



9 – MONTH REPORT 2016

USU Software AG

| 9-Month Report 2016 <i>in Thsd. EUR, except the earnings per share and number of employees</i> | 2016 | 2015 |
|--|-----------------|-----------------|
| | Jan.1 -Sept. 30 | Jan.1 -Sept. 30 |
| REVENUES | 51.393 | 45.985 |
| ADJUSTED EBIT | 5.342 | 4.737 |
| ADJUSTED NET RESULT | 4.748 | 4.405 |
| ADJUSTED EARNINGS PER SHARE (EUR) | 0,45 | 0,42 |
| EBITDA | 6.305 | 5.585 |
| EBIT | 4.405 | 3.943 |
| NET RESULT | 3.919 | 4.376 |
| EARNINGS PER SHARE (EUR) | 0,37 | 0,42 |
| CASH-FLOW FROM ORDINARY OPERATIONS | 3.445 | 4.924 |
| NUMBER OF EMPLOYEES | 528 | 493 |
| | Jan.1 -Sept. 30 | Dec. 31, 2015 |
| CASH AND CASH EQUIVALENTS | 22.431 | 23.109 |
| SHAREHOLDERS EQUITY | 61.059 | 60.791 |
| BALANCE SHEET | 86.418 | 89.186 |
| EQUITY RATIO | 70,7% | 68,2% |

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Dear shareholders,
dear readers,

double-digit revenue and earnings growth versus the same period of the previous year are testament to USU Software AG's continued, steady positive business performance in the first nine months of 2016. All of USU's divisions and the subsidiaries of the Group contributed to this result in equal measure.

A whole series of USU Group products and services have won awards in recent months. Thanks to its knowledge management solutions, USU's KCenter Division is one of the 20 most promising portfolio providers worldwide, according to a study by the highly reputed U.S. magazine CIOReview. In addition, the most recent report published by Swiss digital agency Goldbach identified BIG Social Media's Social Media Suite as one of the ten best solutions.

With certification of 16 ITIL® processes by the U.S. analyst firm Pink Elephant, the Valuation IT service management suite is also demonstrating that it is more efficient than the offerings of most international providers. Currently, this award has been conferred on just two software providers worldwide; USU AG is the first and so far the only provider in the German-speaking region to receive it. Austrian Federal Railways (ÖBB) won a SAMS Europe Award for the best rollout of software license management with Aspera technology. Furthermore the Business Solutions Division won the New Business Campaign Award for its extensive expertise in the Liferay DXP portal solution. Customers like Stuttgarter Versicherung and Putzmeister are benefiting from the digitalization of their business processes. Last but not least, USU's annual report received yet another award in the competition for the best annual reports worldwide: In the summer, USU's 2015 Annual Report won a gold award from the League of American Communications Professionals (LACP) in the "Software" category.

Based on the current forecast, the Management Board is also confirming its current guidance for the USU Group of an increase in consolidated revenue to between EUR 71 and EUR 75 million in the 2016 fiscal year together with a strong rise in adjusted EBIT to between EUR 9.0 and EUR 10.5 million.

Yours,
Bernhard Oberschmidt,
CEO of USU Software AG

Fundamental information about USU Software AG and the Group

Business model, objectives, strategies and internal management 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. USU is Europe’s largest provider of IT and knowledge management software.

The IT Management division supports companies with extensive ITIL[®]-compatible solutions for strategic and operational IT and enterprise service management. With USU solutions, customers gain an overall view of their IT processes and IT infrastructure and are able to transparently plan, allocate, monitor and actively manage IT services. USU is one of the world’s leading providers in the software license management sector.

With intelligent solutions and expertise in digital interaction, USU is a prime mover in the digitization of business processes. Standard software and consulting services help to automate service processes and actively provide knowledge for all communication channels and customer contact points in sales, marketing and customer service. USU’s range in this field is rounded off by software for industrial big data as well as the service segment with system integration and individual applications.

Over 700 USU customers from all sectors of the global economy use USU solutions to create transparency, be more agile and reduce both their costs and risks, including Allianz, Baloise Group, BOSCH, BMW, Daimler, Deutsche Telekom, DEVK, EDEKA, Heidelberger Druckmaschinen, Jacobs Engineering, Jungheinrich, Poste Italiane, Texas Instruments, VW, W&W and ZDF.

USU Software AG has made it its goal to achieve growth in consolidated revenue above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group’s international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy. By the end of 2017, revenue is expected to rise to over EUR 100 million, including around EUR 15 million in growth through acquisitions, with further expansion in the operating margin on the basis of adjusted earnings before interest and taxes (adjusted EBIT).

As the USU Group’s consolidated net profit (IFRS) has been and continues to be influenced by various extraordinary items that make it difficult to compare USU’s profitability from one fiscal year to the next, the company has also calculated its adjusted consolidated net profit for information purposes. This shows consolidated net profit adjusted for the amortization of intangible assets capitalized as a result of business combinations and additional non-recurring effects relating to acquisitions plus the associated tax effects. Furthermore, based on this adjusted consolidated net profit, 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 indicator. Adjusted consolidated net profit, adjusted EBIT and adjusted earnings per share are not key indicators under IFRS.

Research and development

In the first nine months of 2016, the USU Group invested a total of EUR 8,156 thousand (Q1-Q3 2015: EUR 7,446 thousand) or 15.9% (Q1-Q3 2015: 16.2%) of consolidated revenue in research and development to provide its customers with state-of-the-art, practical products and solutions. With 148 employees working in research and development throughout the Group as of September 30, 2016 (September 30, 2015: 134), 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.

