



**9 – MONTH REPORT 2007**

**USU Software AG**

<b>9 - MONTH REPORT 2007</b>	<b>2007</b>	<b>2006</b>
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	<b>01.01.-30.09.2007</b>	<b>01.01.-30.09.2006</b>
<b>REVENUES</b>	<b>23,518</b>	<b>17,541</b>
<b>EBITDA</b>	<b>2,835</b>	<b>1,106</b>
<b>EBIT</b>	<b>1,800</b>	<b>689</b>
<b>NET RESULT</b>	<b>3,583</b>	<b>1,015</b>
<b>EARNINGS PER SHARE (EUR)</b>	<b>0.35</b>	<b>0.11</b>
<b>CASH-FLOW FROM ORDINARY OPERATIONS</b>	<b>2,183</b>	<b>1,059</b>
<b>NUMBER OF EMPLOYEES AT THE END OF THE PERIOD</b>	<b>239</b>	<b>213</b>
	<b>30.09.2007</b>	<b>31.12.2006</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>9,273</b>	<b>8,400</b>
<b>SHAREHOLDERS EQUITY</b>	<b>45,298</b>	<b>42,635 *)</b>
<b>BALANCE SHEET</b>	<b>53,523</b>	<b>52,820 *)</b>
<b>EQUITY RATIO</b>	<b>84.6%</b>	<b>80.7% *)</b>

\*) Changed due to the now final completion of the purchase price allocation of LeuTek GmbH

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Dear Shareholder,

Dear Reader,

The market research company Forrester has already rated USU Software AG as one of the world's top 5 companies in the IT asset management sector. Now, another US-based market research company, ECP, has announced that USU has the same market position in the configuration management database (CMDB) sector, the key component of efficient IT management. This means that USU is established as a globally recognized provider for holistic Business Service Management.

This strategic success was also apparent in the financial sector in the third quarter of 2007. With extremely successful licensing and maintenance business, USU generated a Group-wide revenues increase of almost 40% year-on-year. At the same time, USU quadrupled its operating earnings before interest, taxes and depreciation and amortization (EBITDA). Only the consulting performed below par. This was chiefly due to the slowing expansion of consulting resources as a result of strong competition for qualified software consultants on the human resources market. Following the ongoing positive trend in the licensing and maintenance business, the Management Board confirms the set targets of achieving Group revenues of EUR 32 million to EUR 33 million with EBITDA of over EUR 4 million in the year as a whole. The shareholders of USU Software AG should then share in this corporate success once more in the form of a dividend.

For the forthcoming fiscal 2008, in addition to boosting staff levels in the consulting business, corporate planning is also focused on further expansion of the licensing and maintenance business. The strategic development and extension of the product range as well as the simultaneous expansion of national and international sales and partner activities are geared towards gaining additional market share and extending market presence. With these activities, the Management Board expects to generate revenue and earnings increases above those of the entire market in the future as well.

Yours,

Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

## Economic development

The German economy is currently in an upswing phase. However, according to reports by the leading German economic research institutes, numerous factors are increasingly having a negative impact on economic development. In their *Gemeinschaftsdiagnose Herbst 2007 (Autumn 2007 Joint Economic Forecast)*, the institutes forecast that the economic expansion will continue, albeit with lower growth rates due to damping factors such as the considerable rise in oil prices, the strong euro and the recent turbulence on the capital markets caused by the recent real estate crisis in the USA. For the current year, the research institutions expect real gross domestic product (GDP) to rise from 2.6%, after 2.9% in the previous year. Economic growth also looks to be slowing down throughout the euro zone, although it will still be at a high level in 2007 at 2.6% (previous year: 2.8%).

## Sector performance

The IT sector is growing more strongly than the overall economy this year. According to forecasts by the *Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (BITKOM – German Association for Information Technology, Telecommunications and New Media)*, the IT market in Germany will post an increase of 3.5%, following growth of 2.8% in 2006. *BITKOM* expects above-average growth for the software and IT services market segments with rates of 6% (previous year: 5.5%) and 4.9% (previous year: 4.5%) respectively. The *European Information Technology Observatory (EITO)* predicts a similar development for the entire European market. For 2007, *EITO* forecasts a rise in IT market volumes of 4.4% (previous year: 3.6%) in Europe, and predicts growth rates of 6.5% (previous year: 6.3%) and 5.5% (previous year: 5.3%) respectively for European providers of software and IT services.

## Business performance Q3 2007

With a Group-wide revenues increase of 39.8% to EUR 8,525 thousand (previous year: EUR 6,099 thousand), USU Software AG and its subsidiaries (hereinafter referred to as the "USU Group" or "USU") generated their highest growth rate of the current fiscal year in the third quarter of 2007. At the same time, USU quadrupled its earnings before interest, taxes and depreciation and amortization (EBITDA) year-on-year to EUR 1,543 thousand (previous year: EUR 382 thousand). USU also significantly increased its earnings before interest and taxes (EBIT) by 415.6% to EUR 1,201 thousand (previous year: EUR 233 thousand).

Net interest income in the third quarter of 2007 amounted to EUR 108 thousand (previous year: EUR 142 thousand). Tax expense of EUR 436 thousand (previous year: TEUR 17) chiefly resulted from the reversal of deferred tax assets recognized in the previous year due to the use of tax loss carryforwards. This item also contains provisions for income taxes that will be incurred in fiscal 2007 despite the existing loss carryforwards at USU Software AG and the subsidiary USU AG as a result of minimum taxation.

