



9 – MONTH REPORT 2013

USU Software AG

9 - MONTH REPORT 2013	2013	2012
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.09.2013	01.01.-30.09.2012
REVENUES	38,446	36,925
ADJUSTED EBIT	1,305	4,462
ADJUSTED NET RESULT	740	3,420
ADJUSTED EARNINGS PER SHARE (EUR)	0.07	0.32
EBITDA	1,583	2,667
EBIT	501	1,377
NET RESULT	-29	1,490
EARNINGS PER SHARE (EUR)	0.00	0.14
CASH-FLOW FROM ORDINARY OPERATIONS	10,603	1,697
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	447	355
	30.09.2013	31.12.2012
CASH AND CASH EQUIVALENTS	15,123	11,408
SHAREHOLDERS EQUITY	49,627	52,295
BALANCE SHEET	80,911	66,721
EQUITY RATIO	61.3%	78.4%

USU Software AG
 Spitalhof
 D-71696 Möglingen
 Tel. +49.7141.4867-0
 Fax +49.7141.4867-200
www.usu-software.de

Investor Relations
 Falk Sorge
 Tel. +49.7141.4867-351
 Fax +49.7141.4867-108
investor@usu-software.de

Dear shareholders,

Dear readers,

The USU Group generated another double-digit sales increase in the third quarter of 2013, but did not match the previous year in terms of earnings due to extensive forward-looking investments in new software products and the expansion of the Group's global workforce. The Management Board had launched a growth initiative in the year under review with regard to the medium-term target. Together with weaker Service Business that is not dependent on specific products, the associated expenses have reduced profitability in the short term and will lead to a lower operating result in the current fiscal year than in the previous year. However, the successful implementation of the measures to drive forward the USU Group's growth will bring about a return to the targeted medium-term trend in the coming year already.

For 2013 as a whole, this means that an adjustment of the target figures is required. As a result of the decline in Service Business recorded in the year under review, the sales guidance will be adjusted from the previous figure of EUR 58 million to at least EUR 56 million, which is nonetheless equivalent to year-on-year sales growth of around 10% arising entirely from Product Business. At the same time, *adjusted EBIT* is expected to amount to over EUR 5 million. Although this is lower than the original planning of EUR 8 million and is down on the previous year's figure due to the particular issues mentioned above, it also represents a significant increase in earnings in Q4 2013 in comparison to the same quarter of the previous year and the preceding quarters of the current fiscal year. The Management Board is confident that the targeted investments in new product innovations and the international workforce expansion will lead to significant increases in sales and earnings – and accordingly to an acceleration of the Group's growth – in the following quarters as well.

The Management Board is therefore reiterating the target of passing the EUR 100 million mark for sales by 2017 while at the same time further increasing the operating earnings margin.

Yours,

Bernhard Oberschmidt,

Chairman of the Management Board of USU Software AG

* For an explanation of adjusted EBIT, see the note "Adjusted consolidated earnings" of group report on pages 9 and 10 of this 2013 nine-month report.

Economic development

Studies by the leading German research institutes indicate that the economic development in Germany is displaying an upward trend again on the whole. According to the “Autumn 2013 Joint Economic Forecast” from October this year, the institutes expect that gross domestic product (GDP) in Germany has increased by just 0.3% in the third quarter of 2013 compared to the previous quarter after adjustment for seasonal and calendar effects (Q3 2012: 0.2%), although at the same time a steady rise in GDP is anticipated for the following quarters. For the euro zone, the economic research institutes likewise forecast an increasing upturn following the end of the recession. Whereas GDP in the euro zone is likely to be static in the reporting quarter only, the institutes anticipate a gradual economic recovery in the coming quarters. For the year as a whole, a 0.4% rise in GDP (2012: 0.7%) is forecast for Germany and a decrease of 0.4% (2012: decrease of 0.6%) for the euro zone.

Sector performance

According to the 43rd Industry Barometer published by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), the majority of the German companies from the IT, telecommunications and entertainment technology sectors (“ICT”) that were surveyed anticipate a positive business performance in the quarter under review and in the fourth quarter of 2013. According to the BITKOM survey, 68% of high-tech companies expect to see increased sales in the second half of 2013. Companies in the IT services and software sectors were particularly positive, with sales growth in the third and fourth quarters of 2013 forecast by 76% and 71% of them respectively. However, the ICT sector in Germany will not be able to break away from the weak state of the general economy, meaning that BITKOM is anticipating only slight growth of 0.1% for 2013 as a whole (2012: 2.5%). For the European high-tech market, recent studies by the US market research company Forrester even indicate a decline in the euro-based market volume in 2013.

Business development in Q3 2013

USU Software AG and its subsidiaries (also referred to hereafter as the “USU Group” and “USU”) generated substantial sales growth again in the third quarter of 2013. With IFRS consolidated sales of EUR 13,802 thousand (Q3 2012: EUR 11,969 thousand), USU increased its sales volume by 15.3% year-on-year in the quarter under review, particularly as a result of strong Product Business.

This segment, which comprises license, consulting and maintenance income from the sale and implementation of the USU Group's proprietary software products, grew by 23.8% to EUR 10,376 thousand in the period under review (Q3 2012: EUR 8,381 thousand). Following the end of several major projects, new project deals were also concluded in Service Business that is not dependent on specific products – which consists of both individual projects and customer-related contract programming – but the level of the previous year's sales was not re-achieved. Segment-related sales from Service Business accordingly totaled EUR 3,396 thousand in the quarter under review (Q3 2012: EUR 3,579 thousand), down 5.1% on the previous year.

