



9 – MONTH REPORT 2006

USU Software AG

9 - MONTH REPORT 2006	2006	2005
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.09.2006	01.01.-30.09.2005
REVENUES	17,541	14,673
EBITDA	1,106	341
EBIT	689	-197
NET RESULT	1,015	97
EARNINGS PER SHARE (EUR)	0.11	0.01
CASH-FLOW FROM		
ORDINARY OPERATIONS	1,059	1,092
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	213	197
	30.09.2006	31.12.2005
CASH AND CASH EQUIVALENTS	16,229	15,721
SHAREHOLDERS EQUITY	37,071	36,092
BALANCE SHEET	43,317	42,986
EQUITY RATIO	85.6%	84.0%

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Dear shareholders,
Dear readers,

USU Software AG and its subsidiaries ("USU") continued its positive business development into the third quarter of 2006 – with revenue growth in excess of 20% and a substantial year-on-year increase in profit. The product business, where USU operates in cooperation with partners, was particularly pleasing – both domestically and internationally. In the third quarter alone, the international share in Group revenues was over 15%. The Management Board also sees here considerable potential for future growth and thus for a further upturn in revenue and earnings.

The acquisition of LeuTek GmbH ("LeuTek") at the start of November 2006 should be a further contributory factor in this respect. LeuTek is a software house that develops and sells standard software in the area of system and process management. The LeuTek products *ZIS-System*, *ZISGUI* and *ZISSLM* monitor, visualize, automate and control all the systems and processes required for IT operations. The company, founded in 1984, thus provides an ideal expansion of USU's portfolio of products and services and makes a substantial contribution to the consolidation of its market position in the growth market of Business Service Management (BSM). With the expanded portfolio, those responsible for IT are now able to optimize the strategic use of IT and to increase their knowledge in a way which always meets their needs in terms of supporting the business processes. They are thus making a sustained contribution to increasing the value of the Company.

According to an analysis by the market research company Forrester in the summer of 2006, USU is now one of world's five global providers in the field of IT Asset Management. In addition, in its current report "Technology Fast 50", the auditing company Deloitte states that the Company is one of the fastest growing technology companies in Germany. We want to prove the veracity of this in the future. According to the planning of the Management Board, as early as the coming 2007 financial year, the USU Group should generate an increase of revenues to between EUR 32 million and EUR 33 million and net income considerably exceeding EUR 3 million.

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

Economic development.

Europe is currently in a period of economic upswing. According to Eurostat, the Statistical Office of the European Communities, gross domestic product (GDP) in the euro zone adjusted for one-off effects increased by 2.6% year-on-year in the third quarter of 2006 alone. According to research from the Federal Statistical Office, Germany also recorded price-, season- and calendar-adjusted economic growth of 2.3% in the period under review.

Sector performance.

The IT sector continues to function as a growth engine for the overall economy. In the areas of software and IT services in particular, in which USU Software AG operates with its subsidiaries, the trend remains one of sustained improvement.

According to the results of the most recent industry barometer of the German Association for Information Technology, Telecommunications and New Media (BITKOM), 61.5% of the information technology and telecommunications companies surveyed expected to record improved revenues for the third quarter of 2006 compared with the previous year.

Business development in the second quarter of 2006.

As a result of the sustained strength of its product business, in the third quarter of 2006 USU Software AG and its subsidiaries (hereinafter "USU Group" or "USU" for short) generated an increase of 21.1% or EUR 1,061 thousand in Group revenues in accordance with IFRS to EUR 6,099 thousand (PY: EUR 5,038 thousand) compared with the previous year. USU also benefited from strong international demand. In the third quarter of 2006, the share of Group revenues generated outside Germany thus increased to 15.5% (PY: 11.7%) which equals a contribution to revenues of EUR 941 thousand (PY: EUR 589 thousand).

Owing to the employment of additional consultants and sales staff, as well as to the expansion of partner management, function-related Group costs increased by EUR 909 thousand to EUR 5,877 thousand (PY: EUR 4,968 thousand) in the months July to September compared to the previous year.