In total, USU generated a net profit of EUR 873 thousand (previous year: EUR 357 thousand) in the third quarter of 2007. With an average of 10,281,054 shares outstanding (previous year: 9,081,054), this corresponds to earnings per share of EUR 0.08 (previous year: EUR 0.04).

## **Business performance for the first nine months of fiscal 2007**

### **Sales and cost development**

#### ***Group sales***

During the first nine months of fiscal 2007, the USU Group boosted Group revenues according to IFRS by 34.1% to EUR 23,518 thousand (previous year: EUR 17,541 thousand). As in previous quarters, this increase chiefly results from strong product business, with contributions from last year's acquisition LeuTek GmbH (hereinafter referred to as "LeuTek") as well as the subsidiaries USU AG and OMEGA Software GmbH. For instance, license income alone rose by 45.1% year-on-year to EUR 3,558 thousand (previous year: EUR 2,453 thousand) in the reporting period. As a positive consequence of the continuous rise in organic license business over the last few quarters and resultant additional maintenance income, in conjunction with the acquisition-based growth from the LeuTek takeover, the USU Group generated a 153.2% year-on-year increase in maintenance income to EUR 4,849 thousand (previous year: EUR 1,787 thousand).

USU lifted the product-based consultancy income and consultancy income from the non-product-based service business in total by 9.0% to EUR 14,376 thousand (previous year: EUR 13,190 thousand). In this sector, the intensified competition for highly qualified staff on the labor market led to restricted growth.

Other income from January to September 2007 totaled EUR 735 thousand (previous year: EUR 111 thousand). This chiefly includes revenues from merchandise.

### ***Revenues by segment***

In keeping with the USU Group's focus on the Business Service Management (BSM) growth market and the resulting merging of the product business across divisions, the USU Group underwent a process of reorganization as of January 1, 2007. The merging of the segments saw the Sales, Consultancy and Development divisions being expanded to create central units, complemented by the new main units Business Development and Project Office. The product portfolio of the Product Business division covers activities centered on the USU product range in the BSM market as well as the systems for Knowledge Management. The Service Business division contains consulting services for the purpose of IT projects as well as individual application development.

The "Product Business" division enabled USU to generate a year-on-year revenues increase of 44.3% to EUR 16,604 thousand (previous year: EUR 11,505 thousand). Revenue from the "Service Business" division rose by 14.5% to EUR 6,896 thousand (previous year: EUR 6,025 thousand). The revenues not allocated to the segments amounted to EUR 18 thousand (previous year: EUR 11 thousand) in the first nine months of fiscal 2007. In regional terms, the revenue share of the USU Group generated outside Germany fell to 7.8% (previous year: 11.8%) due to strong domestic business.

### ***Operating costs***

At the start of 2007, the amount reported for amortization of intangible assets recognized in the course of company acquisitions was adjusted. For the purpose of transparency, this amortization is no longer assigned to the function costs but shown in a separate item. The previous year's figures were adjusted accordingly in this respect.

The cost of sales rose year-on-year in the first nine months of fiscal 2007 to EUR 11,145 thousand (previous year: EUR 10,487 thousand), primarily as a result of the merchandise business of LeuTek. Due to the increase in product-based licensing and maintenance business, the cost of sales ratio of the USU Group relating to Group revenues fell significantly from 59.8% in the previous year to 47.4% in the reporting period. Accordingly, gross income increased to EUR 12,373 thousand (previous year: EUR 7,054 thousand). This represents a gross margin of 52.6% (previous year: 40.2%).

Marketing and selling expenses jumped year-on-year to EUR 4,135 thousand (previous year: EUR 2,414 thousand). Along with the expansion of the marketing and sales team from 25 employees as of September 30, 2006 to 33 employees at the end of the third quarter in 2007, this rise was primarily due to marketing and sales activities for the purchased LeuTek GmbH, international partner management and the increased presence of USU at special events, such as trade fairs and conferences. The ratio for marketing and selling expenses climbed year-on-year to 17.6% (previous year: 13.8%) of Group revenues.

As a result of a streamlined and efficient administration organization, expenses in the administration area in the context of the LeuTek acquisition rose only slightly year-on-year to EUR 2,050 thousand (previous year: EUR 1,902 thousand). At the same time, the ratio of administrative expenses to Group revenues fell to 8.7% (previous year: 10.8%) due to the significant revenues expansion.

The research and development expenses rose substantially year-on-year in the first nine months of fiscal 2007 to EUR 3,623 thousand (previous year: EUR 1,873 thousand). The main reasons behind this increase are the expansion of the development team to 88 (previous year: 62) employees resulting from the purchase of LeuTek, planned expenses resulting from integration of the LeuTek products into the USU product suite Valuation with a view to creating a holistic Business Service Management product line as well as additional expenses for the market-specific adaptation of the Group's products to the expanded international target markets of the USU Group. In terms of Group revenues, the expenses ratio for Research and Development in the first nine months of 2007 was 15.4% (previous year: 10.7%).