International business represented a key success factor for the USU Group in the quarter under review. In the period from July to September, USU increased its sales generated outside Germany by a total of 81.3% to EUR 2,203 thousand (Q3 2012: EUR 1,215 thousand). International sales thus accounted for 16.0% of consolidated sales (Q3 2012: 10.2%).

Broken down by types of sales, the highest sales increase generated by USU in the third quarter of 2013 was from the sale of software licenses. License sales totaled EUR 2,426 thousand in the third quarter of 2013 (Q3 2012: EUR 1,582 thousand), representing a year-on-year increase of 53.4%. The USU Group already benefited here from initial sales success with the newly developed software products that were successfully launched during the current fiscal year. At the same time, USU posted positive sales contributions from BIG Social Media GmbH, in which it had acquired a majority interest at the beginning of the year. Maintenance business contributed a total of EUR 3,057 thousand (Q3 2012: EUR 2,944 thousand) to consolidated sales in the quarter under review, equivalent to a rise of 3.8%. Recent license sales will also lead to a further increase in maintenance sales in the following quarters. USU increased its consulting income by 14.3% to EUR 7,839 thousand in the third quarter of 2013 (Q3 2012: EUR 6,859 thousand) thanks to the positive development of Product Business.

The USU Group's cost base rose to EUR 12,802 thousand (Q3 2012: EUR 10,560 thousand) as a result of the implementation of the medium-term growth strategy and the related 25.9% increase in the Group's workforce to 447 employees as of the end of the third quarter of 2013 (September 30, 2012: 355) as well as the increased research and development activities associated with the product campaign.

With regard to earnings, USU once again generated an operating profit in the third quarter of Q3 2013 but did not match the previous year's level due to the targeted workforce expansion and the additional investments in developing new software products. Adjusted for extraordinary effects relating to acquisitions, earnings before interest and taxes (adjusted EBIT) thus amounted to EUR 1,066 thousand (Q3 2012: EUR 1,584 thousand), down almost a third on the previous year's figure. Adjusted consolidated earnings amounted to EUR 782 thousand (Q3 2012: EUR 1,534 thousand), corresponding to adjusted earnings per share of EUR 0.07 (Q3 2012: EUR 0.14). On an unadjusted basis, USU generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 1,182 thousand (Q3 2012: EUR 1,540 thousand) and earnings before interest and taxes (EBIT) of EUR 818 thousand (Q3 2012: EUR 1,107 thousand). Whereas in the quarter under review tax expense totaling EUR 168 thousand was incurred, in the previous year USU had generated tax income of EUR 1,183 thousand as a result of the profit transfer agreement concluded with its subsidiary Aspera. The IFRS consolidated earnings of the USU Group amounted to EUR 541 thousand in the third quarter of 2013 (Q3 2012: EUR 2,281 thousand), resulting in earnings per share of EUR 0.05 (Q3 2012: EUR 0.22).

Business development for the first nine months of the 2013 fiscal year

Development of sales and costs

Group sales

Consolidated sales in the first three quarters of the 2013 fiscal year totaled EUR 38,446 thousand (Q1-Q3 2012: EUR 36,925 thousand), up 4.1% on the previous year. USU increased its license business by 8.0% to EUR 5,601 thousand (Q1-Q3 2012: EUR 5,187 thousand) thanks to rising income from the sale of its proprietary software products. As a result of the expansion of the customer-related installation base, maintenance sales throughout the USU Group climbed by 6.1% to EUR 9,188 thousand in the first nine months of 2013 (Q1-Q3 2012: EUR 8,661 thousand). Product- and service-related consulting sales rose by 3.7% to EUR 22,365 thousand (Q1-Q3 2012: EUR 21,567 thousand); this was due solely to the growing Product Business. Other income amounted to EUR 1,292 thousand in the period from January to September 2013 (Q1-Q3 2012: EUR 1,510 thousand) and primarily related to merchandise sales of third-party hardware and software.

Sales by segment

The product range in the Product Business segment – to which BIG Social Media GmbH, a majority interest in which was acquired in January 2013, has been allocated – covers all activities relating to the USU product range in the markets for knowledge-based service management solutions and the knowledge management market. The Service Business segment comprises consulting services for IT projects and individual application development.

The areas of the USU Group allocated to the Product Business segment posted a 13.2% rise in sales to EUR 28,461 thousand in the first nine months of the 2013 fiscal year (Q1-Q3 2012: EUR 25,147 thousand). This increase was attributable both to organic business growth from the sale of the newly developed software products and also to the consolidation of the new subsidiary BIG. By contrast, consulting sales in the Service Business segment declined by 15.6% to EUR 9,921 thousand (Q1-Q3 2012: EUR 11,754 thousand) due to the utilization shortfalls recorded in the first half of 2013 in particular following the end of several major projects. Sales not allocated to the segments amounted to EUR 64 thousand in the period under review (Q1-Q3 2012: EUR 24 thousand).

In the first nine months of 2013, the USU Group's international business was down 3.5% on the previous year at EUR 5,394 thousand (Q1-Q3 2012: EUR 5,590 thousand). However, after a modest first half of the year USU recorded a significant positive performance outside Germany towards the end of the reporting period in particular, not least due to the partnership with CA and the resulting recurring sales starting from late June 2013. The overall share of consolidated sales generated abroad in the first three quarters was 14.0% (Q1-Q3 2012: 15.1%).

