15,475
Minority interest	37	148	153
Net income / loss	-1,032	-9,980	-15,322
Net income per share (basic)	-0.06	-0.70	-0.89
Weighted average shares outstanding (basic)	17,211,186	14,255,231	17,211,186
EBIT	-2,100	-11,473	-14,500
EBITDA	-1,569	-9,427	-10,966

Balance sheet structure. Liquid funds and investments totalled EUR 48.7 million (31 December 2002: EUR 55.3 million) at the end of Q2 2003. The reduction of liquid funds results predominantly from the reduction of liabilities at the company to a total of EUR 8.1 million to the end of the reporting period (31 December 2002: EUR 13.0 million). The company also purchased a further 165,000 shares of USU AG in April 2003 and posted costs of EUR 1.6 million in the context of the scheduled complete takeover of USU AG. As a result, the balance sheet total dropped to EUR 81.0 million (31 December 2002: EUR 86.4 million) as per 30 June 2003. Equity amounted to EUR 72.8 million (31 December 2002: EUR 72.9 million) as at 30 June 2003. The equity ratio was 89.9% (31 December 2002: 84.4%).

Investments. In Q2 2003 EUR 0.1 million were invested in tangible assets. These investments were made exclusively for replacement and extension investments in the IT sector. The other investments were the purchase and disposal of securities. Net expenditure in the investment area totalled EUR 0.2 million (PY: EUR 0.7 million).

Research and Development. The research and development activities of USU-Openshop AG focused on the development of Version 2.1.5 of the Valuation suite of the IT-Controlling area during Q2 2003. Apart from performance optimisation, the development of the Valuation web component was also driven ahead. At the same time, the development and further development of the individual modules of the Valuation suite was targeted. At the same time, in Business Solutions, function extensions of the Knowledge Management solution modules were implemented.

The research and development expenses in the first half of 2003 totalled EUR 1.6 million (PY: EUR 5.0 million, pro forma PY: EUR 3.6 million).

Order situation. As a result of the restructuring in the 2002 financial year and the portfolio streamlining implemented at the same time, order volumes dropped to EUR 5.9 million (PY: EUR 7.8 million) on 30 June 2003. However, compared to the previous quarter, orders stabilised for the newly formed core business of the company. Thus order volumes rose by EUR 0.2 million (31 March 2003: EUR 5.7 million) to the end of Q2 2003, a slight increase on 31 March 2003.

In operating business, projects at AGIS, Wüstenrot & Württembergische, Stadt Köln and Volkswagen were continued. In the automotive area, USU-Openshop gained another well-known customer for the software product Valuemation, MAN.

Employees. The restructuring of the company is reflected in a decline of employee numbers against the previous year from 351 on 30 June 2002 to 240 employees on 30 June 2003. This is equivalent to a decline of staff of almost 32%.

USU-Openshop employed 96 staff in Consulting and Services, 71 in Research and Development, 44 in Central area and 29 in Sales and Marketing.

USU-Openshop share. After posting an increase of approx. 5% in Q1 2003, the USU-Openshop share (ISIN DE0007804700//SIN 780470) moved down in the course of Q2. Whilst the price of the USU-Openshop share was EUR 5.50 on Xetra on 31 March 2003, the closing price on Xetra was EUR 4.99 on 30 June 2003.

In the same period the DAX posted a clear price increase of almost one third, to 3,220.58 points (31 March 2003; 2,423.87 points), following the high losses in Q1 2003. Even the Technology All Share moved up by approximately one third and closed at 516.98 points on 30 June 2003 (31 March 2003: 385.21 points).

Annual General Meeting. On 12 June 2003 the Annual General Meeting of the company was held in Ludwigsburg. The shareholders of the company present approved all items of the agenda with a clear majority. Apart from the discharge of the Management Board (Item 2) and the Supervisory Board (Item 3), the shareholders voted in favour of the change of the company to USU Software AG, the reduction of the Supervisory Board from the current six to three members and the amendments to the memorandum and articles of association, which resulted in adapting the memorandum in line with legal requirements (Item 4). The resolution regarding the election of Ernst & Young as auditors for the 2003 financial year (Item 5) was also accepted a large majority of the shareholders.

The entry of the amendments to the memorandum and articles of association into the Commercial Register is expected to be effected in August 2003.

Complete takeover of USU AG. On 10 April 2003, USU-Openshop AG requested that the Management Board of USU AG bring about a resolution at the Annual General Meeting of USU AG on 13 June 2003, according to which the shares of the minority shareholders of USU AG would be transferred to USU-Openshop AG against a granting an appropriate cash settlement. This resolution was passed with a great majority at the Annual General Meeting of USU AG.