Net other operating income and expenses totaled EUR -20 thousand in the first nine months of fiscal 2007 (previous year: EUR -22 thousand).

### **Earnings situation**

USU increased earnings before interest, taxes and depreciation and amortization (EBITDA) by 156.3% to EUR 2,835 thousand (previous year: EUR 1,106 thousand) in the first three quarters of fiscal 2007. In particular, the successful operating business performance in the quarter under review as a result of rising licensing and maintenance income led to this significant increase in operating earnings.

Amortization at the USU Group from January to September 2007 totaled EUR 1,035 thousand (previous year: EUR 417 thousand). Amortization of intangible assets recognized in the course of company acquisitions accounted for EUR 745 thousand (previous year: EUR 153 thousand) of this. Despite this additional amortization, USU generated a 160.9% increase in earnings before interest and taxes (EBIT) to EUR 1,800 thousand (previous year: EUR 689 thousand).

Net interest income in the first nine months of fiscal 2007 totaled EUR 286 thousand (previous year: EUR 347 thousand). At the same time, USU posted total consolidated tax income of EUR 1,497 thousand (previous year: EUR -21 thousand) in the reporting period. This mainly resulted from the recognition of deferred tax assets from the tax loss carryforwards of USU Software AG.

In total, in the first nine months of 2007, the USU Group increased its net profit by 253.0% to EUR 3,583 thousand (previous year: EUR 1,015 thousand), thus trebling earnings per share to EUR 0.35 (previous year: EUR 0.11) with an average of 10,281,054 shares outstanding (previous year: 9,081,054).

### **Balance sheet structure**

In the course of the final purchase price allocation for LeuTek GmbH (hereinafter referred to as "LeuTek"), which was acquired in November 2006, the Group balance sheet figures as of December 31, 2006 were adjusted in accordance with IFRS 3.62 as follows: while intangible assets on the assets side of the balance sheet increased by EUR 2,238 thousand to EUR 7,052 thousand, goodwill fell by EUR 1,403 thousand to EUR 26,590 thousand. At the same time on the equity and liabilities side of the balance sheet, deferred tax liabilities climbed EUR 850 thousand to EUR 2,157 thousand while the net accumulated loss rose slightly by EUR 15 thousand to EUR 19,197 thousand.

Current assets on the assets side of the balance sheet increased as of September 30, 2007 to EUR 18,757 thousand (December 31, 2006: EUR 16,870 thousand) which is primarily due to the rise in cash and cash equivalents of EUR 8,400 thousand as of December 31, 2006 to EUR 9,273 thousand as of September 30, 2007. While work in progress as of the reporting date jumped to EUR 2,317 thousand (December 31, 2006: EUR 659 thousand), trade receivables decreased to the end of Q3 2007 to EUR 4,877 thousand (December 31, 2006: EUR 5,575 thousand). Non-current assets fell to EUR 34,766 thousand at the end of Q3 2007 (December 31, 2006: EUR 35,950 thousand), mainly due to the legitimate amortization of intangible assets in line with their economic useful life as well as the scheduled pro rata reversal of deferred tax assets recognized in the previous year.

On the equity and liabilities side of the balance sheet, liabilities fell from EUR 10,185 thousand as of December 31, 2006 to EUR 8,225 thousand as of September 30, 2007. This is primarily due to completely netting the deferred tax liabilities as of December 31, 2006 – adjusted in the course of the final purchase price allocation – of EUR 2,157 thousand against the deferred tax assets from the tax loss carryforwards of USU Software AG. The resultant tax income, together with the positive operating earnings of the USU Group, led to strong net income of EUR 3,583 thousand that – adjusted for the dividend payment totaling EUR 908 thousand to the company's shareholders on July 18, 2007 – led to an increase in equity to EUR 45,298 thousand (December 31, 2006: EUR 42,635 thousand). With a balance sheet total of EUR 53,523 thousand (December 31, 2006: EUR 52,820 thousand), the equity ratio totaled 84.6% on September 30, 2007 (December 31, 2006: 80.7%).

## Cash-Flow and investments

Net cash from ordinary activities increased year-on-year to EUR 2,183 thousand (previous year: EUR 1,059 thousand), partly as a result of the USU Group's improvement in earnings.

Net cash used in investing activities totaling EUR -2,428 thousand (previous year: EUR -7,393 thousand) is primarily due to the reinvestment of cash and cash equivalents in securities with a short term. This item also contains investments in property, plant and equipment and intangible assets totaling EUR 211 thousand (previous year: EUR 285 thousand) for hardware and software.

The cash flow from financing activities totaled EUR -908 thousand in the reporting period (previous year: EUR 0 thousand) due to the dividend distribution to the shareholders of USU Software AG effected on July 18, 2007.

## Orders on hand

Orders on hand throughout the USU Group totaled EUR 10,310 thousand (previous year: EUR 6,776 thousand) as of September 30, 2007 and were thus EUR 3,534 thousand or 52.2% above the previous year's figure. The orders on hand on the reporting date as at the end of the quarter shows the USU Group's fixed future revenues based on binding contracts that are already in place. They primarily comprise project-related orders as well as maintenance agreements.

## Research and development

Total research and development expenses in the first nine month of fiscal 2007 amounted to EUR 3,623 thousand (previous year: EUR 1,873 thousand). The increase in this item is mainly due to the increase in employee numbers during the LeuTek acquisition and the associated expansion of development activities in the USU Group.