Operating costs

In the first nine months of 2013, the USU Group posted a 13.6% increase in the operating cost base as against the previous year to EUR 37,415 thousand (Q1-Q3 2012: EUR 32,928 thousand). This increase chiefly resulted from higher research and development expenses due to the new product campaign, the targeted expansion of the Group's workforce and the acquisition of a majority interest in BIG.

The cost of sales rose at a lower than average rate of 2.2% to EUR 19,623 thousand (Q1-Q3 2012: EUR 19,206 thousand). Whereas consulting business in the product area was increased significantly, leading to a higher cost of sales in line with the associated expansion of the consultant team, the lower level of utilization of third-party consultant resources in Service Business customer projects had the effect of reducing the cost of sales.

The cost of sales as a proportion of consolidated sales amounted to 51.0% overall in the quarter under review, down slightly on the previous year's level of 52.0%. Gross income totaled EUR 18,823 thousand (Q1-Q3 2012: EUR 17,719 thousand), corresponding to an improved gross margin of 49.0% (Q1-Q3 2012: 48.0%).

In the first nine months of 2013, the USU Group's sales and marketing expenses increased by 35.4% year-on-year to EUR 6,662 thousand (Q1-Q3 2012: EUR 4,919 thousand). This substantial increase was largely due to the growth of the Group-wide sales team in the context of the portfolio expansion with the launch of new product innovations and the acquisition of a majority interest in BIG. As a result, marketing and sales costs accounted for 17.3% of consolidated sales in the reporting period (Q1-Q3 2013: 13.3%).

As a result of the majority acquisition of BIG, general and administrative expenses increased by 24.2% to EUR 4,118 thousand (Q1-Q3 2012: EUR 3,317 thousand). Administrative expenses as a proportion of consolidated sales rose to 10.7% (Q1-Q3 2012: 9.0%).

As a result of the measures for the development of new, innovative software products in connection with the product campaign, the additional acquisition-related development activities and the associated increase in software developers employed throughout the USU Group, research and development expenses climbed by 27.8% year-on-year to EUR 7,012 thousand (Q1-Q3 2012: EUR 5,486 thousand). The ratio of research and development expenses to consolidated sales rose to 18.2% (Q1-Q3 2012: 14.9%). USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please see the separate *Research and development* report in this Group management report.

Net other operating income and expenses totaled EUR 32 thousand in the period under review (Q1-Q3 2012: EUR -1,765 thousand). The figure for the previous year primarily reflects the purchase price adjustment for the full acquisition of Aspera GmbH.

Earnings situation

As a result of the USU Group's focus on growth for the implementation of the medium-term strategy and the related investments in expanding both the workforce and the product portfolio, the USU Group's EBITDA after the first nine months of the current reporting year were lower than the previous year's figure at EUR 1,583 thousand (Q1-Q3 2012: EUR 2,667 thousand). At the same time, the increased pre-investments in the partnership with CA and the weak performance of Service Business curbed the profit development. Including depreciation and amortization expense of EUR 1,082 thousand (Q1-Q3 2012: EUR 1,290 thousand), EBIT amounted to EUR 501 thousand (Q1-Q3 2012: EUR 1,377 thousand).

Taking into account the cumulative net finance costs of EUR -208 thousand (Q1-Q3 2012: EUR -148 thousand), earnings before taxes (EBT) totaled EUR 293 thousand (Q1-Q3 2012: EUR 1,229 thousand). Tax expense amounted to EUR 322 thousand in the first nine months of 2013, whereas in the previous year USU had generated cumulative tax income of EUR 261 thousand due to the recognition of deferred tax assets in connection with the profit transfer agreement between USU Software AG and Aspera GmbH. The consolidated earnings of the USU Group totaled EUR -29 thousand in the period under review (Q1-Q3 2012: EUR 1,490 thousand), corresponding to break-even earnings per share (Q1-Q3 2012: EUR 0.14).

Adjusted consolidated earnings

As the consolidated earnings of the USU Group under IFRS have been and continue to be influenced by various extraordinary items which make it difficult to compare USU's earnings power from year to year, the company has calculated its *adjusted consolidated earnings* for information purposes. This shows consolidated earnings adjusted for the amortization of intangible assets capitalized as a result of business combinations, the results of the capitalization of tax loss carryforwards and the associated goodwill impairment, additional extraordinary items due to acquisitions and the corresponding tax effects.

Furthermore, on the basis of these *adjusted consolidated earnings*, USU Software AG reports *consolidated earnings per share* using the average number of shares outstanding. It also calculates its *adjusted EBIT*. *Adjusted consolidated earnings*, *adjusted EBIT* and *adjusted earnings per share* are not key indicators under IFRS.

In the period from January to September 2013, the USU Group's adjusted earnings before interest and taxes (*adjusted EBIT*) amounted to EUR 1,305 thousand (Q1-Q3 2012: EUR 4,462 thousand). The decline in comparison to the previous year reflects the targeted investments in the workforce and new product innovations as part of the product campaign to gear the USU Group towards its Group targets for 2017, which stipulate consolidated sales of over EUR 100 million with an increase in the operating earnings margin. In addition, the temporary weak performance of Service Business after the end of several major projects also reduced earnings. Adjusted consolidated earnings therefore amounted to EUR 740 thousand (Q1-Q3 2012: EUR 3,420 thousand). This corresponds to adjusted earnings per share of EUR 0.07 (Q1-Q3 2012: EUR 0.32).