Outlook and forecast. The Institut für Wirtschaftsforschung (ifo) in its most recent economic report forecast an altogether dampened overall economic growth for the euro zone. Following the increase of GDP in 2002 by 0.8%, growth of 0.6% is anticipated for 2003. Following GDP growth of 0.2% in Germany in 2002, zero growth is forecast for the current year. However, a slight improvement of the overall economic situation is expected for the second half of 2003. According to the forecasts, a significant economic turnaround is not expected before 2004.

The Management Board of USU-Openshop AG expects a slight improvement of business after the restrained first half of 2003. The Management Board anticipates a stabilisation in licensing revenues, thus achieving profitability over the entire year.

USU-Openshop AG

The Management Board

ASSETS <i>(Thsd. EUR)</i>	6-month report	Annual report
	30.06.2003	31.12.2002
Current assets		
Cash and cash equivalents	5,306	12,001
Short-term investments / Marketable securities	43,389	43,344
Trade accounts receivable less allowance for doubtful accounts	4,172	5,680
Accounts receivable due from related parties	55	0
Work in process	1,344	296
Inventories	0	0
Prepayments	45	0
Prepaid expenses and other current assets	4,042	4,460
Total current assets	58,353	65,781
Non current assets		
Property, plant and equipment	450	649
Intangible assets	1,919	2,199
Goodwill	18,884	17,279
Investments	309	311
Other assets	1,078	193
Total non current assets	22,640	20,631
Total assets	80,993	86,412

LIABILITIES AND SHAREHOLDERS' EQUITY (Thsd. EUR)	6-month report 30.06.2003	Annual Report 31.12.2002
Current liabilities		
Trade accounts payable	1,137	2,063
Accounts payable due to related parties	268	228
Advance payments received	0	222
Payroll-related accruals and liabilities	2,098	3,759
Tax-related accruals and liabilities	184	302
Deferred revenues	799	931
Other current liabilities	2,773	4.641
Total current liabilities	7,259	12,146
Non-current liabilities		
Long-term debt / convertible bonds	0	94
Pension accruals	798	775
Total non-current liabilities	798	869
Minority interest	118	469
Shareholders' equity		
Share capital	17,211	17,211
Additional paid-in capital	137,730	137,848
Treasury stock	-714	-1,859
Accumulated deficit	-81,336	-80,304
Accumulated other comprehensive income/loss	-73	54
Deferred compensation	0	-22
Total shareholders' equity	72,818	72,928
Total liabilities and shareholders' equity	80,993	86,412

Consolidated income statement (Thsd. EUR)	Quarterly Report	Quarterly Report	6-Month Report	6-Month Report
	II / 2003	II / 2002	2003	2002
	01.04.2003 - 30.06.2003	01.04.2002 - 30.06.2002	01.01.2003 - 30.06.2003	01.01.2002 - 30.06.2002
Revenues	4,375	7,206	9,982	9,109
Cost of revenues	-3,544	-5,344	-7,053	-5,393
Gross profit	831	1,862	2,929	3,716
Selling and Marketing expenses	-721	-3,798	-2,140	-5,709
General and administrative expenses	-937	-2,147	-1,636	-2,619
Research and development expenses	-826	-1,434	-1,591	-4,952
Amortization (and impairment) of goodwill	0	-970	0	-974
Restructuring expense	0	-1,841	0	-1,072
Stock compensation expense	111	-44	97	-44
Operating loss	-1,542	-8,372	-2,341	-11,654
Interest income and expenses	424	459	1,107	1,179
Income from investments and participations	0	0	0	0
Income/expense from investments accounted for by the equity method	0	5	0	5
Foreign currency exchange gains / losses	-1	0	0	0
Other income / expense	231	131	240	181
Result before income tax (and minority interest)	-888	-7,777	-994	-10,289
Income tax	19	161	-76	161
Extraordinary income / expenses	1	0	1	0
Result before minority interest	-868	-7,616	-1,069	-10,128
Minority interest	18	137	37	148
Net income / loss	-850	-7,479	-1,032	-9,980
Net income per share (basic)	-0.05	-0.43	-0.06	-0.70
Net income per share (diluted)	-0.05	-0.43	-0.06	-0.70
Weighted average shares outstanding (basic)	17,211,186	17,211,186	17,211,186	14,255,231
Weighted average shares outstanding (diluted)	17,211,186	17,211,186	17,211,186	14,255,231