Activities in USU's Business Service Management Division concentrated on the design and development of the new release version – Valuation 5.0 – that is scheduled for mid-2017. Various interface improvements were implemented for this, such as for the homepage or in the editor. A smart global search was also completed with the Knowledge Manager. In addition, version 2.2 of the Valuation Mobile Manager was released. Furthermore, version 4.0 of the IT analytics tool USU Service Intelligence was enhanced. This includes a simplified architecture model as well as certain assistance functions called wizards to provide support in complex work processes and functions.

In the Business Service Monitoring and Alarm Management segment, versions 5.8.12 and 5.8.13 of the monitoring software ZIS were released by USU's subsidiary LeuTek. Major functional improvements were made in the area of service level management in particular. In addition, the Enterprise Database Connector is now available as a central tool for performant queries of database content.

In the License Management segment, version 4.1.3 of Aspera's SmartTrack software is now available. To this end, the functionality of the central compliance report was significantly expanded and automated. For example, users can now define their most frequently used compliance parameters when logging in. This means that results are displayed immediately after login, without other configuration steps being required. In addition, further license metrics were enhanced such as the existing Microsoft Windows Server Processor metrics engine for the 2016 version.

In the reporting period, USU's Knowledge Solutions segment started marketing the new Knowledge First application. Knowledge First is an intelligent web self-service tool that supports customers' requirements in mobile format around the clock. Development of Knowledge Center 6.7 also continued. The key aspect here is the availability of graphically modeled decision trees, which provide clear advantages in technical environments in particular and enable further revenue growth through penetration of

new markets. Work on the self-service solution Smart Link 3.2 also continued and will be completed in the fourth quarter.

Development activities at BIG Social Media centered on the BIG Bot Library, which allows all BIG CONNECT users to automate dialogs in social media and messenger channels such as Facebook Messenger or WhatsApp. Its release is scheduled for Q4 2016. The Library comprises ready-made configurable bots for everyday dialogs such as customer satisfaction surveys or lead nurturing. Closer integration of the USU Knowledge Center as a knowledge base for managing bots was also prepared. In addition, the existing publishing module for collaborative editorial planning and automatic publication of social media articles was redesigned from scratch. The aim is to establish this module in the next twelve months as a second mainstay alongside the inbox module, thus catering better to the needs of marketing departments.

In addition to this development work, USU is also conducting targeted research to advance, develop and successfully launch future product innovations. In the reporting period, the research department further advanced the SaaS offering for industrial big data. Among other things, an initial approach for the graphic programming of data evaluations was implemented which allows users to conduct individual big data evaluations themselves. Together with the Business Service Management Division, the company is currently working on a variety of development topics such as the implementation of a concept for automatic assignation of tickets based on an analysis of their content.

REPORT ON ECONOMIC POSITION

Macroeconomic environment

According to recent information from the German Federal Statistical Office (Destatis)¹, German economic growth has been losing some momentum since mid-November 2016. While gross domestic product (GDP) increased by 0.7% in the first quarter and by 0.4% in the second quarter, it rose by just 0.2% quarter-on-quarter in the period from July to September 2016. Positive contributions were made mainly by domestic final consumption expenditure. The final consumption expenditure of both households and government continued to increase. The development of foreign trade had a downward effect on growth. Exports were down slightly, while imports were up marginally compared with the second quarter of 2016. Economic growth also decelerated somewhat in a year-on-year comparison. Price-adjusted GDP was up by 1.5% in the third quarter of 2016 (1.7% when calendar-adjusted), following a 3.1% increase in the second quarter and a 1.5% increase in the first quarter of 2016 (1.8% and 1.9%, respectively, when calendar-adjusted).

¹ Press release no. 403/16 of the German Federal Statistical Office dated November 15, 2016, published at www.destatis.de

Sector-specific environment

At its fall press conference², the German Association for Information Technology, Telecommunications and New Media (BITKOM) reiterated its growth forecast for 2016 of 1.7% for the German market. Revenue from ITC products and services is set to rise to over EUR 160 billion for the first time. By adding 20,000 new workers to a total of more than 1 million, the industry is cementing its position as the second-largest industrial employer in Germany. One of the main driving forces behind the positive trend is software revenue, which is growing at an above-average rate of 6.2%. IT services, reflecting the trend toward digitalization of business processes, are growing by 2.7%. The encouraging trend is also expected to continue in 2017: The slightly slower growth of 1.2% for the ITC market as a whole is attributable to the weaker IT hardware business as well as to the decline in the fixed-network and mobile business. BITKOM president Thorsten Dirks also indicated the need for further efforts because Germany had to catch up with countries that have a strong digital economy: "The ITC market in the United States is growing twice as fast as the German ITC market," Dirks said.

Business development in the third quarter of 2016

In Q3 2016, the USU Group increased its consolidated revenue (IFRS) by 8.1% to EUR 17,362 thousand (Q3 2015: EUR 16,060 thousand). At the same time, earnings before interest, taxes, depreciation and amortization (EBITDA) climbed 17.9% to EUR 2,410 thousand (Q3 2015: EUR 2,044 thousand). Earnings before interest and taxes (EBIT) rose by as much as 21.9% in the same period, from EUR 1,486 thousand in the previous year to EUR 1,811 thousand. At EUR 1,661 thousand, the USU Group's consolidated net profit (IFRS) was down 17.1% on the prior-year figure (Q3 2015: EUR 2,004 thousand), giving earnings per share of EUR 0.16 (Q3 2015: EUR 0.19). This is attributable to a positive extraordinary taxation effect in 2015 in connection with the acquisition of BIG Social Media GmbH that is reported under deferred taxes.

