



3 – MONTH REPORT 2014

USU Software AG

3 - MONTH REPORT 2014	2014	2013
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-31.03.2014	01.01.-31.03.2013
REVENUES	13,314	12,343
ADJUSTED EBIT	473	22
ADJUSTED NET RESULT	311	-71
ADJUSTED EARNINGS PER SHARE (EUR)	0.03	-0.01
EBITDA	642	2
EBIT	97	-348
NET RESULT	-82	-434
EARNINGS PER SHARE (EUR)	-0.01	-0.04
CASH-FLOW FROM ORDINARY OPERATIONS	3,895	7,315
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	454	412
	31.03.2014	31.12.2013
CASH AND CASH EQUIVALENTS	17,829	14,231
SHAREHOLDERS EQUITY	53,195	53,232
BALANCE SHEET	83,670	81,414
EQUITY RATIO	63.6%	65.4%

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Dear shareholders,
dear readers,

USU Software AG started the current fiscal year in line with planning with high single-digit growth in sales and a significant earnings improvement compared with the previous year. At the same time, the share of USU's total sales generated outside Germany exceeded 20% for the first time in a first quarter in the Company's history. In the USA in particular, the Group subsidiary Aspera Technologies Inc. achieved above-average sales growth, while the partner CA Technologies contributed positive income to the Group's growth. But the USU Group's product innovations, which are well establishing on the market, also developed successfully overall. The newest Group subsidiary B.I.G. Social Media GmbH likewise showed a slight upward trajectory – we expect considerable growth stimuli for the overall Group here, especially in the second half of 2014. USU World, the international specialist conference for the USU Group's customers, potential customers and partners taking place May 21 - 22, 2014, shall also contribute to this. At this conference, we will present new USU Group products to approximately 300 international specialists and managers and highlight current developments and future trends in the IT market with renowned speakers.

On the basis of the positive start to 2014 and the current business performance, we confirm the USU Group's planning, which predicts a rise in sales to EUR 63 - 65 million and an increase in adjusted EBITDA to EUR 8 - 8.5 million in the current fiscal year. Detailed information on the current business performance of USU Software AG and its subsidiaries and on the strategy and further planning are included in the following pages of this quarterly report and will also be presented at the Company's upcoming Annual General Meeting on June 24, 2014, at Forum am Schlosspark, Stuttgarter Straße 33, Ludwigsburg, to which I again cordially invite all of the Company's shareholders. In addition to approving the conduct of the Management Board and Supervisory Board, formal adjustments to the Articles of Association and the Company's profit transfer agreements with its subsidiaries, and the selection of an auditor for the 2014 fiscal year, the Management Board and Supervisory Board of USU Software AG have proposed to the Annual General Meeting a dividend payment of EUR 0.25 per share, in order to include the shareholders substantially in the successful business performance of USU Software AG corresponding to its dividend strategy.

Yours,
Bernhard Oberschmidt,
Chairman of the Management Board of USU Software AG

BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

Business model, objectives, strategies and controlling system

USU Software AG and its subsidiaries (hereinafter also referred to as “the USU Group or “USU”) develop and market end-to-end software solutions for knowledge-based service management. The range in the product segment includes solutions in the Business Service Management segment for efficient and cost-effective application of the IT infrastructure within companies and in the Knowledge Solutions segment for the optimization of knowledge-intensive business processes. The Group also provides consulting services for IT projects and individual application development in its service segment.

In addition to a marked improvement in service, USU customers also gain significant potential for savings, meaning that investments in the USU Group’s software solutions pay off in a very short space of time and therefore result in a win-win situation for both USU and its customers. Accordingly, the USU Group’s customer base now comprises more than 500 companies from all sectors of the economy, especially from IT-intensive sectors such as insurance and banking, including Allianz, BASF, BOSCH, BMW, DEVK, EDEKA, Generali, Hannover Rück, HDI Gerling, Jacobs Engineering, LVM, Texas Instruments, VW, W&W and ZDF.