Adjusted consolidated earnings <i>in EUR thousand</i>	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012
Result of ordinary operations (EBIT)	501	1,377
Amortization of intangible assets capitalized as a result of business combinations	562	855
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	242	2,230
- stay bonus Aspera / USU Consulting / BIG	240	274
- purchase price adjustments	2	1,855
- incidental acquisition costs	0	101
Adjusted EBIT	1,305	4,462
Financial income (as per consolidated income statement)	33	124
Financial costs (as per consolidated income statement)	-241	-272
Income taxes (as per consolidated income statement)	-322	261
Tax effects relating to adjustments	0	-1,146
- amortization	0	-115
- deferred taxation from tax loss carryforwards	0	-1,031
Minority interests (as per consolidated income statement)	-35	-9
Adjusted consolidated earnings	740	3,420
Adjusted earnings per share (in EUR):	0,07	0.32
Weighted average number of outstanding shares:		
Basic and diluted	10,523,770	10,523,770

Balance sheet structure

The structure of the USU Group's statement of financial position as of September 30, 2013 was primarily influenced by the majority acquisition of BIG and the partnership with CA. On the assets side of the statement of financial position, the acquisition of BIG Social Media GmbH as of the end of the third quarter of 2013 led to a rise in non-current assets to EUR 52,584 thousand (December 31, 2012: EUR 43,236 thousand), mainly due to the increase in goodwill to EUR 41,452 thousand (December 31, 2012: EUR 32,395 thousand). As the purchase price allocation of BIG has not yet been finalized, all differences between the carrying amount and fair value as of the acquisition date and assets yet to be identified in final purchase price allocation have been fully allocated to goodwill. Current assets rose to EUR 28,327 thousand as of September 30, 2013 (December 31, 2012: EUR 23,485 thousand), primarily as a result of the increase in Group liquidity in the form of cash-in-hand and bank balances to EUR 15,123 thousand (December 31, 2012: EUR 11,408 thousand). This increase primarily reflects the cash inflow from the contractual prepayment from CA Technologies under the terms of the partnership agreement with USU.

On the equity and liabilities side, the USU Group's borrowings in the form of current and non-current liabilities amounted to EUR 31,284 thousand as of September 30, 2013 (December 31, 2012: EUR 14,426 thousand). This increase chiefly resulted from purchase price liabilities of EUR 7,036 thousand (December 31, 2012: EUR 0 thousand) for the full acquisition of BIG and from increased liabilities from advance payments received in the amount of EUR 10,478 thousand (December 31, 2012: EUR 2,481 thousand), which mainly include the payments from CA Technologies. Equity amounted to EUR 49,627 thousand as of September 30, 2013 (December 31, 2012: EUR 52,295 thousand). The decline in this item is largely due to the dividend payment of EUR 2,631 thousand to the shareholders of USU Software AG during the reporting period. With total assets of EUR 80,911 thousand (December 31, 2012: EUR 66,721), the equity ratio was 61.3% as of September 30, 2013 (December 31, 2012: 78.4%).

Cash-Flow and investments

As of September 30, 2013, the USU Group had cash and cash equivalents of EUR 15,123 thousand (Q1-Q3 2012: EUR 9,118 thousand). This represents a year-on-year increase in Group liquidity of EUR 6,005 thousand or 65.9%.

The USU Group's cash flow from operating activities improved from EUR 1,697 thousand in the first nine months of 2012 to EUR 10,603 thousand in the first three quarters of the current fiscal year. This improvement was mainly due to changes in working capital as a result of increased income from the partnership agreement with CA Technologies and from maintenance agreements.

The cash flow from investing activities of EUR -4,241 thousand (Q1-Q3 2012: EUR -483 thousand) included the first purchase price payments for the majority acquisition of BIG in the amount of EUR -2,786 thousand (Q1-Q3 2012: EUR 0 thousand) and investments in property, plant and equipment and intangible assets totaling EUR -1,402 thousand (Q1-Q3 2012: EUR -491 thousand).

The cash flow from financing activities amounted to EUR -2,631 thousand in the first nine months of the 2013 fiscal year (Q1-Q3 2012: EUR -9,228 thousand). It consists solely of the dividend payment made to the shareholders of USU Software AG in 2013 in the amount of EUR 0.25 per share (2012: EUR 0.20 per share), whereas the figure for the previous year also reflected the payment of the remaining purchase price for the full acquisition of Aspera in the amount of EUR -7,123 thousand as well as the dividend payment of EUR -2,105 thousand

Orders on hand

Orders on hand at the USU Group rose by 6.1% year-on-year to EUR 23,620 thousand as of September 30, 2013 (September 30, 2012: EUR 22,253 thousand). Compared with the end of the previous year (December 31, 2012: EUR 21,914 thousand), USU's orders on hand increased by 7.8%. Orders on hand as of the end of the quarter show the USU Group's fixed future sales based on binding contracts for the next 12 months. These primarily consist of project-related orders and maintenance agreements.

Research and development

In the first nine months of fiscal 2013, the USU Group invested a total of EUR 7,012 thousand (Q1-Q3 2012: EUR 5,486 thousand) or 18.2% (Q1-Q3 2012: 14.9%) of consolidated sales in research and development in order to offer its customers state-of-the-art, practical products and solutions. With 146 employees working in research and development throughout the Group as of September 30, 2013 (September 30, 2012: 112), the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide product portfolio.