Earnings before interest and taxes adjusted for extraordinary effects relating to acquisitions (adjusted EBIT) developed encouragingly and came to EUR 2,014 thousand in the third quarter of 2016 (Q3 2015: EUR 1,837 thousand), an increase of 9.6% compared with the same quarter of the previous year. USU lifted its adjusted consolidated net profit from EUR 1,634 thousand in Q3 2015 to EUR 1,778 thousand in the reporting period, an increase of 8.8%. Adjusted earnings per share improved slightly to EUR 0.17 (Q3 2015: EUR 0.16).

² BITKOM press release dated October 18, 2016, published at <https://www.bitkom.org/>

Business development in the first nine months of the 2016 fiscal year

Development of revenue and costs

Consolidated revenue

In the first nine months of 2016, USU Software AG boosted its consolidated revenue (IFRS) by 11.8% year-on-year to EUR 51,393 thousand (Q1-Q3 2015: EUR 45,985 thousand). The main drivers of growth in the reporting period were the high-margin software maintenance business and the license business. Maintenance business including SaaS revenue contributed a total of EUR 14,400 thousand (Q1-Q3 2015: EUR 11,909 thousand) to consolidated revenue in the first nine months of 2016, up 20.9% on the previous year. USU also augmented its license revenue by 10.9% year-on-year to EUR 7,927 thousand (Q1-Q3 2015: EUR 7,147 thousand). Revenue from the consulting business increased by 8.2% in the reporting period to EUR 28,330 thousand (Q1-Q3 2015: EUR 26,184 thousand). Other income, predominantly consisting of sales of third-party hardware and software, amounted to EUR 736 thousand in total (Q1-Q3 2015: EUR 745 thousand).

In regional terms, the revenue growth mainly resulted from the invigorated domestic business. However, the share of the total revenue generated outside Germany increased by 2.5% in the reporting period to EUR 14,369 thousand (Q1-Q3 2015: EUR 14,012 thousand).

Revenue 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 solutions and the social media and knowledge management market. The Service Business segment comprises consulting services for IT projects and individual application development.

The Product Business segment contributed revenue of EUR 39,946 thousand to consolidated revenue in the first nine months of 2016 (Q1-Q3 2015: EUR 35,924 thousand), up 11.2% compared with the previous year. Here, USU benefited in particular from the substantial expansion of its maintenance and license business. USU concurrently expanded its consulting-related revenue from the Service Business segment by 13.2% to EUR 11,277 thousand (Q1-Q3 2015: EUR 9,958 thousand). Revenue that is not allocated to the segments totaled EUR 170 thousand in the period under review (Q1-Q3 2015: EUR 103 thousand). The share of consolidated revenue attributable to the product segment therefore remained virtually constant at 77.7% in the first nine months (Q1-Q3 2015: 78.1%).

Operating costs

The increase in the USU Group's operating cost base in the first nine months of fiscal 2016 of 9.0% year-on-year to EUR 41,653 thousand (Q1-Q3 2015: EUR 38,212 thousand) is mainly attributable to higher personnel expenses resulting from the systematic expansion of the Group's workforce for the successful implementation of the growth target for 2017.

At EUR 22,606 thousand in the period under review, the cost of sales was up 4.8% as against the previous year (Q1-Q3 2015: EUR 20,407 thousand). This rise reflects in particular the expansion of the in-house consultant team by 4% compared with the prior-year period to 246 (September 30, 2015: 237) employees as of September 30, 2016. As a percentage of consolidated revenue, the cost of sales fell year-on-year in the first nine months of 2015 to 46.1% (Q1-Q3 2015: 49.2%) due to the substantial increase in revenue. Gross profit rose accordingly to EUR 27,698 thousand (Q1-Q3 2015: EUR 23,379 thousand), giving a gross margin of 53.9% (Q1-Q3 2015: 50.8%).

Marketing and selling expenses increased by as much as 47.5% year-on-year in the first nine months of 2016 to EUR 9,505 thousand (Q1-Q3 2015: EUR 6,443 thousand). This was partly as a result of the 12% rise in sales staff compared with the previous year to 75 (September 30, 2015: 67) employees as of the end of the reporting period in addition to higher partner commission due to the increased international expansion of the USU Group. The cost ratio as a percentage of revenue for marketing and sales therefore expanded from 14.0% in the previous year to 18.5%.

By contrast, lower material expenses reduced general and administrative expenses by 2.9% in the first three quarters of 2016 to EUR 5,008 thousand (Q1-Q3 2015: EUR 5,158 thousand). Relative to consolidated revenue, the administrative cost ratio therefore decreased to 9.7% (Q1-Q3 2015: 11.2%).

Research and development expenses rose by 11.8% year-on-year in the reporting period, due primarily to the expansion of the development team by 10% to 148 (September 30, 2015: 134) employees. At 16.2%, the ratio of research and development expenses to consolidated revenue in the first nine months of 2016 remained on a level with the same period of the previous year (Q1-Q3 2015: 16.2%). USU is constantly investing in the development of its product portfolio and continuously 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 498 thousand from January to September 2016 (Q1-Q3 2015: EUR 520 thousand).