The USU Group's development activities focused on the further development of the integrated Business Service Management solution Valuemation. In addition to functional improvements such as the expansion of the report range and revision of Valuemation's graphical user interface, the innovation-specific development projects set out in the roadmap were concentrated on. These projects are geared towards future market requirements and cover topics such as automated monitoring of IT components (inventory scanning) and visualization of system dependencies between the IT components (automatic dependency mapping). In addition, there was target-oriented further development of the KnowledgeCenter suite, a modular, web-based product line in the knowledge management sector. This patented and multi-award-winning technology consists of three main modules.

KnowledgeMiner provides sophisticated search functions, KnowledgeBase is a knowledge database that enables process-oriented management and provision of solution documents, and KnowledgeGuide supports diagnosis and decision-making with the assistance of dynamic decision trees.

## **Employees**

The USU Group employed a total of 239 people (previous year: 213) as of September 30, 2007. This represents a 12.2% increase on the previous year's figure. The absolute rise is primarily due to the acquisition of LeuTek GmbH and the staff recruitment of the Group subsidiary USU AG.

Subdivided into their functions, 90 (previous year: 100) people were employed in Consultancy and Services, 88 (previous year: 62) in Research and Development, 33 (previous year: 25) in Sales and Marketing and 28 (previous year: 26) in Administration and Finance.

Subdivided into their segments, the USU Group had 174 employees (previous year: 139) in Product Business, 47 (previous year: 57) in Service Business and 18 (previous year: 17) in Central Administration.

## **USU shares (ISIN DE000A0BVU28).**

The shares of USU Software AG are listed in the Prime Standard of the Frankfurt Stock Exchange under securities identification number A0BVU2 and International Securities Identification Number (ISIN) DE000A0BVU28 and are authorized for trading on the Regulated Market of this stock exchange.

The performance of the USU share was a volatile in the third quarter of 2007, with the share price recovering after an interim fall. As at September 30, 2007 the share price was down 0.7% to EUR 4.45 (June 30, 2007: EUR 4.48) compared with the previous quarter. In the same period, the Technology All Share fell by 0.3% while the German Share Index (DAX) slipped 1.8%.

Over the first nine months of the year, USU shares appreciated by 11.3%.

## **Supplementary report**

There were no transactions of key importance after balance sheet date of September 30, 2007 that had a significant effect on the development of business of the USU Group. In this respect, there were no major changes to the asset, financial and earnings situation of the Group.

## Opportunity and risk report

The recent real estate crisis in the USA has caused strong turbulence on the international financial markets and its effects on the economy in the European core market of the USU Group cannot be forecast with certainty. If the situation were to worsen further, a potential economic downturn could have a negative impact on the business performance of the USU Group. In contrast, an ongoing positive trend in the global economy can be inferred from the current market forecast of the "*Autumn 2007 Joint Economic Forecast*" by the leading economic research institutes from which the USU Group would benefit.

The intensification of the lack of specialist staff on the IT market, which also significantly affects USU, represents a growing risk. In the consulting area in particular, a sustained staff shortage could lead to lower growth than previously planned by the Management Board. Consequently, USU has taken numerous additional measures such as expansion of training opportunities, extension of university contacts and the launch of an advertising campaign to recruit highly qualified staff.

For more information on other opportunities and risks of USU Software AG and the entire Group, please also refer to the risk report contained in the 2006 Annual Report.

## Forecast report

### **General economic**

In their autumn report "*Autumn 2007 Joint Economic Forecast*", the participating economic research institutes predicted that the economy in Germany will lose momentum somewhat, whilst maintaining the general growth trend. For instance, for next year, the institutes expect German GDP to rise by 2.2%, after an expected 2.6% in 2007. According to the "*Autumn 2007 Joint Economic Forecast*", the economy in the euro zone is expected to generate growth of 2.1%, after a predicted 2.6% in 2007.

### **Sector**

For the German IT market, BITKOM expects growth at this year's level of 3.5% in 2008. The software and IT service market segments in which USU operates are again likely to enjoy above-average growth of 5.8% (2007e: 6.0%) and 4.9% (2007e: 4.9%) respectively in 2008. According to EITO forecasts, the European market for IT is set to grow by 4.7% (2007e: 4.4%) in 2008. For software and IT service companies, EITO predicts growth rates of 6.5% (2007e: 6.5%) and 5.4% (2007e: 5.5%) respectively.

**Outlook**

After a very strong third quarter of 2007, the Management Board also expects a positive business performance for the last quarter of the current fiscal year. Chiefly as a result of the high-margin licensing and maintenance business, USU is likely to extend further its profitability from October to December 2007 compared with the fourth quarter of the previous year. In contrast, revenues growth is set to be curbed by the increasing lack of specialist staff in the consulting business. Overall, the Management Board confirms its forecast for the USU Group to generate an increase in Group revenues well above the market average to between EUR 32 million and EUR 33 million as well as earnings before interest, taxes and depreciation and amortization (EBITDA) of over EUR 4 million in the current year. The shareholders should again share in the corporate success in the form of a dividend in the year as a whole.

