



9 – MONTH REPORT 2011

USU Software AG

9 - MONTH REPORT 2011	2011	2010
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.09.2011	01.01.-30.09.2010
REVENUES	32,011	25,088
EBITDA	4,161	1,411
EBIT	2,635	425
NET RESULT	1,779	437
EARNINGS PER SHARE (EUR)	0.17	0.04
CASH-FLOW FROM ORDINARY OPERATIONS	4,075	-956
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	313	307
	30.09.2011	31.12.2010
CASH AND CASH EQUIVALENTS	12,061	11,055
SHAREHOLDERS EQUITY	48,185	48,485
BALANCE SHEET	67,999	66,884
EQUITY RATIO	70.9%	72.5%

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Dear Shareholders,

Dear Readers,

USU Software AG is still on track for record results in the current year thanks to the positive performance in both product and service business. It was particularly gratifying that the successful trend has continued across all quarters. While the final quarter in particular has always had a key influence on the profitability of a financial year for the USU Group in the past, business performance was much more balanced in the year under review. Accordingly, USU is already highly profitable after the first three quarters and expects to achieve its recently raised guidance of consolidated sales of more than EUR 43 million and operating earnings (EBITDA) of at least EUR 6 million for fiscal 2011 in line with planning. As already communicated and as in previous years, the Management Board of USU Software AG is planning to allow shareholders to participate in this positive business development in the form of a distribution, thereby ensuring the continuity of its dividend policy.

The Management Board of the company is also anticipating significant growth potential for the USU Group. In addition to the ongoing development of the Group's portfolio and the selective expansion of its international market presence, this will focus on the strategic growth of the USU Group to include suitable technology and consulting companies. After USU acquired a majority holding in the license management specialist Aspera in the previous year, in the reporting quarter it acquired the Swiss strategy consulting company get IT Services GmbH, which has since been renamed USU Consulting GmbH and supplements the USU portfolio both strategically on the market for knowledge-based service management and geographically by increasing its presence in Switzerland. USU has met with a positive response to this from, among others, the renowned US market analyst Gartner, which described the recent USU acquisitions as "bold moves". The USU product suite Valuation was also called "promising" in Gartner's latest "MarketScope for the IT Asset Management Repository, 2011". A total of thirteen manufacturers were included in the provider selection for this report, with only two from Europe. Regardless of the current debt discussion and the turbulence on the financial markets this entails, the Management Board feels there is also the biggest potential on USU's core European market. Given its high liquidity and extremely solid financing, USU Software AG is excellently positioned to selectively take advantage of the growth options arising and to continue moving the entire Group forwards.

Yours,

Bernhard Oberschmidt,

Chairman of the Management Board of USU Software AG

Economic development.

In spite of the prevalent debt and confidence crises in the euro zone, the German economy is still expanding. According to an initial report from the German Federal Statistical Office (Destatis), Germany's gross domestic product (GDP) rose by 0.5% quarter-on-quarter in the third quarter of 2011 (Q3 2010: 0.8%) after adjustment for inflation, seasonal and calendar effects. Following a strong start to the year with growth of 1.3% in Q1 2011 and a modest rise of 0.3% in Q2 2011, the upswing continued in Germany and even gained some momentum in the reporting quarter. Positive impetus was mainly generated by the domestic economy and by private consumer spending in particular. While investments in equipment were on the rise, construction investment declined somewhat after a positive start to the year. According to Destatis information, GDP improved by 2.6% as against the same period of the previous year in the third quarter of 2011 after adjustment for inflation and calendar effects (Q3 2010: 4.0%). The euro zone also posted a further rise in economic performance, according to the Statistical Office of the European Communities, Eurostat. Thus, GDP in the euro zone increased by 0.2% as against the previous quarter in the July to September period of 2011 (Q3 2010: 0.4%). Compared to the third quarter of the previous year, GDP rose by 1.4% in the euro zone (Q3 2010: 2.0%).

Sector performance.

Research by BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) found that the business climate in the German high-tech industry improved again in the third quarter of 2011 despite the general economic uncertainty, even though it had contracted significantly at times following its all-time high in the first quarter of 2011. According to BITKOM, 75% of providers of IT, telecommunications and entertainment technology (ICT) expected to record rising sales in the third quarter of 2011 as against the same period of the previous year. The development at providers of IT services and software, more than 80% of which forecast a rise in sales year-on-year in the reporting quarter according to BITKOM, was again particularly positive. According to BITKOM information, 75% of ICT companies expect to see rising sales for the year as a whole, while 86% of IT service sector companies and 82% of software providers are highly optimistic. BITKOM is therefore forecasting a sharp rise in IT market volumes of 4.3% in 2011 (2010: 3.0%).

Business performance in the third quarter of 2011.

With a rise in sales of 13.7% to EUR 11,208 thousand (Q3 2010: EUR 9,861 thousand), USU Software AG and its subsidiaries (also referred to as the “USU Group” or “USU” below) continued the positive growth trend of the previous quarters of 2011 in the third as well. This essentially resulted from the organic business of the Group’s subsidiaries in the reporting quarter. The Swiss subsidiary get IT Services GmbH, acquired and included in consolidation on July 29, 2011 and now operating as USU Consulting GmbH, contributed EUR 101 thousand to consolidated sales for the first time. In terms of earnings, USU increased its profitability significantly in the third quarter of 2011. EBITDA climbed from EUR 1,111 thousand in the previous year to EUR 1,690 thousand in the reporting quarter, soaring by 52.1%. At 15.1% (Q3 2010: 11.3%), the EBITDA margin has already exceeded the medium-term target of 15% in the reporting quarter. The USU Group’s EBIT also improved significantly by 73.1% to EUR 1,170 thousand (Q3 2010: EUR 676 thousand). USU increased its net profit for the quarter by 66.0% as against the same quarter of the previous year to EUR 963 thousand (Q3 2010: EUR 580 thousand). Accordingly, earnings per share amounted to EUR 0.09 (Q3 2010: EUR 0.06).