Results of operations

As a result of the significant revenue growth that coincided with a disproportionately low rise in costs, the USU Group increased its earnings before taxes, depreciation and amortization (EBITDA) by 12.9% year-on-year in the first nine months of the current fiscal year to EUR 6,305 thousand (Q1-Q3 2015: EUR 5,585 thousand). After deducting depreciation and amortization of EUR 1,900 thousand (Q1-Q3 2015: EUR 1,641 thousand), USU reported earnings before interest and taxes (EBIT) in the same period of EUR 4,405 thousand (Q1-Q3 2015: EUR 3,943 thousand), an increase of 11.7% as against the previous year.

Net finance income came to EUR 22 thousand (Q1-Q3 2015: EUR 233 thousand). USU therefore generated earnings before taxes (EBT) of EUR 4,327 thousand in the first nine months of 2016 (Q1-Q3 2015: EUR 4,176 thousand), an increase of 3.6% compared with the previous year.

After tax expense of EUR 408 thousand (Q1-Q3 2015: tax income of EUR 201 thousand) is deducted, consolidated net profit (IFRS) in the first three quarters of 2016 decreased by 10.5% year-on-year, from EUR 4,377 thousand in the first nine months of 2015 to EUR 3,919 thousand. Earnings per share thus amounted to EUR 0.37 (Q1-Q3 2015: EUR 0.42).

Adjusted consolidated net profit

Starting with EBIT, the table below shows the reconciliation to the non-IFRS key earnings ratios of adjusted EBIT, adjusted consolidated net profit 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 principal key performance indicator for the USU Group.

| Adjusted consolidated net profit <i>EUR thousand</i> | Jan. 1, 2016 - Sept. 30, 2016 | Jan. 1, 2015 - Sept. 30, 2015 |
|--|--|--|
| Profit from ordinary activities (EBIT) | 4.405 | 3.943 |
| Amortization of intangible assets recognized in with company acquisitions | 957 | 909 |
| Amortization of goodwill | 0 | 0 |
| Non-recurring effects relating to acquisitions | -20 | -115 |
| - BIG GmbH stay bonus | 75 | 75 |
| - purchase price adjustments | -140 | -223 |
| - incidental acquisition costs | 45 | 33 |
| Adjusted EBIT | 5.342 | 4.737 |
| Finance income (as per consolidated income statement) | 114 | 293 |
| Finance costs (as per consolidated income statement) | -192 | -60 |
| Income taxes (as per consolidated income statement) | -408 | 201 |
| Tax effects relating to adjustments | -108 | -766 |
| - depreciation and amortization | -108 | -766 |
| Adjusted consolidated net profit | 4.748 | 4.405 |
| Adjusted earnings per share (in EUR): | 0,45 | 0,42 |
| Weighted average shares outstanding: | | |
| Basic and diluted | 10.523.770 | 10.523.770 |

USU's adjusted EBIT climbed by 12.9% year-on-year in the first nine months of 2016 to EUR 5,342 thousand (Q1-Q3 2015: EUR 4,731 thousand). At the same time, USU expanded its adjusted consolidated net profit by 7.8% compared with the first nine months of 2015 to EUR 4,748 thousand (Q1-Q3 2015: EUR 4,405 thousand). USU's adjusted earnings per share accordingly increased from EUR 0.42 in the previous year to EUR 0.45 in the reporting period.

Net assets and financial position

On the assets side of the statement of financial position, the USU Group's non-current assets amounted to EUR 48,339 thousand as of September 30, 2016 (December 31, 2015: EUR 49,321 thousand) and thus remained almost unchanged. Current assets decreased from EUR 39,865 thousand as of December 31, 2015 to EUR 38,079 thousand as of the end of the reporting period, mainly as a result of a customer's settlement of outstanding trade receivables. Following the dividend payment to shareholders totaling EUR 3,683 thousand, cash and cash equivalents came to EUR 22,431 thousand as of September 30, 2016 (December 31, 2015: EUR 23,109 thousand).

On the equity and liabilities side, the USU Group's positive earnings trend increased equity to EUR 61,059 thousand as of the end of the reporting period (December 31, 2015: EUR 60,791 thousand). At the same time, USU reduced its current and non-current liabilities as of June 30, 2016 to EUR 25,359 thousand (December 31, 2015: EUR 28,395 thousand), mainly as a result of the reduction in personnel-related provisions and liabilities. Based on total assets of EUR 86,418 thousand (December 31, 2015: EUR 89,186 thousand), the equity ratio was 70.7% as of September 30, 2016 (December 31, 2015: 68.2%).

Cash flows and capital expenditure

The USU Group had total cash and cash equivalents of EUR 19,417 thousand as of September 30, 2016 (Q1-Q3 2015: EUR 16,415 thousand). This represents a year-on-year increase in Group liquidity of EUR 3,002 thousand or 18.3%.

The USU Group's net cash flows from operating activities fell by 16.7% in the first nine months of 2016 to EUR 4,219 thousand from EUR 4,924 thousand in the prior-year period. In addition to higher income taxes, this is attributable to isolated cash flow effects to be reported under IFRSs, especially unbilled work in progress and extraordinary personnel-related payments.

The net cash flows used in investing activities of EUR -903 thousand (Q1-Q3 2015: EUR -1,907 thousand) include purchases of property, plant and equipment and intangible assets totaling EUR -929 thousand (Q1-Q3 2015: EUR -729 thousand) that are offset by proceeds from sales of non-current assets amounting to EUR 26 thousand (Q1-Q3 2015: EUR 16 thousand).

Net cash flows used in financing activities in the reporting period totaled EUR -3,883 thousand (Q1-Q3 2015: EUR -5,748 thousand). This includes the dividend payment to shareholders of USU Software AG on June 20, 2016 in the amount of EUR 3,683 thousand (Q1-Q3 2015: EUR 3,157 thousand) or EUR 0.35 (Q1-Q3 2015: EUR 0.30) per share as well as the repayment of purchase price liabilities of EUR 200 thousand in connection with the acquisition of SecurIntegration (Q1-Q3 2015: EUR 2,591 thousand).