USU Software AG has set itself the goal of achieving above-average growth in its consolidated sales in comparison to the IT market as a whole in the coming years while also further increasing profitability. The focus here will be on organic growth through innovations and by expanding the Group’s international market presence, although inorganic growth in the form of acquisitions and equity investments also forms part of the corporate strategy. The medium-term plan forecasts sales growth to over EUR 100 million and a further increase in the operating earnings margin on the basis of adjusted earnings before interest and taxes (adjusted EBIT) by 2017.

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 and additional non-recurring effects due to acquisitions plus 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. Adjusted EBIT is also reported and serves as an important planning and control parameter. Adjusted consolidated earnings, adjusted EBIT and adjusted earnings per share are not key indicators under IFRS.

Research and development

In the first three months of fiscal 2014, the USU Group invested a total of EUR 2,484 thousand (Q1 2013: EUR 2,293 thousand) or 18.7% (Q1 2013: 18.6%) of consolidated sales in research and development in order to offer its customers state-of-the-art, practical products and solutions.

With 148 employees working in research and development throughout the Group as of March 31, 2014 (Q1 2013: 132), 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.

In Business Service Management, the product suite Valuation 4.5 was enhanced in the quarter under review, which included improvements to search and operation as well as functional enhancements. With the newly developed Valuation Mobile Manager, users can now use relevant Valuation services while on the move on mobile devices such as smartphones and tablets. To accompany this, a software tool for intelligent IT management was developed called USU Service Intelligence. USU Service Intelligence offers IT service providers pre-defined role-based dashboards, reports and analysis options for the optimization of its various ITIL processes. In the quarter under review, the development department began implementing a function for the administration of target figures, the completion of which is scheduled for the end of Q2 2014, among other things. In the innovative project USU Service Manager, an end-to-end solution for the specification, administration and management of a company's IT service portfolio, the Service Shop was developed, a new module with which end users can order and manage predefined services such as hard- and software directly and in a user-friendly manner. Version 5.7 of the monitoring software ZIS-System, which includes the provision of apps for mobile devices, was finalized. Another development priority in this product area was the implementation of a self-service cockpit and key system figures in order to collate all relevant data and key figures in one separate dashboard and easily generate event statistics and reports. Following the finalization of Version 3.6 of the license management software SmartTrack, the optimization and simulation module for license optimization was enhanced and new security features and standard reports implemented, among other things. In Knowledge Solutions, the knowledge management solutions USU KnowledgeCenter, USU KnowledgeScout and USU Lifebelt were developed in a targeted manner in the first quarter of 2014. In addition, the development team is working on the strategic linking of these products.

At the same time, in Social Media, USU continued purposefully developing the existing products BIG SCREEN, BIG CONNECT and BIG INSIGHTS and the innovation project “Social CRM.” In contrast to traditional CRM systems, which only aim to manage the relationship between companies and customers, Social CRM serves to analyze relationships between different customers and target groups and their attitude towards the company in order to react to them quickly and gear the company’s communication processes to their needs.

ECONOMIC REPORT

Overall Economic Development

The German economy started 2014 with strong growth. As the German Federal Statistical Office (Destatis) announced in its first report, gross domestic product (GDP) in Germany increased by 0.8% in the first quarter of 2014 (Q1 2013: 0.0%) when adjusted for price, seasonal and calendar effects. Quarter on quarter, positive stimuli came exclusively from within Germany, according to Destatis’ preliminary calculations. Reportedly, domestic consumer spending on the part of private households and the state and capital expenditure both increased. In contrast, foreign trade curbed the economic growth. Year on year, price-adjusted GDP in Germany rose by a considerable 2.5% in the quarter under review (Q1 2013: -1.6%).

Sector Development

The companies of the German high-tech sector appear extremely optimistic for the start of 2014. According to the recent economic survey “44th Industry Barometer (1st Half of 2014)” published by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), the business climate of providers of IT, telecommunications and entertainment technology (ICT) continued improving at the start of the current year. According to BITKOM, 78% of the ICT providers surveyed expect rising sales year on year in the first half of 2014. The companies of the IT sector commented particularly optimistically. 87% of software providers and 85% of IT service providers expect a sales increase. The ICT companies are confident for 2014 as a whole as well – according to BITKOM, 78% of the high-tech companies anticipate sales growth compared to 2013.