At the USU Group, the first nine months of the 2013 fiscal year were dominated by the development of new product innovations. This product campaign included the development of USU Service Manager, an end-to-end solution for the specification, administration and management of a company's IT service portfolio that allows the company's IT to achieve a high degree of standardization and efficiency. USU Service Manager is available in both cloud and on-site versions. Another product innovation is USU Service Intelligence, an intuitive software tool that allows companies to prepare, analyze and manage their IT data in an intelligent way. The newly developed USU Lifebelt enables a company's employees to help themselves when IT problems arise. Another new product is USU KnowledgeScout, an interactive advice system that helps technical customer support to provide efficient error diagnosis and is available in several languages in both an online and an offline version.

As well as implementing new software products, the existing portfolio was also developed further in the period from January to September 2013. The Group's subsidiary USU AG successfully implemented the finalization of the Valuation version 4.4, which is scheduled to be launched in early December 2013 after final quality tests. The new Valuation version implements improvements in the user interface, software ergonomics and accessibility and expands the SaaS range. USU also began developing the new version 6.1. of the knowledge management software USU KnowledgeCenter in the reporting period.

In the new version, the notification concept for relevant news and tasks was revised so as to offer the user a relevant overview directly at all times. Another new feature is that users can obtain knowledge through private study using the USU software and can also complete tests in an e-learning approach to check their progress directly.

At the subsidiary Aspera GmbH, a key focus – in addition to customer-based function extension – was expanding the range of language versions in the context of combining the SmartTrack license management software with the software from the partner CA Technologies, so that SmartTrack is now available in French, Spanish, Italian, Brazilian Portuguese and Japanese as well as German and English. After the launch of the monitoring software ZIS-System 5.6, the subsidiary LeuTek began developing the new version 5.7, which is expected to be completed in the first quarter of 2014. The main focus of this version is that it provides apps for mobile devices, allowing the IT professionals to maintain an overview of the availability of IT and business services at all times. In addition to the status information, standard reports and key performance indicators for defined service groups are also offered for mobile devices. The subsidiary BIG, in which a majority interest was acquired at the start of the year, developed the new version of the social media analysis tool BIG SCREEN 3.0 in the reporting period. The main feature of the new version is the real-time capability of all of the analytical components, which means that searching and analyzing posts and the inclusion of the relevant information in all statistics can take place in near real-time. With regard to the social CRM tool BIG CONNECT, the focus was on further developing user friendliness and integration functions.

Employees

In view of the implementation of its medium-term growth targets, the USU Group selectively expanded its workforce by 25.9% year-on-year to 447 employees as of September 30, 2013 (September 30, 2012: 355) through the successful recruitment of new employees at the existing subsidiaries and the acquisition of a majority interest in BIG. The latter company had a total of 41 employees at the end of the period under review. Broken down by functional unit, a total of 193 (September 30, 2012: 163) people were employed in consulting and services at the end of the reporting period, 146 (September 30, 2012: 112) in research and development, 57 (September 30, 2012: 41) in sales and marketing, and 51 (September 30, 2012: 39) in administration. Broken down by segment, the USU Group employed 329 (September 30, 2012: 250) people in the Product Business segment, 71 (September 30, 2012: 70) in the Service Business segment and 47 (September 30, 2012: 35) 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 the German Securities Code (WKN) A0BVU2 and International Securities Identification Number (ISIN) DE000A0BVU28, and are admitted to trading on the regulated market of this stock exchange.

The stock market in Germany displayed a general upward trend in the third quarter of 2013. As a result of the continued low interest rates and positive company news, the German stock index (DAX) climbed by 8.0% as against the end of the previous quarter to 8,594.40 points as of September 30, 2013 (June 30, 2013: 7,959.22 points). The Technology All Share also marked a significant gain of 14.8% to 1,314.74 points (June 30, 2013: 1,145.74 points). By contrast, USU's shares were not able to match the positive performance of the previous quarter and posted a slight quarter-on-quarter decline of 1.3% to EUR 7.946 on the electronic exchange XETRA as of September 30, 2013 (June 30, 2013: EUR 8.05).

USU's share price rose by 12.1% in the first nine months of 2013 (December 31, 2012: EUR 7.09). While the DAX achieved a comparable performance, growing by 12.9% (December 31, 2012: 7,612.39 points), the Technology All Share recorded a stronger gain of 30.2% (December 31, 2012: 1,010.12 points).

The stock markets also rose sharply after September 30, 2013, leading to new highs for the DAX above the 9,000 point mark and a new 10-year high for USU's shares of EUR 9.924 on XETRA.

Supplementary report

There were no transactions of particular significance after September 30, 2013 that had a material effect on the development of business in the USU Group. In this respect, there were no major changes to the net assets, financial position or results of operations of the Group.

Opportunity and risk report.

As a result of the additional expenses for developing new product innovations, the significant expansion of the Group's workforce and the later than planned increase in capacity utilization in consulting-related Service Business, the Management Board has adjusted the sales and earnings planning for 2013. With Service Business in particular, there is a risk that new projects may not fully utilize the existing staff resources and that the resulting utilization shortfalls may lead to a stagnation or reduction of earnings margins. The Management Board expects utilization to increase starting from 2014 as a result of the recently concluded projects and the current forecasts.

There were no other changes to the further opportunities and risks of USU Software AG or of the Group as a whole as against December 31, 2012. For more information, please see the risk report in the 2012 annual report.