Orders on hand

As of September 30, 2016, the USU Group's orders on hand increased by 16.3% as against the previous year to EUR 40,893 thousand (September 30, 2015: EUR 35,174 thousand). USU lifted its orders on hand by a total of 12.7% compared with the end of the previous year (December 31, 2015: EUR 36,297 thousand).

Orders on hand as of the end of the quarter show the USU Group's fixed future revenue for the next twelve months based on binding contracts. These primarily consist of project-related orders and maintenance and SaaS agreements.

Employees

The USU Group augmented its workforce by 7.1% year-on-year to 528 employees as of the end of the quarter under review (Q1-Q3 2015: 493 employees). Broken down by functional unit, USU employed a total of 246 people in consulting and services as of the end of the third quarter of 2016 (Q1-Q3 2015: 237), 148 in research and development (Q1-Q3 2015: 134), 75 in sales and marketing (Q1-Q3 2015: 67) and 59 in administration (Q1-Q3 2015: 55). Broken down by segment, there were 405 employees in the Product Business segment (Q1-Q3 2015: 375), 64 in the Service Business segment (Q1-Q3 2015: 63) and 59 in central administration at the USU Group (Q1-Q3 2015: 55).

Report on post-balance sheet date events

No significant events occurred after September 30, 2016 that had a material effect on the business performance of the USU Group. Thus, there were no significant changes to the Group's net assets, financial position or results of operations.

Report on expected developments and on risks and opportunities

Report on expected developments

Macroeconomic trends

A study conducted by Germany's leading economic research institutes showed that the German economy is still experiencing a moderate upturn. According to the Joint Diagnosis³ compiled by the institutes, the upswing in the current year is mainly attributable to the construction industry and the service sectors. The report illustrated that the related growth in employment and the stable wage trend are leading to a robust increase in consumer spending in particular. For 2016 as a whole, the institutes therefore expect German GDP to rise by 1.9% (2015: 1.7%). They are forecasting GDP growth of 1.4% for 2017.

According to the Joint Diagnosis, the global economy in 2016 will see total economic output increase by 2.3% (2015: 2.7%) on average over the year; however, due to the

³ Joint Diagnosis for Fall 2016 by the Joint Diagnosis Project Group, dated September 27, 2016

weakness at the beginning of the year, this falls short of the growth rate recorded in the previous year. The institutes predict that the global economy will not pick up again until 2017, buoyed by private demand for consumer goods and leading to an expansion rate of 2.7%.

Sector

BITKOM is reiterating its forecast of growth of 1.7% to EUR 160.5 billion⁴ in 2016 for the German ITC market as a whole. The information technology (IT) segment is set to remain the most significant growth engine. According to an updated forecast for the current year published by Gartner on October 19, 2016, global IT spending will have a volume of almost USD 3.4 billion, down just 0.3% on 2015. Gartner attributes this dip to the effects of Brexit. Nevertheless, the analysts expect investment to be given a substantial boost again in 2017, with capital expenditure growing by 2.9% to USD 3.5 trillion. The drivers of the strong performance are currently the software business and the IT services business. Global spending on software is expected to total USD 333 billion in 2016, around 6% more than in 2015. Next year, this item is projected to increase by a further 7.2% to USD 357 billion.

Outlook

The company's Management Board expects the growth trend of the previous years to continue successfully in the final quarter of 2016 and in 2017 as a whole. Further stimulus is anticipated from the core German market and from the product business internationally. On the international markets, growth will be defined by the ongoing penetration of the US market and the expansion of activities in Central Europe, especially France and the UK. The expansion of the product business, from which the USU Group generates license, maintenance and product-related consulting income, will continue to have a positive influence on the operating margin and net profit. The service business, in which USU generates consulting revenue from individual projects that are not dependent on specific products, is expected to continue growing as well. Based on the current forecast, the Management Board is confirming its guidance for the USU Group of an increase in consolidated revenue to between EUR 71 and EUR 75 million in the 2016 fiscal year together with a strong rise in adjusted EBIT to between EUR 9.0 and EUR 10.5 million.

On the basis of this forecast, the Management Board is planning to enable the shareholders of USU Software AG to participate in the company's operating success again in 2016, as in previous years, and thus to continue the shareholder-friendly dividend policy in the interests of sustained continuity. By the end of 2017, revenue is expected to rise to over EUR 100 million, including around EUR 15 million in growth through acquisitions. Here, the operating margin on the basis of adjusted EBIT is expected to rise to 15%.

⁴ See BITKOM press release dated October 18, 2016, published at <https://www.bitkom.org/>

Report on risks and opportunities

There have been no changes in the risks and opportunities affecting USU Software AG or the Group as a whole since December 31, 2015. For more information please see the report on risks and opportunities in the 2015 Annual Report.

USU shares (ISIN DE000A0BVU28).

The shares of USU Software AG are listed in the Prime Standard of the Frankfurt Stock Exchange under 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.