Development of Sales and Costs

Consolidated Sales

USU Software AG had a successful start to the first quarter of fiscal 2014 with an organic growth in consolidated sales according to IFRS of 7.9% to EUR 13,314 thousand (Q1 2013: EUR 12,343 thousand). The sales growth recorded resulted especially from strong international business, to which the subsidiary Aspera Technologies Inc. in the USA made a particular contribution alongside the partner CA Technologies. At the same time, USU benefited from the new product innovations. Accordingly, USU increased its license income by a considerable 15.3% to EUR 1,892 thousand (Q1 2013: EUR 1,641 thousand) due to numerous software license agreements with new customers. Consulting sales also increased by a disproportionately high 11.6% year on year to EUR 8,143 thousand (Q1 2013: EUR 7,295 thousand), while maintenance business grew 3.5% to EUR 3,099 thousand (Q1 2013: EUR 2,995 thousand). Other income amounted to EUR 180 thousand in the first three months of the current fiscal year (Q1 2013: EUR 412 thousand) and primarily related to merchandise sales of third-party hardware and software.

Sales by Segment

The product range of the Product Business segment includes all activities relating to USU's product portfolio in the market for knowledge-based service management and in the knowledge management market. The Service Business segment comprises consulting services for IT projects and individual application development.

In the first quarter of 2014, the USU Group generated consolidated sales of EUR 9,766 thousand (Q1 2013: EUR 8,879 thousand) with the Product Business segment, which equates to a year-on-year increase in sales of 10.0%. Consulting sales in the Service Business segment also increased slightly by 1.4% to EUR 3,496 thousand year on year due to the successful generation of several customer projects (Q1 2013: EUR 3,448 thousand). Sales not allocated to the segments totaled EUR 52 thousand in the months from January to March 2014 (Q1 2013: EUR 16 thousand).

The USU Group's international business was particularly successful in Q1 2014. USU benefited in particular from obtaining major orders in the USA. For example, the subsidiary Aspera Technologies Inc. won a Fortune 100 company as a new customer, among others. In total, USU increased its international sales by 59.0% compared to the first quarter of the previous year to EUR 2,764 thousand (Q1 2013: EUR 1,738 thousand) and thus expanded the share of sales generated outside Germany in consolidated sales to 20.8% (Q1 2013: 14.1%). The share of USU's total sales generated outside Germany therefore exceeded 20% for the first time in a first quarter in the Company's history.

Operating Costs

In the first quarter of 2014, the operating cost base increased by 3.5% year on year to EUR 12,979 thousand (Q1 2013: EUR 12,536 thousand). This increase primarily reflects the targeted expansion of the Group's workforce.

In the quarter under review, the cost of sales rose in line with the expansion of the consultant team and the accompanying increase in personnel costs by 5.7% compared to the first quarter of 2013 to EUR 6,811 thousand (Q1 2013: EUR 6,445 thousand). Due to the disproportionately high sales increase associated with the expansion of the workforce, the cost of sales as a proportion of consolidated sales fell to 51.2% at the same time (Q1 2013: 52.2%). Gross income increased accordingly to EUR 6,503 thousand (Q1 2013: EUR 5,898 thousand), corresponding to a gross margin of 48.8% (Q1 2013: 47.8%).

In the period under review, the USU Group's sales and marketing expenses were below the previous year's figure at EUR 2,028 thousand (Q1 2013: EUR 2,201 thousand). While personnel costs rose as a result of the targeted increase of the Group-wide sales team, USU made considerable cuts to its operating expenses in this area. Sales and marketing expenses as a proportion of consolidated sales thus fell from 17.8% in the previous year to 15.2% in the quarter under review.