Overall, USU recorded a substantial improvement of the quarterly net income by EUR 183 thousand to EUR 357 thousand (PY: EUR 174 thousand). Earnings before interest and taxes (EBIT) improved year-on-year by EUR 107 thousand to EUR 232 thousand (PY: EUR 125 thousand). USU increased its earnings before interest, taxes, depreciation and amortization (EBITDA) in the same period to EUR 382 thousand, while EBITDA in the prior-year period totaled EUR 356 thousand. Earnings per share doubled in the third quarter of 2006 compared to the previous year to EUR 0.04 (PY: EUR 0.02) with an average number of 9,081,054 (PY: 9,081,054) shares.

Business development in the first nine months of 2006.

Revenue and cost development

Group revenues

In the first nine months of financial year 2006, USU improved Group revenues year-on-year by 19.5% or EUR 2,868 thousand to EUR 17,541 thousand (PY: EUR 14,673 thousand), which primarily resulted from the sustained strength of its product and solutions business in Germany and internationally. In the period under review USU thus generated a year-on-year increase in license revenue of EUR 892 thousand or 57.2% to EUR 2,453 thousand (PY: EUR 1,561 thousand). This represents 14.0% of Group revenues (PY: 10.6%).

Maintenance revenue increased slightly year-on-year by 3.3% or EUR 57 thousand to EUR 1,787 thousand (PY: EUR 1,730 thousand) which represents 10.2% of Group revenues (PY: 11.8%). In the period under review USU increased its consultancy revenue year-on-year by 18.2% or EUR 2,034 thousand to EUR 13,190 thousand (PY: EUR 11,156 thousand). This stemmed mainly from the product-related consultancy business. Proportional consultancy revenue therefore accounted for 75.2% (PY: 76.0%) of Group revenue.

In the first nine months of 2006 other revenue amounted to EUR 111 thousand (PY: EUR 226 thousand) or 0.6% (PY: 1.6%) of Group revenue.

Revenues by division

The IT Management Solutions division of USU generated a significant year-on-year increase in revenues of 38.8% or EUR 2,536 thousand to EUR 9,071 thousand (PY: EUR 6,535 thousand). This was primarily due to strong business with new and existing customers and the related license and consultancy revenue. License revenue from IT Management Solutions division alone increased by two thirds year-on-year, which in the medium term will have a correspondingly positive effect on maintenance revenue.

Revenues in the Business Solutions division rose by 4.1% or EUR 333 thousand to EUR 8,406 thousand (PY: EUR 8,073 thousand). In this division, USU concentrates increasingly on the higher-margin product-related solutions and consultancy business which will result in a slight decrease in other consultancy and service business.

In the first nine months of financial year 2006, revenues not allocated to individual segments amounted to EUR 64 thousand (PY: EUR 65 thousand).

The level of USU Group revenues generated outside Germany increased to EUR 2,071 thousand in the period under review (PY: EUR 1,567 thousand), corresponding to 11.8% of total Group revenues (PY: 10.7%).

Operating costs

In the first nine months of 2006, production costs increased year-on-year by 16.6% or EUR 1,517 thousand to EUR 10,641 thousand (PY: EUR 9,124 thousand). Due to the increase in internal consultancy staff and the reduced use of freelancers, production costs increased at a lower rate compared with the development of consultancy revenue. The simultaneous expansion of product business reduced the ratio of production costs to Group revenues to 60.7% (PY: 62.2%). Accordingly, gross profit improved to EUR 6,900 thousand (PY: EUR 5,549 thousand), corresponding to a gross margin of 39.3% (PY: 37.8%).

Marketing and selling expenses increased year-on-year to EUR 2,414 thousand (PY: EUR 2,176 thousand). Reasons include the expansion of the sales team and of partner management and to additional expenses for trade fairs and special events involving the USU Group. The ratio of marketing and selling expenses to Group revenues in the period under review was 13.8% (PY: 14.8%).

Administrative expenses of EUR 1,902 thousand (PY: EUR 1,914 thousand) remained approximately the same as the previous year, as a result of which the ratio of administrative expenses to Group revenues fell to 10.8% (PY: 13.0%).

Research and development costs rose from EUR 1,785 thousand in the previous year to EUR 1,873 thousand in the period under review. Reasons for this include higher staff costs as well as settlement and offsetting effects with the rental and energy costs of the Czech development subsidiary USU Software s.r.o. This represents 10.7% of Group revenues (PY: 12.2%).