Forecast report

General economy

In the “Autumn 2013 Joint Economic Forecast” published by the leading German research institutes, a positive economic development is forecast for Germany in the following quarters. There will be a positive impact in particular from increasing investment activity by companies as a result of the lessening uncertainty in connection with the euro crisis, the resulting improvement in sales prospects and the continuing favorable financing conditions. Owing to the modest development in the first half of the year, the institutes anticipate a rise in German GDP of 0.4% for the current year (2012: 0.7%). GDP growth is then expected to reach 1.8% in 2014. In the euro zone, the *Autumn 2013 Joint Economic Forecast* anticipates that a gradual economic recovery will begin as propensity to consume and invest is further consolidated after the end of the recession in the current year. This is expected to lead to a 0.9% rise in GDP in the coming year after a 0.4% decline in economic output in 2013 (2012: 0.6% decline).

Sector

According to information from BITKOM, the ICT sector was not able to break away from the weak state of the general economy in 2013. The current BITKOM forecast from October 22, 2013 indicates only a slight increase in market volume of 0.1% for the sector (2012: 2.5%). By contrast, the IT market is expected to develop much more positively with year-on-year growth of 2.0% (2012: 2.8%). Providers of software and IT services are expected to achieve strong growth rates of 4.9% (2012: 5.1%) and 2.4% (2012: 2.1%) on the basis of innovative solutions in the fields of cloud computing, big data and mobile applications. In 2014, BITKOM forecasts growth of the ICT market totaling 1.6%, with sales by companies from the IT sector again expected to generate above-average growth of 2.8%. The US market research company Forrester also expects the European IT market volume to grow again in 2014 following a decline in 2013. According to Forrester’s forecast from July 12, 2013, IT providers in Western and Central Europe will generate a sales increase of 3.9% in 2014 (2013: decrease of 1.7%).

Outlook

After USU Software AG and its subsidiaries returned to their growth path in the third quarter of 2013, the Management Board anticipates significant year-on-year increases in both sales and earnings in the final quarter of 2013, which will mainly result from Product Business. In addition to the existing portfolio, the Group's new product launches in Germany, international business – which will be boosted significantly by the CA partnership – and the majority interest in BIG are expected to make a particular contribution to this growth. However, this will not fully offset the decline in Service Business in the year under review at the same time as additional investments are being made in Product Business to develop new product innovations and expand the global workforce. Therefore, the Management Board believes that the annual target for 2013 of sales of over EUR 58 million and adjusted EBIT of at least EUR 8 million is no longer achievable. The Management Board now expects consolidated sales to increase by around 10% year-on-year to over EUR 56 million in 2013, with adjusted EBIT amounting to EUR 5 million (2012: EUR 7.1 million), down on the previous year's level due to the extraordinary factors described above. Nonetheless, the additional investments will lead to a significant growth surge in 2014 and a sustainably positive business performance, with the result that the Management Board is reiterating its medium-term planning of consolidated sales of more than EUR 100 million by 2017 combined with a higher operating earnings margin.

Möglingen, November 11, 2013

USU Software AG

The Management Board

ASSETS <i>(Thsd. EUR)</i>	9-month report 30.09.2013	Annual report 31.12.2012
Non current assets		
Intangible assets	5,051	5,626
Goodwill	41,452	32,395
Property, plant and equipment	2,304	1,194
Other financial assets	22	33
Deferred tax assets	3,194	3,194
Other assets	561	794
Total non current assets	52,584	43,236
Current assets		
Inventories	786	693
Work in process	3,706	2,448
Trade receivables	7,174	7,353
Income tax receivables	322	585
Other financial assets	311	282
Other assets	57	97
Prepaid expenses	848	619
Securities	0	0
Cash on hand and bank balances	15,123	11,408
Total non current assets	28,327	23,485
Total assets	80,911	66,721
LIABILITIES AND SHAREHOLDERS' EQUITY <i>(Thsd. EUR)</i>	9-month report 30.09.2013	Annual Report 31.12.2012
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	470	470
Other comprehensive income	-8	0
Accumulated losses	-14,105	-11,480
Shareholders' equity not including minority interests	49,673	52,306
Minority interests	-46	-11
Total shareholders' equity	49,627	52,295
Non-current liabilities		
Pension provisions	1,062	993
Total non-current liabilities	1,062	993
Current liabilities		
Provisions for income taxes	648	433
Purchase price liabilities	7,036	0
Personnel-related provisions and liabilities	3,910	4,494
Other provisions and liabilities	1,585	1,942
Liabilities from received payments	10,478	2,481
Trade payables	1,836	1,690
Deferred income	4,729	2,393
Total current liabilities	30,222	13,433
Total liabilities and shareholders' equity	80,911	66,721