In the third quarter of 2016, just as in the first two quarters of the current fiscal year, the stock markets witnessed considerable fluctuation in share price performance, but ultimately trended upwards over the quarter. The Technology All Share gained 12.0% quarter-on-quarter, rising to 2,080.16 points as of September 30, 2016 (June 30, 2016: 1,857.08 points), while the German benchmark index (DAX) climbed 8.6% in the same period to 10,511.02 points (June 30, 2016: 9,680.09 points). USU Software AG's shares also posted gains in the third quarter of 2016, reaching a new ten-year high of EUR 23.05 in the XETRA electronic trading system on July 25, 2016, and finished trading at EUR 21.60 on XETRA on September 30, 2016 (June 30, 2016: EUR 20.10), an increase of 7.5% quarter-on-quarter.

Over the first nine months of the year, the Technology All Share nevertheless recorded losses of 2.5% (December 31, 2015: 2,133.18 points) as against December 31, 2015, while the DAX was down 2.2% as of September 30, 2016 (December 31, 2015: 10,743.01 points). By contrast, USU's shares were up 14.3% in the first nine months of 2016 (December 31, 2015: EUR 18.90).

Möglingen, November 17, 2016

USU Software AG

Bernhard Oberschmidt

CEO

Bernhard Böhler

Member of the
Management Board

Dr. Benjamin Strehl

Member of the
Management Board

| ASSETS <i>in TEUR</i> | 9-month report Sept. 30, 2016 | Annual report Dec. 31, 2015 |
|---------------------------------|--|--|
| Non-current assets | | |
| Intangible assets | 5.702 | 6.702 |
| Goodwill | 35.575 | 35.575 |
| Property, plant and equipment | 2.159 | 2.141 |
| Deferred tax assets | 4.234 | 4.234 |
| Other assets | 669 | 669 |
| Non-current assets | 48.339 | 49.321 |
| Current assets | | |
| Inventories | 765 | 646 |
| Unbilled work in progress | 4.217 | 2.456 |
| Trade receivables | 8.637 | 11.498 |
| Income tax receivables | 333 | 367 |
| Other financial assets | 270 | 316 |
| Other assets | 263 | 343 |
| Prepaid expenses | 1.163 | 1.130 |
| Securities | 3.014 | 3.014 |
| Cash on hand and bank balances | 19.417 | 20.095 |
| Current assets | 38.079 | 39.865 |
| Total assets | 86.418 | 89.186 |

| EQUITY AND LIABILITIES <i>EUR thousand</i> | 6-month report Sept. 30, 2016 | Annual report Dec. 31, 2015 |
|--|--|--|
| Equity | | |
| Issued capital | 10.524 | 10.524 |
| Capital reserves | 52.792 | 52.792 |
| Legal reserve | 574 | 574 |
| Other comprehensive income | -41 | -74 |
| Net accumulated losses | -2.790 | -3.025 |
| Equity not including non-controlling interests | 61.059 | 60.791 |
| Equity | 61.059 | 60.791 |
| Non-current liabilities | | |
| Deferred tax liabilities | 0 | 108 |
| Pension provisions | 1.969 | 1.908 |
| Non-current liabilities | 1.969 | 2.016 |
| Current liabilities | | |
| Income tax liabilities | 47 | 613 |
| Purchase price liabilities | 0 | 335 |
| Personnel-related provisions and liabilities | 4.654 | 6.362 |
| Other provisions and liabilities | 1.704 | 2.314 |
| Liabilities from advance payments | 8.335 | 9.868 |
| Trade payables | 1.352 | 1.590 |
| Deferred income | 7.298 | 5.297 |
| Current liabilities | 23.390 | 26.379 |
| Total equity and liabilities | 86.418 | 89.186 |

| CONSOLIDATED INCOME <i>EUR thousand</i> | Quarterly III / 2016 July 1, 2016 Sept. 30, 2016 | Quarterly III / 2015 July 1, 2015 Sept. 30, | Jan. 1, 2016 - Sept. 30, 2016 | 9-month Jan. 1, 2015 - Sept. 30, 2015 |
|--|---|--|--|--|
| Revenue | 17.362 | 16.060 | 51.393 | 45.985 |
| Cost of sales | -8.368 | -7.724 | -23.695 | -22.606 |
| Gross profit | 8.994 | 8.336 | 27.698 | 23.379 |
| Selling and marketing expenses | -3.034 | -2.155 | -9.505 | -6.443 |
| General and administrative | -1.636 | -1.804 | -5.008 | -5.158 |
| Research and development | -2.618 | -2.609 | -8.321 | -7.446 |
| Other operating income | 455 | 103 | 736 | 713 |
| Other operating expenses | -61 | -86 | -238 | -193 |
| Amortization of intangible assets | -289 | -300 | -957 | -909 |
| Profit from ordinary activities (EBIT) | 1.811 | 1.485 | 4.405 | 3.943 |
| Finance income | 11 | -50 | 114 | 293 |
| Finance costs | -45 | 68 | -192 | -60 |
| Earnings before taxes (EBT) | 1.777 | 1.503 | 4.327 | 4.176 |
| Income taxes | -116 | 501 | -408 | 201 |
| Net profit | 1.661 | 2.004 | 3.919 | 4.377 |
| of which: | | | | |
| - shareholders of USU Software AG | 1.661 | 2.004 | 3.919 | 4.377 |
| Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG: | | | | |
| Basic and diluted | 0,16 | 0,19 | 0,37 | 0,42 |
| Weighted average shares outstanding: Basic and diluted | 10.523.770 | 10.523.770 | 10.523.770 | 10.523.770 |