In the first nine months of financial year 2006, net other operating income and expenses amounted to EUR -22 thousand (PY: EUR 129 thousand).

Earnings situation

In the nine-month period of 2006, the earnings situation in the USU Group improved considerably against the previous year. It was particularly the expansion of the high-margin product business which impacted positively on the development of earnings.

As forecast by the management Board, in the period under review USU generated an above-average increase of Group profits to EUR 1,015 thousand (PY: EUR 97 thousand). After nine months, this put USU almost at the profits level of the whole of financial year 2005. In the first three quarters of 2006, earnings per share totaled EUR 0.11 (PY: EUR 0.01) with an average number of shares of 9,081,054 (PY: 8,745,566).

USU improved its earnings before interest and taxes (EBIT) in the same period to EUR 689 thousand, after a negative EBIT of EUR -197 thousand in the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) at EUR 1,106 thousand (PY: EUR 341 thousand) was also considerably above the figure of the previous year.

Balance sheet structure

Total assets of the USU Group amounted to EUR 43,317 thousand as of September 30, 2006 (December 31, 2005: EUR 42,986 thousand). This includes current assets in the amount of EUR 23,223 thousand (December 31, 2005: EUR 22,880 thousand). Within this balance sheet item, due to posting reasons, work in process increased from EUR 531 thousand as of December 31, 2005 to EUR 1,940 thousand as of September 30, 2006. At the same time, to the end of the period under review trade receivables fell to EUR 3,435 thousand (December 31, 2005: EUR 4,104 thousand). The decrease in income tax receivables to EUR 785 thousand (December 31, 2005: EUR 1,881 thousand) is primarily due to the repayment of capital gains tax paid. Due to the investment of cash and cash equivalents in short-term financial instruments, cash in hand and bank balances fell to EUR 3,478 thousand (December 31, 2005: EUR 9,813 thousand), while securities classified as current investments increased to EUR 12,751 thousand (December 31, 2005: EUR 5,908 thousand). The USU Group's total liquidity (cash and cash equivalents and investments) increased to EUR 16,229 thousand as of September 30, 2006 (December 31, 2005: EUR 15,721 thousand). Noncurrent assets at the end of the third quarter of 2006 amounted to EUR 20,094 thousand (December 31, 2005: EUR 20,106 thousand) and include primarily goodwill and intangible assets.

Shareholders' equity of the USU Group increased to EUR 37,071 thousand as of September 30, 2006 (December 31, 2005: EUR 36,092 thousand), primarily due to the net profit generated for the period. At the same time, USU reduced liabilities to EUR 6,246 thousand (December 31, 2005: EUR 6,894 thousand). As a result, the equity ratio rose from 84.0% as of December 31, 2005 to 85.6% at the end of the third quarter of 2006.

Cash flow and investments

In the first nine months of financial year 2006, the USU Group generated net cash from operating activities of EUR 1,059 thousand (PY: EUR 1,092 thousand), which was primarily due to the consolidated net profit of the period. In the previous year, improved interest income was the main source of net cash from operating activities.

Net cash used in investing activities primarily reflects the reinvestment of cash and cash equivalents in short-term securities. As a result, net investment expenditure in the first nine months of financial year 2006 amounted to EUR -7,393 thousand. In the same period of the previous year, USU recorded net cash from investing activities in the amount of EUR 31,369 thousand. This figure, which largely resulted from the sale of securities, was used for the payment of a special distribution to the shareholders of USU Software AG. Investments in property, plant and equipment and intangible assets amounted to EUR 285 thousand in the period under review (PY: EUR 175 thousand) and related in particular to the purchase of hardware and software.

There were no changes in the cash flow from financing activities in the first nine months of financial year 2006. In the previous year, this item was significantly impacted by the special distribution to USU's shareholders which resulted in net financing expenditure in the amount of EUR -34,206 thousand.

Order situation

As of September 30, 2006, total orders on hand in the USU Group amounted to EUR 6,776 thousand (PY: EUR 6,951 thousand). The decline in orders on hand is due primarily to the completion of two major consultancy projects in the Business Solutions division, which were implemented primarily with freelance staff.

Due to the conclusion of binding agreements, orders on hand at the end of the quarter represent guaranteed future revenues of the USU Group. These primarily relates to project-specific orders and maintenance contracts.