CONSOLIDATED STATEMENT OF CASH FLOW <i>(Thsd. EUR)</i>	6-month report 01.01.2003 - 30.06.2003	6-month report 01.01.2002 - 30.06.2002
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income / loss	-1,032	-9,980
Adjustments for:		
Minority interest	-351	-130
Depreciation and amortization	-532	2,046
Other non-cash expenses/income	-132	231
Change in working capital:		
Trade accounts receivable	1,508	-1,745
Accounts receivable due from related parties	-55	14
Work in process	-1,270	1,038
Inventories	0	723
Prepayments	-45	0
Prepaid expenses and other current assets	-467	-58
Trade accounts payable	-926	-951
Accounts payable due to related parties	40	-230
Payroll-related accruals and liabilities	-1,661	-940
Tax-related accruals and liabilities	-118	-686
Pension accruals	23	-16
Other accruals and liabilities	-1,868	2,050
Deferred revenues	-132	-831
Net cash used in operating activities	-7,018	-9,296
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	0	-40,399
Purchase of property and equipment	-53	-69
Purchase of investments	0	196
Sale of securities	74	39,388
Purchase of securities	-246	227
Net cash provided by/used in investing activities	-225	-657
CASH FLOW FROM FINANCING ACTIVITIES:		
Net change in short-term debt to banks	0	-685
Capital increase	0	50,770
Change in treasury stock	1,145	-557
Change in convertible bonds	-94	0
Net cash provided by financing activities	1,051	49,528
Net effect of currency translation in cash and cash equivalents	0	-1
NET INCREASE IN CASH AND CASH EQUIVALENTS	-6,192	39,574
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,001	11,465
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,809	51,039

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Common stock		Addition-al paid-in capital	Treasury stock	Accumu- lated deficit	Deferred Compen- sation	Accumul. other compreh. Income/Loss	Total	Compre- hensive loss
	Shares	Thsd. EUR							
Balance at December 31, 2001	9,500,000	9,500	94,942	-1,240	-41,855	0	-543	60,804	
Purchase of USU AG	7,711,186	7,711	43,059	0	0	-272	0	50,498	
Purchase of treasury stock	0	0	0	-619	0	0	0	-619	
Adjustment of deferred compensation	0	0	-153	0	0	153	0	0	
Amortization of deferred compensation expense	0	0	0	0	0	97	0	97	
Net loss	0	0	0	0	-38,449	0	0	-38,449	-38,449
Unrealized gains on debt securities	0	0	0	0	0	0	60	60	60
Foreign currency translation adjustment	0	0	0	0	0	0	537	537	537
Comprehensive loss									-37,852
Balance at December 31, 2002	17,211,186	17,211	137,848	-1,859	-80,304	-22	54	72,928	
Change in treasury stock	0	0	0	1,145	0	0	0	1,145	
Adjustment of deferred compensation	0	0	-118	0	0	118	0	0	
Result of deferred compensation	0	0	0	0	0	-96	0	-96	
Net loss	0	0	0	0	-1,032	0	0	-1,032	-1,032
Unrealized expenses on debt securities	0	0	0	0	0	0	-127	-127	-127
Comprehensive loss									-1,159
Balance at June 30, 2003	17,211,186	17,211	137,730	-714	-81,336	0	-73	72,818	

Principles of Accounting

This 6-month report was prepared according to the regulations of the US-American Generally Accepted Accounting Principles (“US-GAAP”). The same accounting and valuation principles were used here as in the consolidated annual financial statements for the financial year ended 31 December 2002. This unaudited 6-month report 2003 is thus to be read in conjunction with the audited consolidated annual financial statements of 2002.

Segment reporting

SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information“ requires the reporting of specific information concerning the operating segments of the company, the geographic distribution of revenues and assets and concerning the most important customers.

For the segment IT-Controlling und Business Solutions which was form last year, the following segment related revenues apply (PY: pro forma):

	01.01.2003 - 30.06.2003	01.01.2002 - 30.06.2002
	Actual	Pro forma
Revenues	9,982	13,547
IT-Controlling	4,234	4,649
Business Solutions	5,748	7,434
Other	0	1,465

Outside Germany the USU-Openshop Group achieved less than 10% of consolidated revenues during the first six months of the 2003 financial year.

In the same period, 10% of consolidated revenues were achieved by a single customer. Some 41% of revenues were generated by the 10 largest customers.

Shares and stock options held by members of corporate bodies at USU-Openshop AG

The following shares and options in USU-Openshop AG were held by members of corporate bodies of the company as at 30 June 2003:

Holdings of members of corporate bodies	shares	stock options
Management Board		
Bernhard Oberschmidt	37,393	0
Supervisory Board		
Markus Kress	283,772	0
Udo Strehl	4,038,638	0
Werner Preuschhof	0	0

Closing number of shares and stock options of USU-Openshop, held by members of corporate bodies	shares	stock options
Supervisory board		
Klaus Langer	0	0
Karl-Heinz Achinger	0	0
Dr. Thomas Gutschlag	0	0

As of 30 June 2003, USU-Openshop AG held 107,901 own shares with an notional share in the capital of EUR 107,901, equivalent to 0.6% of the capital. The treasury stock, the purchase costs of which were not covered by the legally required capital reserves, was reprocessed at the original purchase costs in Q2 2003.