In the coming year, the USU Group's revenues and operating earnings are expected to grow above the market average again. In addition to the recruitment of more employees in the consulting area, key success factors will also include further expansion of the licensing and maintenance business. The strategic development and extension of the product range as well as the simultaneous expansion of national and international sales and partner activities are geared towards gaining additional market share and extending market presence in order to lay the foundation for the successful business performance in future. With these activities, USU expects to generate revenue and earnings increases above those of the entire market in the forthcoming fiscal 2008.

Möglingen (Germany), November 12, 2007

Bernhard Oberschmidt  
Chairman of the Management Board

<b>ASSETS</b> (Thsd. EUR)	<b>9-month report</b> <b>30.09.2007</b>	<b>Annual report</b> <b>31.12.2006</b>
<b>Non current assets</b>		
Intangible assets	6,283	7,052 *)
Goodwill	26,590	26,590 *)
Property, plant and equipment	527	611
Deferred tax assets	492	808
Other non-current assets	874	889
<b>Total non current assets</b>	<b>34,766</b>	<b>35,950</b>
<b>Current assets</b>		
Inventories	390	309
Work in process	2,317	659
Receivables and other assets		
Trade receivables	4,877	5,575
Income tax receivables	954	923
Other current assets	747	616
Prepaid expenses	199	388
Securities	4,856	2,834
Cash on hand and bank balances	4,417	5,566
<b>Total non current assets</b>	<b>18,757</b>	<b>16,870</b>
<b>Total assets</b>	<b>53,523</b>	<b>52,820</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (Thsd. EUR)	<b>9-month report</b> <b>30.09.2007</b>	<b>Annual Report</b> <b>31.12.2006</b>
<b>Shareholders' equity</b>		
Subscribed capital	10,335	10,335
Capital reserve	52,320	52,320
Legal reserve	81	81
Treasury shares	-714	-714
Other comprehensive income	-202	-190
Accumulated losses	-16,522	-19,197 *)
<b>Total shareholders' equity</b>	<b>45,298</b>	<b>42,635</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	0	2,157 *)
Pension provisions	638	596
<b>Total non-current liabilities</b>	<b>638</b>	<b>2,753</b>
<b>Current liabilities</b>		
Provisions for income taxes	468	707
Personnel-related provisions and liabilities	2,653	2,755
Other provisions and liabilities	1,493	1,864
Liabilities from received payments	174	300
Trade payables	1,027	1,076
Deferred income	1,772	730
<b>Total current liabilities</b>	<b>7,587</b>	<b>7,432</b>
<b>Total liabilities and shareholders' equity</b>	<b>53,523</b>	<b>52,820</b>

\*) Changed due to the now final completion of the purchase price allocation of LeuTek GmbH

<b>CONSOLIDATED INCOME STATEMENT</b> (Thsd. EUR)	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2007	III / 2006	2007	2006
	01.07.2007 -	01.07.2006 -	01.01.2007 -	01.01.2006 -
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
Sales revenue	8,525	6,099	23,518	17,541
Cost of sales	-3,853	-3,635	-11,145	-10,487
Gross profit	4,672	2,464	12,373	7,054
Sales and marketing expenses	-1,368	-802	-4,135	-2,414
General administrative expenses	-658	-648	-2,050	-1,902
Research and development expenses	-1,173	-741	-3,623	-1,873
Other operating income	6	28	69	63
Other operating expenses	-30	-18	-89	-85
Amortization of intangible assets recognized in the course of company acquisitions	-248	-51	-745	-154
Result of ordinary operations (EBIT)	1,201	232	1,800	689
Interest income	127	163	345	501
Interest expenses	-19	-21	-59	-154
Result before tax (EBT)	1,309	374	2,086	1,036
Income taxes	-436	-17	1,497	-21
Net profit / loss	873	357	3,583	1,015
Earnings per share (in EUR)				
(basic and diluted)	0,08	0,04	0,35	0,11
Weighted average shares				
(basic and diluted)	10,281,054	9,081,054	10,281,054	9,081,054

<b>BREAKDOWN OF REVENUES AND EXPENSES REPORTED</b> (Thsd. EUR)	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2007	III / 2006	2007	2006
	01.07.2007 -	01.07.2006 -	01.01.2007 -	01.01.2006 -
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
Currency translation difference	4	5	-4	11
Available-for-sale financial instruments (securities)				
Fair value changes taken directly to equity	25	26	-9	-68
Transferred to profit or loss	0	0	1	21
Equity change not impacting income	29	31	-12	-36
Net profit for the period	873	357	3,583	1,015
Overall result	902	388	3,571	979