Research and development

Cumulative research and development expenditure in the months January to September 2006 amounted to EUR 1,872 thousand (PY: EUR 1,785 thousand).

After the finalization of the new product versions Valuation 3.1 and USU KnowledgeMiner 4.3, the USU Group is concentrating on the further development of these Group products with the aid of a defined roadmap. Due to various customer requirements, there was in this connection greater integration of USU KnowledgeMiner into the Valuation suite. After the acquisition of LeuTek GmbH, the short-term linking of the LeuTek products ZIS-System, ZISGUI and ZISSLM to Valuation is planned in order to establish a holistic product suite for Business Service Management.

Employees

The USU Group employed a total of 213 staff as of September 30, 2006 (PY: 197). This represents an increase of 8.1% compared with the previous year.

Allocated by functional unit, 100 employees worked in consulting and services, 62 in research and development, 25 in sales and marketing and 26 in administration and finance.

Broken down by segment, the USU Group employed 139 people in the IT Management Solutions division, 57 in the Business Solutions division and 17 in Central Administration.

USU shares (ISIN DE000A0BVU28)

In the course of the third quarter of 2006, the share markets recovered from the consolidation implemented in the second quarter. At the end of the third quarter of 2006, the Deutsche Aktienindex (DAX) closed 5.6% up on the end of the previous quarter, while the Technology All Share moved ahead slightly by 1.2% in the same period. In contrast, on the electronic trading platform Xetra the USU share recorded an above-average increase in market price of 8.6% to EUR 3.80 (June 30, 2006: EUR 3.50) as of September 30, 2006.

Supplementary report

In November 2006, USU Software AG acquired all the shares in LeuTek GmbH, Leinfelden-Echterdingen, ("LeuTek"). The company, which was founded in 1984, is a manufacturer of standard software in the area of System and Process Management and currently employs 45 people, who work for customers from various sectors such as Allianz, BMW, Deutsche Bundesbank, EnBW, LBBW, Swisscom and T-Systems. The objective of the acquisition is to expand both USU's portfolio of products and services and its customer base in order to strengthen its market position in the growth market of Business Service Management (BSM). The purchase price for LeuTek comprised a fixed seven-figure cash component in EUR, an additional performance-related cash component and 1.2 million USU shares. The shares to be granted should result from the implementation of a capital increase through contribution in kind from the approved capital of USU Software AG.

We also refer you the item Change in Group organization in the Group notes to this quarterly report.

Report on expected developments

General economic development

In its fall report, the Association of German Economic Research Institutes (ARGE) forecasts something of a slowdown in the global economy for 2007, although in the longer term it will remain strong. Accordingly, gross domestic product (GDP) should increase by 3.1% after the expected 3.7% in 2006. According to research carried out by ARGE, the economic upturn will also slow down slightly in the euro zone, primarily the result of diminished stimulus from foreign trade and reduced domestic demand. Nevertheless, the GDP in the euro zone should rise by 2.1% in 2007 after the increase of 2.6% in 2006 – the highest growth rate since 2000. According to statements from ARGE, the German economy in 2007 will slow due to the restrictive financial policy and the flagging momentum of the global economy. Nevertheless, the trend of overall economic production will remain one of improvement. Reasons for this include the fact that companies continue to have a high level of investment propensity. Overall, ARGE forecasts for the German economy GDP growth of 1.4% in 2007 after 2.3% in 2006.

Industry

According to research by the European Information Technology Observatory (EITO), the IT market throughout Europe will continue to experience dynamic development. Accordingly, EITO forecasts growth of 4.0% in the market volume for information technology for 2007 after growth of 3.6% in 2006. According to projections from EITO, the software and IT services segments in which USU operates will again record above-average rates. For example, in 2007, EITO expects growth in Europe for the software market segment of 6.5% (2006: 6.3%) and for the IT services market segment 5.4% (2006: 5.3%).

For the German IT industry, the German Association for Information Technology, Telecommunications and New Media (BITKOM) is forecasting growth of 2.9% in 2007, after a forecast increase of 2.5% in 2006. According to BITKOM, the software and IT services segments of the German market are also expected to record above-average growth rates in 2007 of 5.7% (2006: 5.5%) and 4.6% (2006: 4.5%) respectively.