CONSOLIDATED INCOME STATEMENT (Thsd. EUR)	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2013	III / 2012	2013	2012
	01.07.2013 -	01.07.2012 -	01.01.2013 -	01.01.2012 -
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Sales revenue	13,802	11,969	38,446	36,925
Cost of sales	-6,703	-6,144	-19,623	-19,206
Gross profit	7,099	5,825	18,823	17,719
Sales and marketing expenses	-2,349	-1,372	-6,662	-4,919
General administrative expenses	-1,385	-1,221	-4,118	-3,317
Research and development expenses	-2,365	-1,823	-7,012	-5,486
Other operating income	45	22	248	206
Other operating expenses	-40	-39	-216	-1,971
Amortization of intangible assets recognized in the course of company acquisitions	-187	-285	-562	-844
Result of ordinary operations (EBIT)	818	1,107	501	1,377
Interest income	9	13	33	124
Interest expenses	-118	-22	-241	-272
Result before tax (EBT)	709	1,098	293	1,229
Income taxes	-168	1,183	-322	261
Net profit / loss	541	2,281	-29	1,490
of which:				
- shareholders of USU Software AG	549	2,282	6	1,499
- minority interests	-8	-1	-35	-9
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG				
(basic and diluted)	0.05	0.22	0.00	0.14
Weighted average shares				
(basic and diluted)	10,523,770	10,523,770	10,523,770	10,523,770

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thsd. EUR)	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2013	III / 2012	2013	2012
	01.07.2013 -	01.07.2012 -	01.01.2013 -	01.01.2012 -
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Group result	541	2,281	-29	1,490
Available-for-sale financial instruments (securities)				
Fair value changes taken directly to equity	0	3	0	13
Recognized to profit or loss	0	0	0	0
Deferred taxes from available-for-sale financial instruments (securities)	0	0	0	0
Currency translation difference	8	7	-8	10
Other comprehensive income	8	10	-8	23
Overall result	549	2,291	-37	1,513
of which:				
- shareholders of USU Software AG	557	2,292	-2	1,522
- minority interests	-8	-1	-35	-9

CONSOLIDATED STATEMENT OF CASH FLOW <i>(Thsd. EUR)</i>	9-month report 01.01.2013 - 30.09.2013	9-month report 01.01.2012 - 30.09.2012
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result bevor taxes (EBT)	293	1,229
Adjustments for:		
Financial income / financial expenditure	208	148
Depreciation and amortization	1,082	1,290
Income taxes paid	-326	-1,211
Income taxes refunded	4	12
Interest paid	-9	-206
Interest received	12	118
Other non-cash income and expenses	52	-21
Change in working capital:		
Inventories	-93	-29
Work in process	-1,258	-882
Trade receivables	1,655	-1,019
Prepaid expenses and other assets	339	-526
Trade payables	-183	53
Personnel-related provisions and liabilities and pension provisions	-702	-275
Other provisions and liabilities	9,529	3,016
Net cash flow form ordinary activities	10,603	1,697
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	-2,786	0
Capital expenditure in property, plant and equipment	-1,402	-491
Capital expenditure in other intangible assets	-66	-47
Repayment of short-term loans	11	52
Sales of non-current assets	2	3
Investments in available-for-sale securities	0	0
Net cash flow from investing activities	-4,241	-483
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend payment	-2,631	-2,105
Repayment of purchase price liabilities in connection with the acquisition of subsidiaries	0,000	-7,123
Net cash flow from financing activities	-2,631	-9,228
Net effect of currency translation in cash and cash equivalents	-16	-13
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	3,715	-8,027
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,408	17,145
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,123	9,118

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



CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Accumu- lated losses	Other comprehensive income		Share- holder's equity not including minority interests	Minority interest	Total
	Shares	Thsd. EUR				Currency Trans- lation	Securities measured at fair value			
		Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
Consolidated equity as of January 1, 2012	10,523,770	10,524	52,792	386	-13,773	-16	-7	49,906	2	49,908
Group result	0	0	0	0	1,499	0	0	1,499	-9	1,490
Other comprehensive income	0	0	0	0	0	10	13	23	0	23
Overall result	0	0	0	0	1,499	10	13	1,522	-9	1,513
Dividend payment	0	0	0	0	-2,105	0	0	-2,105	0	-2,105
Consolidated equity as of September 30, 2012	10,523,770	10,524	52,792	386	-14,379	-6	6	49,323	-7	49,316
Consolidated equity as of January 1, 2013	10,523,770	10,524	52,792	470	-11,480	0	0	52,306	-11	52,295
Group result	0	0	0	0	6	0	0	6	-35	-29
Other comprehensive income	0	0	0	0	0	-8	0	-8	0	-8
Overall result	0	0	0	0	6	-8	0	-2	-35	-37
Dividend payment	0	0	0	0	-2,631	0	0	-2,631	0	-2,631
Consolidated equity as of September 30, 2013	10,523,770	10,524	52,792	470	-14,105	-8	0	49,673	-46	49,627

Principles of Accounting

USU Software AG is a stock corporation under the law of the Federal Republic of Germany. The company is domiciled at Spitalhof, 71696 Möglingen, Germany and is entered in the commercial register of the Stuttgart Local Court, Dept. B., under no. 206442.

This nine-month report for 2013 on USU Software AG was prepared in line with IAS 34. The same accounting policies were used as in the preparation of the consolidated financial statements for the preceding fiscal year ended December 31, 2012. This unaudited nine-month report for 2013 should therefore be read in conjunction with the audited consolidated financial statements for 2012. The provisions of section 37x (3) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) were complied with. Furthermore, the company used the German Accounting Standard 16 (Interim Financial Reporting) as a guideline in 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.

In preparing interim financial statements in line with IFRS, estimates and opinions relating to the assets and liabilities recognized at the reporting date and the income and expenses for the reporting period are required to a certain extent. Actual results may differ from those estimates.

Income taxes are recognized 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 annual net profit from the profit of the interim periods.