In the first quarter of 2014, general administrative expenses increased to EUR 1,656 thousand year on year (Q1 2013: EUR 1,597 thousand), which equates to growth of 3.7%. At the same time, administrative expenses as a proportion of consolidated sales fell year on year to 12.4% (Q1 2013: 12.9%).

As a result of the increased product development activities compared to the previous year USU's research and development expenses increased by 8.3% compared to Q1 2013 to EUR 2,484 thousand in the first three months of 2014 (Q1 2013: EUR 2,293 thousand). The ratio of research and development expenses to consolidated sales remained nearly constant at 18.7% (Q1 2013: 18.6%). 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 76 thousand in the first quarter of 2014 (Q1 2013: EUR 32 thousand).

Earnings situation

In the wake of the sales increase, USU increased the profitability of the Group as a whole disproportionately in the first quarter of 2014. For example, USU increased earnings before interest, taxes, depreciation and amortization (EBITDA) from EUR 2 thousand in the first

quarter of 2013 to EUR 642 thousand at present. Taking into account depreciation and amortization expense of EUR 545 thousand (Q1 2013: EUR 350 thousand), EBIT amounted to EUR 97 thousand (Q1 2013: EUR -348 thousand). Including the cumulative net finance costs of EUR -97 thousand (Q1 2013: EUR -50 thousand), which primarily includes the discounting of the purchase price obligation for the acquisition of the remaining shares in B.I.G. Social Media GmbH, earnings before taxes (EBT) broke even in the period under review, while negative EBT of EUR -398 thousand was incurred in the previous year. After income taxes of EUR -82 thousand (Q1 2013: EUR -36 thousand), the USU Group's net profit in the first quarter of 2014 amounted to EUR -82 thousand (Q1 2013: EUR -434 thousand), which equates to earnings per share of EUR -0.01 (Q1 2013: EUR -0.04).

Adjusted Earnings

Based on EBIT, the table below shows the reconciliation to the non-IFRS key earnings figures of adjusted EBIT, adjusted consolidated earnings and adjusted earnings per share. These are provided for information purposes and represent the USU Group's key figures adjusted for extraordinary effects relating to acquisitions. Adjusted EBIT is also the central key earnings figure for the USU Group.

Adjusted consolidated earnings	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
<i>in EUR thousand</i>		
Result of ordinary operations (EBIT)	97	-348
Amortization of intangible assets recognized in the course of company acquisitions	314	187
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	62	183
- stay bonus USU Consulting / BIG	62	116
- purchase price adjustments	0	0
- incidental acquisition costs	0	67
Adjusted EBIT	473	22
Financial income (as per consolidated income statement)	5	11
Financial costs (as per consolidated income statement)	-102	-61
Income taxes (as per consolidated income statement)	-82	-36
Tax effects relating to adjustments	36	0
- amortization	36	0
- deferred taxation from tax loss carryforwards	0	0
Minority interests (as per consolidated income statement)	-19	-7
Adjusted consolidated earnings	311	-71
Adjusted earnings per share (in EUR):	0.03	-0.01
Weighted average number of outstanding shares:		
Basic and diluted	10,523,770	10,523,770

In the first quarter of 2014, the USU Group increased its adjusted earnings before interest and taxes (adjusted EBIT) year on year to EUR 473 thousand (Q1 2013: EUR 22 thousand) as expected. The main contribution came from the above average growth in international business, which contributed to a significant increase in license income. Adjusted consolidated earnings improved at the same time from EUR -71 thousand in the previous year to EUR 311 thousand in the period under review. This corresponds to adjusted earnings per share of EUR 0.03 (Q1 2013: EUR -0.01).

Net Assets and Financial Position

On the assets side of the balance sheet, USU's non-current assets totaled EUR 49,343 thousand at the end of the first quarter of 2014 (December 31, 2013: EUR 49,579 thousand). The slight decline in this item resulted from the amortization of intangible assets. Current assets increase to EUR 34,327 thousand as of March 31, 2014 (December 31, 2013: EUR 31,835 thousand). This increase primarily reflects the USU Group's positive operating cash flow and the accompanying increase of cash and cash equivalents to EUR 17,829 thousand (December 31, 2013: EUR 14,231 thousand) as of the end of the first quarter of 2014.