Outlook

After the positive business of the preceding quarters, the USU Software AG Management Board also expects the dynamic trend of the Group to continue, driven primarily by the product and solutions business. In addition to the organic growth, LeuTek, acquired in November 2006, will contribute to accelerated revenues and earnings growth.

Together with LeuTek, USU offers a holistic portfolio in the area of Business Service Management, which offers enormous potential on both a national and international basis. This is also confirmed by Forrester, the independent market research company. Just recently, Forrester included USU with its Valuemotion product suite as one of the world's leading five companies in the area of IT asset management.

In the expanded Group structure, the Management Board plans to acquire further market share through targeted marketing campaigns – with regard to both sales in Germany and international sales via the Company's partners. With the successful acquisition of initial customers in the US market, further project successes in Europe as well as the expansion of partner management, the Management Board expects an increase in international business.

For the financial year 2006 as a whole, the Management Board therefore confirms its targets of revenue growth in excess of market performance and an above-average increase in the consolidated profit generated by the Group. In the 2007 financial year, according to the planning of the Management Board, the USU Group should generate an increase of revenues to between EUR 32 million and EUR 33 million and net income considerably exceeding EUR 3 million.

The Management Board is making clear its intention to distribute a dividend for the first time for the current financial year and in future intends to allow the shareholders to participate substantially in the Company's success.

USU Software AG

The Management Board

ASSETS <i>(Thsd. EUR)</i>	9-month report 30.09.2006	Annual report 31.12.2005
Non current assets		
Intangible assets	1,398	1,560
Goodwill	17,674	17,674
Property, plant and equipment	427	413
Other non-current assets	595	459
Total non current assets	20,094	20,106
Current assets		
Inventories	0	50
Work in process	1,940	531
Receivables and other assets		
Trade receivables	3,435	4,103
Income tax receivables	785	1,881
Other current assets	655	387
Prepaid expenses	179	207
Current investments	12,751	5,908
Cash on hand and bank balances	3,478	9,813
Total non current assets	23,223	22,880
Total assets	43,317	42,986

LIABILITIES AND SHAREHOLDERS' EQUITY <i>(Thsd. EUR)</i>	9-month report 30.09.2006	Annual Report 31.12.2005
Shareholders' equity		
Subscribed capital	9,135	9,135
Capital reserve	49,192	49,192
Legal reserve	4	4
Treasury shares	-714	-714
Other comprehensive income	-355	-319
Accumulated losses	-20,191	-21,206
Total shareholders' equity	37,071	36,092
Non-current liabilities		
Pension provisions	584	561
Total non-current liabilities	584	561
Current liabilities		
Provisions for income taxes	16	16
Personnel-related provisions and liabilities	1,580	1,849
Other current liabilities	2,185	2,344
Payments on account	84	553
Trade payables	844	864
Deferred income	953	707
Total current liabilities	5,662	6,333
Total liabilities and shareholders' equity	43,317	42,986

CONSOLIDATED INCOME STATEMENT <i>(Thsd. EUR)</i>	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2006	III / 2005	2006	2005
	01.07.2006 -	01.07.2005 -	01.01.2006 -	01.01.2005 -
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
Sales revenue	6,099	5,038	17,541	14,673
Cost of sales	-3,686	-3,047	-10,641	-9,124
Gross profit	2,413	1,991	6,900	5,549
Sales and marketing expenses	-802	-688	-2,414	-2,176
General administrative expenses	-648	-604	-1,902	-1,914
Research and development expenses	-741	-629	-1,873	-1,785
Other operating income	28	79	63	170
Other operating expenses	-18	-24	-85	-41
Result of ordinary operations (EBIT)	232	125	689	-197
Interest income	163	68	501	519
Interest expenses	-21	-6	-154	-148
Result before tax (EBT)	374	187	1,036	174
Income taxes	-17	-13	-21	-77
Net profit / loss	357	174	1,015	97
Earnings per share (in EUR)				
(basic and diluted)	0.04	0.02	0.11	0.01
Weighted average shares				
(basic and diluted)	9,081,054	9,081,054	9,081,054	8,745,566

CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS <i>(Thsd. EUR)</i>	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2006	III / 2005	2006	2005
	01.07.2006 -	01.07.2005 -	01.01.2006 -	01.01.2005 -
	30.09.2006	30.09.2005	30.09.2006	30.09.2005
Actuarial losses from pension provisions	0	0	0	0
Currency translation difference	5	-1	11	17
Unrealized profits/losses from market evaluation of securities	26	-5	-47	37
Equity change not impacting income	31	-6	-36	54
Net profit for the period	357	174	1,015	97
Overall result	388	168	979	151

CONSOLIDATED STATEMENT OF CASH FLOW <i>(Thsd. EUR)</i>	9-month report 01.01.2006 - 30.09.2006	9-month report 01.01.2005 - 30.09.2005
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result before income taxes and interest income	689	-197
Adjustments for:		
Depreciation and amortization	417	538
Income taxes paid/refunded	-21	-118
Interest received	155	1,459
Other non-cash income and expenses	32	-32
Change in working capital:		
Inventories	50	45
Work in process	-1,409	-523
Trade accounts receivable	668	1,283
Prepaid expenses and other assets	1,126	179
Trade accounts payable	-20	-431
Personnel-related provisions and liabilities and pensions provisions	-247	-425
Other provisions and liabilities	-381	-685
Net cash flow form ordinary activities	1,059	1,092
CASH FLOW FROM INVESTING ACTIVITIES:		
Business acquisitions less cash and cash equivalents acquired	0	-736
Capital expenditure in property, plant and equipment	-220	-100
Capital expenditure in intangible assets	-65	-75
Grant of a long-term loan	-135	0
Sales of non-current assets	7	8
Sale of held-to-maturity securities	0	21,600
Sale of available-for-sale securities	481	21,714
Investments in held-to-maturity securities	0	-9,923
Investments in available-for-sale securities	-7,461	-1,119
Net cash flow from investing activities	-7,393	31,369
CASH FLOW FROM FINANCING ACTIVITIES:		
Distribution to shareholders	0	-34,206
Net cash flow from financing activities	0	-34,206
Net effect of currency translation in cash and cash equivalents	-1	-5
NET INCREASE IN CASH AND CASH EQUIVALENTS	-6,335	-1,750
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,813	7,771
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,478	6,021

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Treasury shares	Accumu- lated losses	Other comprehensive income			Total
	Shares	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Currency Trans- lation	Securities measured at fair value	Actuarial losses (IAS 19)	
							Thsd. EUR	Thsd. EUR	Thsd. EUR	
Balance at December 31, 2004	8,605,593	8,606	47,601	0	-714	-22,250	13	-9	-102	33,145
Capital increase	529,411	529	1,591	0	0	0	0	0	0	2,120
Net profit for the year	0	0	0	0	0	1,048	0	0	0	1,048
Unrealized gains/losses on marketable debt instruments, net	0	0	0	0	0	0	0	-2	0	-2
Non-income-impacting treatment of actuarial losses	0	0	0	0	0	0	0	0	-244	-244
Transfer to legal reserve	0	0	0	4	0	-4	0	0	0	0
Currency translation differences	0	0	0	0	0	0	25	0	0	25
Balance at December 31, 2005	9,135,004	9,135	49,192	4	-714	-21,206	38	-11	-346	36,092
Net profit for the period	0	0	0	0	0	1,015	0	0	0	1,015
Unrealized gains/losses on marketable debt instruments, net	0	0	0	0	0	0	0	-47	0	-47
Currency translation differences	0	0	0	0	0	0	11	0	0	11
Balance at September 30, 2006	9,135,004	9,135	49,192	4	-714	-20,191	49	-58	-346	37,071

Principles of Accounting. This 9-month report for 2006 was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London. The same accounting and valuation principles were used as were used for the preparation of the consolidated financial statements for the preceding financial year ending 31 December 2005, which were prepared in accordance with IFRSs for the first time. This unaudited 9-month report for 2006 should therefore be read in connection with the audited financial statements for 2005. It complies with the regulations IAS 34 for interim reporting.

This interim report contains all the necessary deferrals and, in the opinion of the management, provides an appropriate picture of the actual situation with respect to assets, finances and earnings. All deferrals performed are in line with the customary accruals concept.

It is not necessarily possible to conclude the annual result from the results of the interim periods.