| Consolidated Statement of Cash Flows | 9-month | 9-month |
|---|------------------------------------|------------------------------------|
| <i>EUR thousand</i> | Jan. 1,- Sept. 30, 2016 | Jan. 1,- Sept. 30, 2015 |
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES: | | |
| Earnings before taxes (EBT) | 4.327 | 4.176 |
| Adjustments for: | | |
| Finance income/finance costs | 78 | -233 |
| Depreciation and amortization | 1.900 | 1.641 |
| Income taxes paid | -1.220 | -606 |
| Income taxes refunded | 52 | 579 |
| Interest paid | -3 | -6 |
| Interest received | 65 | 33 |
| Other non-cash income and expenses | -27 | -331 |
| | | |
| Change in working capital: | | |
| Inventories | -119 | -149 |
| Unbilled work in progress | -1.761 | 814 |
| Trade receivables | 2.861 | 407 |
| Prepaid expenses and other assets | 93 | 239 |
| Trade payables | -238 | -34 |
| Personnel-related provisions and liabilities and pension provisions | -1.647 | 33 |
| Other provisions and liabilities | -142 | -1.639 |
| Net cash flows from operating activities | 4.219 | 4.924 |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES: | | |
| Acquisition of subsidiaries less cash and cash equivalents acquired | 0 | -560 |
| Purchase of property, plant and equipment | -801 | -636 |
| Purchase of other intangible assets | -128 | -93 |
| Repayment of short-term loans | 0 | -634 |
| Proceeds from sales of non-current assets | 26 | 16 |
| Purchase of available-for-sale securities | 0 | 0 |
| Net cash flows used in investing activities | -903 | -1.907 |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES: | | |
| Dividend payment | -3.683 | -3.157 |
| Repayment of purchase price liabilities in connection with the subsidiaries | -200 | -2.591 |
| Net cash flows used in financing activities | -3.883 | -5.748 |
| | | |
| Net effect of currency translation on cash and cash equivalents | -111 | 226 |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS | -678 | -2.505 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 20.095 | 18.920 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 19.417 | 16.415 |

| Changes in consolidated equity | Subscribed capital | | Capital re-serves EUR thou. | Legal reserve EUR thou. | Net accu-mu-EUR thou. | Other comprehensive | | Equity not including non-con-EUR thou. | Total EUR thou. |
|--|--------------------|--------------|--------------------------------|----------------------------|--------------------------|-----------------------------------|---------------------------------------|--|--------------------|
| | Shares Number | EUR thou. | | | | Currency translation EUR thou. | Fair value of securities EUR thou. | | |
| Consolidated equity as of January 1, 2015 | 10.523.770 | 10.524 | 52.792 | 502 | -8.191 | -19 | 0 | 55.608 | 55.608 |
| Consolidated net profit | | | | | 2.373 | | | 2.373 | 2.373 |
| Other comprehensive income | | | | | | | | | |
| after taxes | | | | | | -26 | | -26 | -26 |
| Total comprehensive | 0 | 0 | 0 | 0 | 2.373 | -26 | 0 | 2.347 | 2.347 |
| Dividend payment | | | | | -3.157 | | | -3.157 | -3.157 |
| Consolidated equity as of June 30, 2015 | 10.523.770 | 10.524 | 52.792 | 502 | -6.971 | -46 | 0 | 56.801 | 56.801 |
| Consolidated equity As of January 1, 2016 | 10.523.770 | 10.524 | 52.792 | 574 | -3.025 | -74 | 0 | 60.791 | 60.791 |
| Consolidated net profit | | | | | 3.919 | | | 3.919 | 3.919 |
| Other comprehensive | | | | | | | | | |
| after taxes | | | | | | 32 | | 32 | 32 |
| Total comprehensive | 0 | 0 | 0 | 0 | 3.919 | 32 | 0 | 3.951 | 3.951 |
| Dividend payment | | | | | -3.683 | | | -3.683 | -3.683 |
| Consolidated equity as of September 30, 2016 | 10.523.770 | 10.524 | 52.792 | 574 | -2.789 | -42 | 0 | 61.059 | 61.059 |

Accounting principles

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.

These interim financial statements of USU Software AG are consistent with the International Financial Reporting Standards (IFRSs) as applicable in the European Union. The interim financial statements were prepared in accordance with IAS 34 (Interim Financial Reporting).

The same accounting policies were applied as to the IFRS consolidated financial statements prepared for the fiscal year ended December 31, 2015. This unaudited 9-month report 2016 should therefore be read in conjunction with the audited consolidated financial statements for 2015.

These interim financial statements contain all necessary accruals and deferrals and, in the management's opinion, provide a true and fair view of the net assets, financial position and results of operations. All of the accruals and deferrals are performed in accordance with standard accrual-based accounting.

When preparing IFRS-compliant interim financial statements, estimates and assessments relating to the assets and liabilities recognized at the reporting date and the income and expenses for the reporting period must be made to a certain extent. The actual amounts may differ from these 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 deduce the net profit for the year from the profit of the interim periods.

:

Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments.

| <i>EUR thousand</i> | Sept. 30, 2016 | | Dec. 31, 2015 | |
|--------------------------------|-----------------|---------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | |
| Unbilled work in progress | 4.217 | 4.217 | 2.456 | 2.456 |
| Trade receivables | 8.637 | 8.637 | 11.498 | 11.498 |
| Other current financial assets | 270 | 270 | 316 | 316 |
| Securities held as current | 3.014 | 3.014 | 3.014 | 3.014 |
| Cash on hand and bank | 19.417 | 19.417 | 20.095 | 20.095 |
| | 35.555 | 35.555 | 37.379 | 37.379 |

| <i>EUR thousand</i> | June 30, 2016 | | Dec. 31, 2015 | |
|--------------------------|-----------------|--------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities | 1.352 | 1.352 | 1.590 | 1.590 |
| Trade payables | 8.335 | 8.335 | 9.868 | 9.868 |
| Liabilities from advance | 0 | 0 | 335 | 335 |
| | 9.687 | 9.687 | 11.793 | 11.793 |

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value hierarchy with three input levels is applied depending on whether the fair value of financial instruments was determined on the basis of quoted prices in active markets (level 1), on the basis of inputs other than quoted prices in active markets (level 2) or using unobservable inputs (level 3). As the purchase price liability has now been settled, USU Software AG currently has no such financial instruments.