On the equity and liabilities side, the USU Group's borrowings in the form of current and non-current liabilities amounted to EUR 30,475 thousand as of March 31, 2014 (December 31, 2013: EUR 28,182 thousand), which primarily resulted from increased deferred income for maintenance agreements already invoiced at the start of the year, for which the associated service and sales recognition will occur over the further course of the year. At the same time, the equity of USU Software AG and its subsidiaries at EUR 53,195 thousand as of the end of the period under review remained close to constant compared with December 31, 2013 (EUR 53,232 thousand). With total assets of EUR 83,670 thousand (December 31, 2013: EUR 81,414 thousand), the equity ratio was 63.6% as of March 31, 2014 (December 31, 2013: 65.4%).

Cash Flow and Capital Expenditure

As of March 31, 2014, the USU Group had cash and cash equivalents of EUR 17,829 thousand (Q1 2013: EUR 17,065 thousand). This represents a year-on-year increase in Group liquidity of EUR 764 thousand or 4.5%.

The USU Group's cash flow from operating activities was clearly positive again in the first quarter of 2014 at EUR 3,895 thousand, but remained below the high previous-year figure of EUR 7,315 thousand, which included income from advance payments by the partner CA Technologies.

The cash flow from investing activities of EUR -300 thousand (Q1 /013: EUR -1,651 thousand) includes investments in property, plant and equipment and intangible assets totaling EUR -311 thousand (Q1 2013: EUR -123 thousand), which is offset by income from the sale of fixed assets of EUR 11 thousand.

In the first quarter of 2014, as in the previous year, there were no changes in the cash flow from financing activities.

Orders on Hand

Orders on hand at the USU Group rose by 6.3% year on year to EUR 25,029 thousand as of March 31, 2014 (March 31, 2013: EUR 23,543 thousand). Compared with the end of the previous year (December 31, 2013: EUR 23,276 thousand), USU's orders on hand increased by 7.5%.

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.

Employees

As of the end of the quarter under review, the USU Group expanded its workforce by 10.2% year on year to 454 (Q1 2013: 412) employees. This increase in the number of employees mainly resulted from the targeted expansion of the workforce of the course of 2013 in order to achieve the medium-term growth targets as planned.

Broken down by functional unit, a total of 200 (Q1 2013: 190) people were employed in consulting and services as of March 31, 2014, 148 (Q1 2013: 132) in research and development, 58 (Q1 2013: 46) in sales and marketing, and 48 (Q1 2013: 44) in administration. Broken down by segment, the USU Group employed 340 (Q1 2013: 305) people in the Product Business segment, 71 (Q1 2013: 68) in the Service Business segment and 43 (Q1 2013: 39) in central administration.

SUPPLEMENTARY REPORT

There were no transactions of particular significance after March 31, 2014 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.

FORECAST, OPPORTUNITY AND RISK REPORT

Forecast Report

General Economy

According to the recent “Spring 2014 Joint Economic Forecast,” the leading economic research institutes expect Germany’s total economic output to increase considerably over the course of 2014. This will again be driven by domestic demand and especially private consumption. In contrast, no growth stimulus is expected to come from foreign trade. In total, the institutes expect a GDP increase of 1.9% for Germany this year, after growth of economic output of 0.4% in 2013. Global economic expansion will also continue, which is especially due to the economic recovery of the advanced economies of America, Europe and Asia. Therefore, the economic research institutes expect global production to rise by 2.9% in 2014 after a 2.3% increase in GDP in 2013.

Sector

According to a BITKOM report dated March 9, 2014, the German ICT market will pick up again significantly this year, although the individual segments will generate very different growth rates. The software sector will once again act as the growth driver, with BITKOM’s latest forecast predicting a year-on-year rise in income of 5.3% (2013: 4.9%) in the current year. The market for IT services is also expected to perform better than average with a sales increase of 3.2% (2013: 1.6%). By contrast, the IT hardware and telecommunications segments will only grow slightly. Overall, BITKOM anticipates a 1.7% (2013: 0.8%) increase in the German ICT market volume in 2014. For the global ICT market, BITKOM expects even stronger growth of 4.5% in the year under review (2013: 3.8%) on the basis of forecasts by the European Information Technology Observatory (EITO).