New statutory accounting requirements

In the third quarter of 2006, the IASB published IFRIC 10 ("Interim Financial Reporting and Impairment"). IFRIC 10 comes into force for financial years which start from November 1, 2006 onwards. The interpretation will have no material impact on USU Software AG or the Group.

Change in Group organization

With effect from November 6, 2006, USU Software AG acquired all the shares in LeuTek GmbH, Leinfeldenechterdingen, ("LeuTek"). The Management Board of USU Software and the shareholders of LeuTek signed the appropriate purchase contract. The software house LeuTek, which will continue as a legally independent entity, is a manufacturer of standard software in the area of system and process management. The objective of the acquisition is to expand USU's portfolio of products and services and customer base in order to strengthen its market position in the growth market of Business Service Management (BSM).

The company, which was founded in 1984, currently employs 45 people, who work for customers from various sectors such as Allianz, BMW, Deutsche Bundesbank, EnBW, LBBW, Swisscom and T-Systems. In the financial year 2005, LeuTek generated revenues in excess of EUR 7 million and a high double-digit profit to revenues ratio.

The purchase price for LeuTek comprised a fixed seven-figure cash component in EUR, 1.2 million USU Software AG shares and an additional performance-related cash component (earn out). This earn out depends on the gross profit of the company in the years 2006 to 2008.

The shares to be granted are to result from implementing a capital increase in kind from approved capital of USU Software AG.

Sales revenues

Sales revenues after trade receivables are composed as follows:

	1.1.-30.9.2006 Thsd. EUR	1.1.-30.9.2005 Thsd. EUR
Consulting	13,190	11,156
Licences	2,453	1,561
Service and maintenance	1,787	1,730
Other	111	226
	17,541	14,673

Segment reporting

The presentation of various key ratios by segment in line with IAS 14 is represented in the following overview. Segment reporting is divided primarily by business areas:

	Business Solutions		IT Management Solutions		Not allocated		Group	
	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-30.9.2006	1.1.-30.9.2005
	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
Revenues	8,406	8,073	9,071	6,535	64	65	17,541	14,673
EBIT	1,331	1,289	1,000	40	-1,642	-1,526	689	-197
Net financial income	-	-	-	-	347	371	347	371
Taxes	-	-	-	-	-21	-77	-21	-77
Net profit / loss	1,331	1,289	1,000	40	-1,316	-1,232	1,015	97
Employees (as of March 31, 2006/2005)	57	48	139	129	17	20	213	197

The USU Software Group generated a total of 11.8% or EUR 2,071 thousand of its consolidated sales outside Germany in the first 9 months of the 2006 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 in line with IAS 14 (secondary information) have thus not been provided.

Own shares

As of 30 September 2006, the Company still holds 53,950 own shares with a notional share of the share capital of EUR 53,950.00, which corresponds to 0.6% of the share capital as of 30 September 2006.

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

The following shares and options in USU Software AG were held by members of corporate bodies of the company as at 30 September 2006:

Holdings of members of corporate bodies	shares	stock options
Management Board		
Bernhard Oberschmidt	18,696	0
Supervisory Board		
Udo Strehl*	1,989,319	0
Erwin Staudt	10,100	0
Günter Daiss	0	0

*As of 4 February 2005, Mr Udo Strehl transferred 32,000 USU Software AG shares from his private assets to the "Wissen ist Zukunft Stiftung". Mr Strehl is also the Managing Director of this fund. As the majority shareholder in USPEG through UDO Strehl Private Equity GmbH (USPEG) and in accordance with Article 22 (1) Para (1) (1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), Udo Strehl is also allocated an additional 4,172,348 voting rights in USU Software AG.

NOVEMBER 27, 2006 3:45 p.m. – 4:25 p.m.	ANALYST CONFERENCE OF USU SOFTWARE AG as part of the <i>German Equity Forum,</i> Congress Center Messe Frankfurt, Ludwig-Erhard-Anlage 1, 60327 Frankfurt am Main, Germany
MARCH, 2007	ANNUAL PRESS CONFERENCE
MARCH, 2007	ANNUAL REPORT 2006
MAY, 2007	9-MONTH REPORT 2007
JULY, 2007	ANNUAL GENERAL MEETING
AUGUST, 2007	6-MONTH REPORT 2007
NOVEMBER, 2007	9-MONTH REPORT 2007