<b>CONSOLIDATED STATEMENT OF CASH FLOW</b> <i>(Thsd. EUR)</i>	<b>9-month report</b> <b>01.01.2007 -</b> <b>30.09.2007</b>	<b>9-month report</b> <b>01.01.2006 -</b> <b>30.09.2006</b>
<b>CASH FLOW FROM ORDINARY ACTIVITIES:</b>		
Result of ordinary operations	1,800	689
<b>Adjustments for:</b>		
Depreciation and amortization	289	263
Amortization of intangible assets recognized in the course of company acquisitions	745	154
Income taxes paid/refunded	-871	-21
Interest received	228	155
Other non-cash income and expenses	-479	32
<b>Change in working capital:</b>		
Inventories	-82	50
Work in process	-1,659	-1,409
Trade receivables	698	668
Prepaid expenses and other assets	530	1,126
Trade payables	-50	-20
Personnel-related provisions and liabilities and pension provisions	-61	-247
Other provisions and liabilities	1,095	-381
<b>Net cash flow form ordinary activities</b>	<b>2,183</b>	<b>1,059</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Acquisition of subsidiaries less cash and cash equivalents acquired	-421	0
Capital expenditure in property, plant and equipment	-171	-220
Capital expenditure in other intangible assets	-40	-65
Repayment of short-term loans	105	0
Granting short-term loans	0	-135
Sales of non-current assets	144	7
Sale of available-for-sale securities	29	481
Investments in available-for-sale securities	-2,074	-7,461
<b>Net cash flow from investing activities</b>	<b>-2,428</b>	<b>-7,393</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Dividend payment	-908	0
<b>Net cash flow from financing activities</b>	<b>-908</b>	<b>0</b>
Net effect of currency translation in cash and cash equivalents	4	-1
<b>NET DECREASE OF CASH AND CASH EQUIVALENTS</b>	<b>-1,149</b>	<b>-6,335</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>5,566</b>	<b>9,813</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,417</b>	<b>3,478</b>

**CONSOLIDATED STATEMENT OF  
SHAREHOLDERS EQUITY (unaudited)**

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Treasury shares	Accumu- lated losses	Other comprehensive income			Total
	Shares	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Currency Trans- lation	Securities measured at fair value	Actuarial losses (IAS 19)	
							Thsd. EUR	Thsd. EUR	Thsd. EUR	
<b>Balance at December 31, 2005</b>	<b>9,135,004</b>	<b>9,135</b>	<b>49,192</b>	<b>4</b>	<b>-714</b>	<b>-21,206</b>	<b>38</b>	<b>-11</b>	<b>-346</b>	<b>36,092</b>
Net profit for the year	0	0	0	0	0	2,086 *)	0	0	0	2,086
Unrealized losses on marketable securities	0	0	0	0	0	0	0	-71	0	-71
Treatment of actuarial profits not recognized in income	0	0	0	0	0	0	0	0	25	25
Currency translation differences	0	0	0	0	0	0	22	0	0	22
Deferred taxes	0	0	0	0	0	0	0	31	122	153
<b>Overall result for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,086</b>	<b>22</b>	<b>-40</b>	<b>147</b>	<b>2,215</b>
Capital increase	1,200,000	1,200	3,128	0	0	0	0	0	0	4,328
Transfer to legal reserve	0	0	0	77	0	-77	0	0	0	0
<b>Balance at December 31, 2006</b>	<b>10,335,004</b>	<b>10,335</b>	<b>52,320</b>	<b>81</b>	<b>-714</b>	<b>-19,197</b>	<b>60</b>	<b>-51</b>	<b>-199</b>	<b>42,635</b>
Net profit for the period	0	0	0	0	0	3,583	0	0	0	3,583
Unrealized gains on marketable securities	0	0	0	0	0	0	0	-8	0	-8
Currency translation differences	0	0	0	0	0	0	-4	0	0	-4
<b>Overall result for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,583</b>	<b>-4</b>	<b>-8</b>	<b>0</b>	<b>3,571</b>
Dividend payment	0	0	0	0	0	-908	0	0	0	-908
<b>Balance at September 30, 2007</b>	<b>10,335,004</b>	<b>10,335</b>	<b>52,320</b>	<b>81</b>	<b>-714</b>	<b>-16,522</b>	<b>56</b>	<b>-59</b>	<b>-199</b>	<b>45,298</b>

\*) Changed due to the now final completion of the purchase price allocation of LeuTek GmbH

## **Principles of Accounting**

This nine-month report for 2007 was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as they are to be applied within the European Union. The same accounting policies were used as for the preparation of the consolidated financial statements for the preceding financial year ending December 31, 2006. This unaudited nine-month report for 2007 should therefore be read in connection with the audited consolidated financial statements for 2006. In the course of the final purchase price allocation for LeuTek GmbH (hereinafter referred to as "LeuTek"), which was acquired in November 2006, the Group balance sheet figures as of December 31, 2006 were adjusted in accordance with IFRS 3.62. Please refer to the explanations under the section *Acquisitions in fiscal 2006*. It complies with the regulations of IAS 34 for interim reporting. Furthermore, the Company used the draft of the German Accounting Standard 16 (Interim Financial Reporting) as a guideline when preparing this report.

This interim report contains all the necessary deferrals and, in the opinion of the management, provides a true and fair view of assets, liabilities, financial position, and profit or loss. All deferrals performed are in line with the customary accruals concept.

Income taxes are recorded in the interim period based on the best estimate of the weighted average annual income tax rate expected for the year as a whole. This tax rate is applied to the pre-tax profit of the consolidated companies.

It is not necessarily possible to conclude the net profit from the profit of the interim periods.

## **Acquisitions in fiscal 2006**

USU acquired all of the equity and voting rights in LeuTek GmbH on November 6, 2006. The transaction was accounted for using the purchase method. The first-time consolidation of LeuTek took place on November 6, 2006.