Outlook

For the USU Group, the Management Board confirms the planning, which anticipates an increase in sales to EUR 63 - 65 million (2013: EUR 55.7 million) for the current fiscal year, corresponding to organic sales growth of over 13% year on year. The growth of the high-margin product business, from which license, maintenance and product-related consulting income is generated, will be particularly crucial here. In addition to the domestic business growth, to which the new product innovations and the latest USU subsidiary BIG are expected to contribute, the Management Board expects significant growth potential in the international business. Both the subsidiary Aspera Technologies Inc. and the partner CA Technologies are expected to further advance the USU Group’s US business.

At the same time, the Management Board sees high potential in the expansion of European partner business. For consulting-intensive service business, in which USU generates consulting sales from individual projects that are not dependent on specific products, the Management Board forecasts an increase in the utilization of in-house and freelance consultants over the course of 2014 after having gained several new orders and consequently an improvement in earnings in this segment. Accordingly, adjusted EBIT is expected to rise to EUR 8 - 8.5 million (2013: EUR 5.1 million) throughout the Group. At the same time, the Management Board confirms the medium-term planning, which predicts that the EUR 100 million sales threshold will be exceeded by 2017 and that the adjusted EBIT margin will rise to over 15%. Based on this forecast, the Management Board plans – both in 2014 and beyond – to allow the shareholders of USU Software AG to participate significantly in the Company's operating success again and thus to continue the shareholder-friendly dividend policy of the past years.

Opportunity and Risk Report

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, 2013. For more information, please see the opportunity and risk report in the 2013 annual report.

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 German stock market displayed a general sideward trend in Q1 2014 after the significant price increases of 2013. While the German stock index (DAX) closed at the level of the previous year on March 31, 2014 at 9,555.91 points (December 31, 2013: 9,552.16 points), the Technology All Share achieved growth of 6.7% to 1,506.39 points (December 31, 2013: 1,412.31 points). At the end of the quarter under review, the USU share rose sharply and posted a price increase of 45.2% compared to the end of the previous quarter with a closing price of EUR 13.36 (December 31, 2013: EUR 9.20) on the electronic exchange XETRA.

Möglingen, May 22, 2014

USU Software AG

The Management Board

ASSETS (Thsd. EUR)	3-month report 31.03.2014	Annual report 31.12.2013
Non current assets		
Intangible assets	7,853	8,176
Goodwill	34,559	34,559
Property, plant and equipment	2,186	2,099
Other financial assets	0	0
Deferred tax assets	4,099	4,099
Other assets	646	646
Total non current assets	49,343	49,579
Current assets		
Inventories	793	730
Work in process	2,828	3,173
Trade receivables	10,377	11,590
Income tax receivables	627	601
Other financial assets	377	393
Other assets	158	54
Prepaid expenses	1,338	1,063
Cash on hand and bank balances	17,829	14,231
Total non current assets	34,327	31,835
Total assets	83,670	81,414

LIABILITIES AND SHAREHOLDERS' EQUITY (Thsd. EUR)	3-month report 31.03.2014	Annual Report 31.12.2013
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	470	470
Other comprehensive income	1	-44
Accumulated losses	-10,530	-10,467
Shareholders' equity not including minority interests	53,257	53,275
Minority interests	-62	-43
Total shareholders' equity	53,195	53,232
Non-current liabilities		
Deferred tax liabilities	880	918
Pension provisions	1,112	1,092
Total non-current liabilities	1,992	2,010
Current liabilities		
Provisions for income taxes	77	285
Purchase price liabilities	3,005	2,905
Personnel-related provisions and liabilities	3,985	4,489
Other provisions and liabilities	1,613	2,322
Liabilities from received payments	9,864	11,213
Trade payables	1,460	1,741
Deferred income	8,479	3,217
Total current liabilities	28,483	26,172
Total liabilities and shareholders' equity	83,670	81,414