Consolidated group

On December 20, 2012, USU Software AG acquired 51% of shares in BIG Social Media GmbH, Berlin (“BIG”) in an agreement subject to a condition precedent. The shares were transferred in title on January 15, 2013 when the first installment of the purchase price was paid. BIG has been included in consolidation in this nine-month report for 2013.

Final purchase price allocation will be carried out in fiscal 2013. Hence, all differences between carrying amounts and fair values as of the acquisition date and all intangible assets yet to be identified in purchase price allocation have therefore been assigned in full to goodwill. Please also see the disclosures in the notes to the audited 2012 consolidated financial statements under “8.3 Acquisition of BIG Social Media GmbH, Berlin”.

Accounting standards applied for the first time

The following IFRSs are to be applied for the first time in the 2013 fiscal year:

- In June 2011, the International Accounting Standards Board (IASB) published the amended IAS 19 “Employee Benefits”. The amendments were endorsed by the EU in June 2012. The amendments to IAS 19 are required to be applied retrospectively for fiscal years beginning on or after January 1, 2013. First-time application did not have any impact on the consolidated financial statements.
- In May 2011, the IASB published IFRS 13 “Fair Value Measurement”, which combines the provisions on fair value measurement that were previously contained in the individual IFRSs in a single standard and replaces them with a uniform provision. IFRS 13 is required to be applied prospectively for financial years beginning on or after January 1, 2013. First-time application did not have a material impact on the measurement of assets and liabilities. Changes relate in particular to the notes to the consolidated financial statements. The information on the fair value of financial instruments and the categorization of financial instruments that was previously only required to be provided at year-end must now also be provided in the interim financial statements.

Sales revenues

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

	1.1.-30.9.2013 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR
Consulting	22,365	21,567
Licences / products	5,601	5,187
Service and maintenance	9,188	8,661
Other	1,292	1,510
	38,446	36,925

Segment reporting

For the purpose of segment reporting in accordance with IFRS 8, USU is active in “Product Business“ and “Service Business“, both of which have a major influence on the risks and equity return. The breakdown of various key ratios by segment in line with IFRS 8 is represented in the following overview:

	Product Business		Service Business		Total Segments		Unallocated		Group	
	1.1.-30.9.2013 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2013 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2013 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2013 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2013 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR
Revenues	28,461	25,147	9,921	11,754	38,382	36,901	64	24	38,446	36,925
EBITDA	3,179	5,198	695	1,460	3,874	6,658	-2,291	-3,991	1,583	2,667
EBIT	2,922	4,956	611	1,373	3,533	5,429	-3,032	-4,052	501	1,377
Net financial income	-	-	-	-	-	-	-207	-148	-207	-148
Taxes	-	-	-	-	-	-	-322	261	-322	261
Net profit / loss	2,922	4,056	611	1,373	3,533	5,429	-3,562	-3,939	-29	1,490
Employees (as of Sept 30, 2013/12)	329	250	71	70	400	320	47	35	447	355

The USU Software Group generated a total of 14.0% (Q1-Q3 2012: 16.2%) or EUR 5,394 thousand (Q1-Q3 2012: EUR 5,590 thousand) of its consolidated sales outside Germany in the first nine months of the 2013 financial year. In contrast, 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 have thus not been provided.

Financial instruments

The following table shows the carrying amounts and fair values of the financial instruments of the entire Group:

in Thsd. EUR	30.09.2013		31.12.2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current financial instruments				
Loans to members of the Management Board	22	22	33	33
Work in progress	3,706	3,706	2,448	2,448
Trade receivables	7,174	7,174	7,353	7,353
Other current financial assets	311	311	282	282
Current financial instruments	0	0	0	0
Cash on hand and bank balances	15,123	15,123	11,408	11,408
	26,336	26,336	21,524	21,524

in Thsd. EUR	30.09.2013		31.12.2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Trade payables	1,836	1,836	1,690	1,690
Liabilities from advance payments	10,478	10,478	2,481	2,481
Purchase price obligation for BIG	7,036	7,036	0	0
	19,350	19,350	4,171	4,171

In accordance with IFRS 13, fair value is defined as the price a market participant would receive when selling an asset or would pay to transfer a liability in an orderly transaction on the measurement date. There is a fair value hierarchy with three measurement levels depending on whether the fair value of financial instruments was determined on the basis of published market prices (level 1), on the basis of data derived from published market prices (level 2) or using non-observable parameters (level 3). USU Software AG currently has no such financial instruments.

Shares held by members of corporate bodies at USU Software AG

The following shares in USU Software AG were held by members of corporate bodies of the company as at September 30, 2013:

Holdings of members of corporate bodies	shares 30.09.2013	shares 30.09.2012
Management Board		
Bernhard Oberschmidt	18,696	18,696
Supervisory Board		
Udo Strehl*	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

* An additional 3,487,868 (2012: 3,487,868) shares of USU Software AG can be allocated to Udo Strehl via AUSUM GmbH as the majority shareholder of the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.
A further 32,000 (2012: 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.

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 2012. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2012.

Möglingen, November 11, 2013

Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

NOVEMBER 11, 2013
2:15 pm

ANALYST CONFERENCE OF USU SOFTWARE AG
- GERMAN EQUITY FORUM -
Frankfurt am Main, Germany

March 27, 2014

Publication of Annual Report 2013

May 22, 2014

Publication 3-Month Report 2014

June 24, 2014

Annual General Meeting

August 21, 2014

Publication 6-Month Report 2014

November 21, 2014

Publication 9-Month Report 2014