Since the purchase price allocation from this acquisition was not finalized in fiscal 2006 due to time constraints, only provisional figures were included in the consolidated financial statements for 2006. The figures were finally determined in the second quarter of 2007.

The intangible assets identified in the course of this final purchase price allocation that are not deductible for tax purposes rose in comparison with the provisional purchase price allocation by EUR 2,264 thousand to EUR 5,764 thousand. At the same time, the estimated economic useful lives in the capitalized maintenance contracts (lucrative contracts) rose from the original four years to six.

The final purchase price was thus allocated to intangible assets as follows on the acquisition date:

	Thsd. EUR	Estimated economic useful life Years
<b>Purchased software</b>	<b>1.185</b>	<b>6</b>
<b>Client base</b>	<b>2.040</b>	<b>10</b>
<b>Lucrative contracts</b>	<b>1.577</b>	<b>6</b>
<b>Orders on hand</b>	<b>133</b>	<b>1</b>
<b>Trademarks</b>	<b>829</b>	<b>-</b>
	<b>5.764</b>	

Due to the rise in intangible assets in the course of the final purchase price allocation, deferred tax liabilities increased by EUR 860 thousand to EUR 2,190 thousand. At the same time, goodwill decreased by EUR 1,403 thousand to EUR 9,570 thousand.

The effects of the final purchase price allocation on the consolidated net accumulated losses reported in the previous year at EUR -15 thousand are insignificant.

As a result of the profit and loss transfer agreement held by LeuTek with USU Software AG which was approved by the Annual General Meeting on July 12, 2007 and LeuTek joining the executive bodies of USU Software AG as a result, the tax loss carryforwards of USU Software AG not recognized to date due to a lack of recoverability can at least be recovered in the amount of the deferred tax liabilities recognized at LeuTek. To this end, deferred tax assets from the tax loss carryforwards of USU Software AG were recognized the amount of the deferred tax liabilities of LeuTek resulting from the purchase price allocation and netted against the deferred tax liabilities. This results in tax income of EUR 2,144 thousand for the first nine month of fiscal 2007.

As part of the acquisition of LeuTek, cash payments were agreed with the former majority shareholder of LeuTek which are dependent on the future performance of the business (earn out remuneration). On the reporting date of the interim consolidated financial statements, this future obligation was not reliably determined. The maximum amount still to be paid is EUR 2,429 thousand.

## Sales revenues

Revenues from the sales of goods and services break down as follows:

	1.1.-30.9.2007 Thsd. EUR	1.1.-30.9.2006 Thsd. EUR
Consulting	14,376	13,190
Licences / products	3,558	2,453
Service and maintenance	4,849	1,787
Other	735	111
	<b>23,518</b>	<b>17,541</b>

## Segment reporting

In keeping with its focus on Business Service Management and the associated merging of cross-divisional product business as well as the corporate reorganization implemented on January 1, 2007, the USU Group segments have also been redefined. In the process, the former segmentation (IT Management Solutions / Business Solutions) was changed as follows:

For the purpose of segment reporting in accordance with IAS 14, USU is active in "Product Business" and "Service Business", both of which have a major influence on the risks and equity return. These two segments have different areas of activity; the breakdown of these activities is based on internal reporting (management approach). The purpose of segmentation into "Product Business" and "Service Business" is to make the earning capacity and prospects of success as well as the opportunities and risks facing the two segments in the Group transparent.

The product portfolio of the "Product Business" segment includes all those activities centered around the USU product range in the market for Business Service Management. This includes the products and services for Infrastructure Management (efficient administration of IT assets, contracts and software licenses), Service/Change Management (compliance with, and formalization of the IT service processes including procurement, support and maintenance), Finance Management (transparency, planning and budgeting as well as charging of IT costs and services to the person(s) who incurred them), Process Management (monitoring, visualization and controlling of all systems and processes required for IT operation) as well as the Knowledge Center for optimization of knowledge-intensive business processes.

KnowledgeCenter suite, a modular, web-based product line, supports customers in structuring topics and unifying their information access. This software suite consists of three main modules: KnowledgeMiner (self-learning search and research system), KnowledgeBase (knowledge database that enables process-oriented management and provision of solution documents), and KnowledgeGuide (System that supports diagnosis and decision-making with the assistance of dynamic decision trees).

The “Service Business” division contains consulting services for the purpose of IT projects as well as individual application development. The portfolio addresses a wide range of technical topics which are implemented by means of dedicated methods and tested process models. These include selected special divisions, the carrying out of IT projects on one’s own responsibility or providing project support with qualified IT staff.

The breakdown of various key ratios by segment in line with IAS 14 is represented in the following overview:

	Product Business		Service Business		Not allocated		Group	
	1.1.-30.9.2007 Thsd. EUR	1.1.-30.9.2006 Thsd. EUR						
<b>Revenues</b>	<b>16,604</b>	<b>11,505</b>	<b>6,896</b>	<b>6,025</b>	<b>18</b>	<b>11</b>	<b>23,518</b>	<b>17,541</b>
<b>EBITDA</b>	<b>3,821</b>	<b>1,984</b>	<b>621</b>	<b>620</b>	<b>-1,607</b>	<b>-1,498</b>	<b>2,835</b>	<b>1,106</b>
<b>EBIT</b>	<b>2,873</b>	<b>1,697</b>	<b>553</b>	<b>549</b>	<b>-1,626</b>	<b>-1,557</b>	<b>1,800</b>	<b>689</b>
<b>Net financial income</b>	-	-	-	-	<b>286</b>	<b>347</b>	<b>286</b>	<b>347</b>
<b>Taxes</b>	-	-	-	-	<b>1,497</b>	<b>-21</b>	<b>1,497</b>	<b>-21</b>
<b>Net profit / loss</b>	<b>2,873</b>	<b>1,697</b>	<b>553</b>	<b>549</b>	<b>157</b>	<b>-1,231</b>	<b>3,583</b>	<b>1,015</b>
<b>Employees (as of June 30, 2007/2006)</b>	<b>174</b>	<b>144</b>	<b>47</b>	<b>52</b>	<b>18</b>	<b>17</b>	<b>239</b>	<b>213</b>

The USU Software Group generated a total of 7.8% or EUR 1,823 thousand of its consolidated sales outside Germany in the first nine months of the 2007 financial year. In addition, less than 10% of the consolidated assets held are outside Germany. At the same time, the investments made outside Germany came to less than 10% of the consolidated total investments. Further details of the geographical data in line with IAS 14 (secondary information) have thus not been provided.

**Own shares**

As of September 30, 2007, the Company still holds 53,950 own shares with a notional share of the share capital of EUR 53,950.00 which corresponds to 0.5% of the share capital as of September 30, 2007.

**Authorized capital**

By resolution of the Annual General Meeting on July 12, 2007, the authorized capital was increased from EUR 2,571 thousand to EUR 5,168 thousand.

**Dividend**

On July 12, 2007, at the proposal of the Management Board and Supervisory Board, the Annual General Meeting resolved to pay out a dividend of EUR 908 thousand from the retained earnings of USU Software AG of EUR 1,549 thousand to December 31, 2006, and to carry forward the remaining profit of EUR 641 thousand. This equates to a dividend of EUR 0.10 per share with dividend entitlement. The distribution was carried out on July 18, 2007.

**Related party disclosures**

In accordance with IAS 24, all related parties are persons or companies with the ability to control the Group or exercise significant influence over it, or on whom/which the Group can exert significant influence, including the management and the Supervisory Board. Companies that are already included as part of full consolidation in the interim consolidated financial statements are not considered related parties.

There were no significant changes to business relations between USU Software AG and the Supervisory Board Chairman and majority shareholder Udo Strehl and his wife compared with the information in the notes to the consolidated financial statements of fiscal 2006. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2006.

**Directors' dealings and securities held in executive bodies**

The following shares and options in USU Software AG were held by members of the Company's executive bodies on September 30, 2007:

Holdings of members of corporate bodies	shares	stock options
<b>Management Board</b>		
Bernhard Oberschmidt	18,696	0
<b>Supervisory Board</b>		
Udo Strehl*	1,989,319	0
Erwin Staudt	50,000	0
Günter Daiss	35,500	0

\* An additional 3,689,848 shares of USU Software AG can be allocated to Udo Strehl via Udo Strehl Private Equity GmbH as the majority shareholder of the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.  
A further 32,000 shares in USU Software AG are allocated to Udo Strehl through the "Knowledge is the future" foundation of which he is the Managing director pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

The Supervisory Board members Erwin Staudt and Günter Daiss each purchased 30,000 shares in USU Software AG on May 23, 2007 over the counter from Udo Strehl Private Equity GmbH (USPEG), whose majority shareholder is Udo Strehl, Chairman of the Supervisory Board of USU Software AG. On this date, USPEG sold a total of 240,000 shares in USU Software AG to the two members of the Supervisory Board of USU Software AG and to institutional investors over the counter. Another over-the-counter sale of 250,000 shares in USU Software AG was made to institutional investors by USPEG on July 13, 2007.

On August 24, 2007, Supervisory Board member Erwin Staudt purchased 2,900 shares in USU Software AG via the Stuttgart Stock Exchange, and USPEG bought 7,500 shares via the electronic trading system XETRA.

The Supervisory Board members Udo Strehl, Erwin Staudt and Günter Daiss promptly informed USU Software AG of the securities transactions conducted. The Company promptly published the notification of these securities transactions on its homepage at [www.usu-software.de](http://www.usu-software.de).

Möglingen (Germany), November 12, 2007

Bernhard Oberschmidt  
Chairman of the Management Board

<b>NOVEMBER 14, 2007</b> 9:45 a.m. – 10:25 a.m.	<b>ANALYST CONFERENCE OF USU SOFTWARE AG</b> as part of the <b><i>German Equity Forum,</i></b> Congress Center Messe Frankfurt, Ludwig-Erhard-Anlage 1, 60327 Frankfurt am Main, Germany
<b>MARCH, 2007</b>	<b>ANNUAL PRESS CONFERENCE</b>
<b>MARCH, 2007</b>	<b>ANNUAL REPORT 2006</b>
<b>MAY, 2007</b>	<b>3-MONTH REPORT 2007</b>
<b>JUNE, 2007</b>	<b>ANNUAL GENERAL MEETING</b>
<b>AUGUST, 2007</b>	<b>6-MONTH REPORT 2007</b>
<b>NOVEMBER, 2007</b>	<b>9-MONTH REPORT 2007</b>