CONSOLIDATED INCOME STATEMENT (Thsd. EUR)	Quarterly report I / 2014	Quarterly report I / 2013
	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Sales revenue	13,314	12,343
Cost of sales	-6,811	-6,445
Gross profit	6,503	5,898
Sales and marketing expenses	-2,028	-2,201
General administrative expenses	-1,656	-1,597
Research and development expenses	-2,484	-2,293
Other operating income	121	141
Other operating expenses	-45	-109
Amortization of intangible assets recognized in the course of company acquisitions	-314	-187
Result of ordinary operations (EBIT)	97	-348
Interest income	5	11
Interest expenses	-102	-61
Result before taxes (EBT)	0	-398
Income taxes	-82	-36
Group result	-82	-434
of which:		
- shareholders of USU Software AG	-64	-427
- minority interests	-18	-7
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG (basic and diluted)	-0.01	-0.04
Weighted average shares (basic and diluted)	10,523,770	10,523,770

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thsd. EUR)	Quarterly report I / 2014	Quarterly report I / 2013
	01.01.2014 - 31.03.2014	01.01.2013 - 31.03.2013
Group result	-82	-434
Items never to be reclassified to profit or loss		
Actuarial gains/losses from pension provisions	0	0
Deferred taxes from actuarial gains/losses	0	0
Items that have been or can be reclassified to profit or loss		
Available-for-sale financial instruments (securities)	0	0
Currency translation difference	45	-13
Other comprehensive income	45	-13
Overall result	-37	-447
of which:		
- shareholders of USU Software AG	-19	-440
- minority interests	-18	-7

CONSOLIDATED STATEMENT OF CASH FLOW (Thsd. EUR)	3-month report 01.01.2014 - 31.03.2014	3-month report 01.01.2013 - 31.03.2013
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result bevor taxes (EBT)	0	-398
Adjustments for:		
Financial income / financial expenditure	97	50
Depreciation and amortization	545	350
Income taxes paid	-120	-36
Income taxes refunded	0	0
Interest paid	-2	-3
Interest received	2	4
Other non-cash income and expenses	36	20
Change in working capital:		
Inventories	-63	-106
Work in process	345	1
Trade receivables	1,213	63
Prepaid expenses and other assets	-389	43
Trade payables	-281	-219
Personnel-related provisions and liabilities and pension provisions	-484	-1,067
Other provisions and liabilities	2,996	8,613
Net cash flow form ordinary activities	3,895	7,315
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	0	-1,539
Capital expenditure in property, plant and equipment	-277	-105
Capital expenditure in other intangible assets	-34	-18
Repayment of short-term loans	0	11
Sales of non-current assets	11	0
Net cash flow from investing activities	-300	-1,651
CASH FLOW FROM FINANCING ACTIVITIES:		
Net cash flow from financing activities	0	0
Net effect of currency translation in cash and cash equivalents	3	-7
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	3,598	5,657
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,231	11,408
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17,829	17,065

**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, 2013	10,523,770	10,524	52,792	470	-11,480	0	0	52,306	-11	52,295
Group result	0	0	0	0	-427	0	0	-427	-7	-434
Other comprehensive income	0	0	0	0	0	-13	0	-13	0	-13
Overall result	0	0	0	0	-427	-13	0	-440	-7	-447
Consolidated equity as of March 31, 2013	10,523,770	10,524	52,792	470	-11,907	-13	0	51,866	-18	51,848
Consolidated equity as of January 1, 2014	10,523,770	10,524	52,792	470	-10,467	-44	0	53,275	-43	53,232
Group result	0	0	0	0	-63	0	0	-63	-19	-82
Other comprehensive income	0	0	0	0	0	45	0	45	0	45
Overall result	0	0	0	0	-63	45	0	-18	-19	-37
Consolidated equity as of March 31, 2014	10,523,770	10,524	52,792	470	-10,530	1	0	53,257	-62	53,195

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 three-month report for 2014 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, 2013. This unaudited three-month report for 2014 should therefore be read in conjunction with the audited consolidated financial statements for 2013. 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.