Revenue

Revenue from the sale of goods and services breaks down as follows:

| | Jan. 1 – Sept. 30, 2016 EUR thousand | Jan. 1 – Sept. 30, 2015 EUR thousand |
|--------------------------|---|---|
| Consulting | 28.330 | 26.184 |
| Licenses/products | 7.927 | 7.147 |
| Maintenance/SaaS | 14.400 | 11.909 |
| Other | 736 | 745 |
| | 51.393 | 45.985 |

Segment reporting

For the purpose of segment reporting in accordance with IFRS 8, USU operates in the “Product Business” and “Service Business” segments, both of which significantly influence the Group’s risks and return on equity. The breakdown of various key performance indicators by segment in line with IFRS 8 is shown in the table below:

| | Product Business | | Service Business | | Total Segments | | Unallocated | | Group | |
|-------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Jan. 1 – Sept. 30 , 2016 | Jan. 1 – Sept. 30 , 2015 | Jan. 1 – Sept. 30 , 2016 | Jan. 1 – Sept. 30 , 2015 | Jan. 1 – Sept. 30 , 2016 | Jan. 1 – Sept. 30 , 2015 | Jan. 1 – Sept. 30 , 2016 | Jan. 1 – Sept. 30 , 2015 | Jan. 1 – Sept. 30 , 2016 | Jan. 1 – Sept. 30 , 2015 |
| | EUR thou. |
| Revenue | 39.946 | 35.924 | 11.277 | 9.958 | 51.223 | 45.882 | 170 | 103 | 51.393 | 45.985 |
| EBITDA | 7.320 | 6.757 | 1.662 | 1.765 | 8.982 | 8.522 | -2.677 | -2.937 | 6.305 | 5.585 |
| EBIT | 5.683 | 5.336 | 1.516 | 1.655 | 7.199 | 6.991 | -2.794 | -3.048 | 4.405 | 3.943 |
| Net finance | - | - | - | - | - | - | -78 | 232 | -78 | 232 |
| Taxes | - | - | - | - | - | - | -408 | 201 | -408 | 201 |
| Consolidated net | 5.683 | 5.336 | 1.516 | 1.655 | 7.199 | 6.991 | -3.280 | -2.615 | 3.919 | 4.376 |
| No. of employees | 405 | 375 | 64 | 63 | 469 | 438 | 59 | 55 | 528 | 493 |

The USU Group generated a total of 28.0% (Q1-Q3 2015: 30.5%) or EUR 14,369 thousand (Q1-Q3 2015: EUR 14,012 thousand) of its consolidated revenue outside Germany in the first nine months of the 2016 fiscal year. This data is based on customers’ registered offices. By contrast, less than 10% of consolidated assets were held outside Germany. At the same time, investments outside Germany amounted to less than 10% of the Group’s total investments. For reasons of materiality, further details of the geographical data have therefore not been provided.

Shares held by members of executive bodies at USU Software AG

The following shares in USU Software AG were held by members of the company’s executive bodies as of September 30, 2016:

| Stock declarations by members of executive bodies | Shares | Shares |
|---|---------------|---------------|
| | June 30, 2016 | June 30, 2015 |
| Management Board | | |
| Bernhard Oberschmidt | 156,518 | 156,518 |
| Bernhard Böhler | 167,572 | 167,572 |
| Dr. Benjamin Strehl | 0 | 0 |
| Supervisory Board | | |
| Udo Strehl* | 2,000,176 | 1,989,319 |
| Erwin Staudt | 100,000 | 100,000 |
| Günter Daiss | 85,500 | 85,500 |
| <p>* An additional 3,337,868 (2015: 3,337,868) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 22(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).</p> <p>A further 32,000 (2015: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 22(1) sentence 1 no. 1 WpHG.</p> | | |

On February 9 and 11, 2016, the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, sold a total of 10,857 shares of the company on the over-the-counter market and subsequently notified USU Software AG of these securities transactions. The company in turn published the notifications of these securities transactions as required.

The members of the executive bodies do not hold any stock options or convertible bonds issued by USU Software AG.

Related party disclosures

IAS 24 sets out that related parties are persons or entities that have 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 in the interim consolidated financial statements are not considered related parties.

There were no significant changes in the business relations between USU Software AG and the Chairman of the Supervisory Board and majority shareholder Udo Strehl and his wife as compared to the disclosures in the notes to the consolidated financial statements for the 2015 fiscal year. For more information, please refer to the disclosures

in the notes to the consolidated financial statements of USU Software AG for the fiscal year ended December 31, 2015.

Möglingen, November 17, 2016

USU Software AG

Bernhard Oberschmidt
CEO

Bernhard Böhler
Member of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board

Financial Calendar 2016/17

| | |
|-------------------------------|---|
| November 21 - 23, 2016 | Analyst and investor conference at <i>German Equity Forum 2015, Frankfurt/Main</i> |
| December 7 - 8, 2016 | Munich Capital Market Conference <i>GBC AG, Munich</i> |
| March 29, 2016 | Publication of figures for 2016 |