Accounting Standards Applied for the First Time and Recently Announced Accounting Standards

The accounting standards to be applied for the first time in the first three months of fiscal 2014 had no material effects on the consolidated financial statements.

For more detailed information on new standards that have not yet come into force, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2013.

Financial instruments

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

in Thsd. EUR	31.03.2014		31.12.2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current financial instruments				
Loans to members of the Management Board	0	0	0	0
Work in progress	2,828	2,828	3,173	3,173
Trade receivables	10,377	10,377	11,590	11,590
Other current financial assets	377	377	393	393
Cash on hand and bank balances	17,829	17,829	14,231	14,231
	31,411	31,411	29,387	29,387

in Thsd. EUR	31.03.2014		31.12.2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Trade payables	1,460	1,460	1,741	1,741
Liabilities from advance payments	9,864	9,864	11,213	11,213
Purchase price obligation for BIG	3,005	3,005	2,905	2,905
	14,329	14,329	15,859	15,859

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 apart from the purchase price obligation for B.I.G. Social Media GmbH, which is allocated to level 3.

In the purchase and transfer agreement concluded on December 20, 2012 for the acquisition of 51% of the shares in BIG by the Company, reciprocal options (call and put options) were agreed for the remaining 49% of the BIG shares, which were exercisable until December 31, 2015. Due to a change agreement between the Company and BIG after March 31, 2014, the options have since been rescinded. At the same time, USU Software AG acquired the remaining 49% of the BIG shares subject to a condition precedent regarding the full payment of the purchase price. The associated purchase price depends in particular on the earnings generated by BIG in the 2013, 2014 and 2015 fiscal years. This has not altered the estimate of the purchase price obligation.

Sales revenues

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

	1.1.-31.3.2014 Thsd. EUR	1.1.-31.3.2013 Thsd. EUR
Consulting	8,143	7,295
Licences / products	1,892	1,641
Service and maintenance	3,099	2,995
Other	180	412
	13,314	12,343

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.-31.3.2014 Thsd. EUR	1.1.-31.3.2013 Thsd. EUR								
Revenues	9,766	8,879	3,496	3,448	13,262	12,327	52	16	13,314	12,343
EBITDA	899	675	562	269	1,461	944	-819	-942	642	2
EBIT	431	567	530	238	961	805	-864	-1,153	97	-348
Net financial income	-	-	-	-	-	-	-97	-50	-97	-50
Taxes	-	-	-	-	-	-	-82	-36	-82	-36
Net profit / loss	431	567	530	238	961	805	-1,043	-1,239	-82	-434
Employees (as of March 31, 2014/13)	340	305	71	68	411	373	43	39	454	412

The USU Software Group generated a total of 20.8% (Q1 2013: 14.1%) or EUR 2,764 thousand (Q1 2013: EUR 1,738 thousand) of its consolidated sales outside Germany in the first three months of the 2014 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.

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 March 31, 2014:

Holdings of members of corporate bodies	shares 31.03.2014	shares 31.03.2013
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 (2013: 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 (2013: 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 2013. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2013.

Möglingen, May 22, 2014

Chairman of the Management Board of USU Software AG

JUNE 24, 2014**ANNUAL GENERAL MEETING 2014**

at “Burgersaal” of
Forum am Schlosspark,
Stuttgarter Straße 33,
D-71638 Ludwigsburg (Germany)
Start: 10.30 a.m.
Entrance: 9.30 a.m.

AUGUST 21, 2014**6-MONTH REPORT 2014****NOVEMBER 21, 2014****9-MONTH REPORT 2014****NOVEMBER 24 - 26, 2014**

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

DECEMBER 9 - 10, 2014

ANALYST CONFERENCE OF USU SOFTWARE AG
- 18. MKK – Munich Capital Market Conference -
Munich, Germany