Business performance in the first nine months of fiscal 2011.**Development of sales and costs.*****Group sales***

USU’s consolidated sales rose by 27.6% to EUR 32,011 thousand in the first nine months of the current fiscal year (Q1-Q3 2010: EUR 25,088 thousand). In license business, which grew strongly by 53.1% to EUR 4,058 thousand (Q1-Q3 2010: EUR 2,651 thousand), USU profited from both the license proceeds from its newly launched proprietary software products Valuation 4 and KnowledgeCenter 5 as well as the additional income from software licenses of the acquired Aspera GmbH. In the same period, USU’s maintenance income increased by 29.1% year-on-year to EUR 7,819 thousand (Q1-Q3 2010: EUR 6,055 thousand) and sales from consulting services by 25.4% to EUR 18,998 thousand (Q1-Q3 2010: EUR 15,153 thousand). Other income, which amounted to a total of EUR 1,136 thousand in the first nine months of 2011 (Q1-Q3 2010: EUR 1,229 thousand), resulted in particular from merchandise sales of third-party hardware and software for projects, in turn arising from customer orders for end-to-end solutions as Power Management of Group’s subsidiary LeuTek.

Sales by segment

The range in the Product Business segment, to which Aspera GmbH (acquired in July 2010) and USU Consulting GmbH (acquired in August 2011) are assigned, covers all activities relating to USU products in the markets for knowledge-based service management solutions and knowledge management. The Service Business segment comprises consulting services for IT projects and individual application development.

In both segments, the USU Group generated a sales increase in the first nine months of 2011 of more than a quarter as against the previous year. In Product Business, where income rose by 27.8% to EUR 21,500 thousand (Q1-Q3 2010: EUR 16,829 thousand), USU benefited from both the organic growth of product sales as a result of the launch of new product versions and its broader international market presence as well as the majority acquisitions of the license management specialist Aspera and the Swiss strategy consulting company USU Consulting GmbH. Consulting sales in the Service Business segment climbed 27.2% to EUR 10,480 thousand in the period under review (Q1-Q3 2010: EUR 8,240 thousand). In this area, USU benefited from larger project orders extending through to 2012 and thereby high capacity utilization in its team of consultants. The sales not assigned to the segments amounted to EUR 31 thousand in the first nine months of fiscal 2011 (Q1-Q3 2010: EUR 19 thousand).

In its international business, which results from the comprehensive partner and sales activities of recent years, the USU Group generated a strong increase in consolidated sales generated outside Germany in the first nine months of 2011 of 63.4% as against the previous year to EUR 3,172 thousand (Q1-Q3 2011: EUR 1,941 thousand). The share of consolidated sales generated outside Germany therefore rose to 9.9% after 7.7% in the first three quarters of the previous year.

Operating costs

The USU Group's operating cost base expanded by 17.3% to EUR 28,184 thousand in the first nine months of the current fiscal year (Q1-Q3 2010: EUR 24,019 thousand), which is significantly less than the rate of growth in sales and reflects the enhanced efficiency of the USU Group. The absolute increase in cost items was essentially due to the rise in staff costs on account of the Group's higher headcount as a result of the inclusion in the consolidated financial statements of the acquired subsidiaries Aspera GmbH and USU Consulting GmbH.

The cost of sales rose by 20.4% year-on-year from EUR 13,070 thousand in Q1-Q3 2010 to EUR 15,729 thousand, resulting primarily from the majority acquisition of Aspera and the expansion of the consulting team this entailed. As a percentage of consolidated sales, the cost of sales fell from 52.1% in the first nine months of 2010 to 49.1% in the reporting period. Gross income improved accordingly to EUR 16,282 thousand (Q1-Q3 2010: EUR 12,018 thousand), corresponding to a gross margin of 50.9% (Q1-Q3 2010: 47.9%).

Irrespective of the additional activities following the investment in Aspera and USU Consulting GmbH, the increase in the marketing and sales expenses of the USU Group in the months of January to September 2011 of 7.2% as against the previous year to EUR 4,587 thousand was relatively low (Q1-Q3 2010: EUR 4,279 thousand), due in part to the leverage of synergies and efficiency enhancements in this area. Accordingly, the ratio of marketing and sales expenses to consolidated sales remained well below the previous year's level at 14.3% (Q1-Q3 2010: 17.1%).

As a result of the acquisitions implemented, general and administrative expenses were up from EUR 2,335 thousand in the first three quarters of 2010 to EUR 2,902 thousand in the first nine months of 2011, an increase of 24.3%. The drop in the ratio of administrative expenses to consolidated sales from 9.3% in the first nine months of the previous year to currently 9.1% reflects the continuing efficiency of administration in the USU Group.

At EUR 4,966 thousand in the months of January to September 2011 (Q1-Q3 2010: EUR 4,335 thousand), research and development expenses climbed 14.5% on the previous year, largely also due to the greater scope of the USU Group's research and development activities thanks to Aspera. The ratio of research and development expenses to Group sales fell to 15.5% (Q1-Q3 2010: 17.3%).

Net other operating income and expenses totaled EUR -22 thousand in the first nine months of 2011 (Q1-Q3 2010: EUR 42 thousand).

Earnings situation.

With an EBITDA increase of 194.9% as against the previous year to EUR 4,161 thousand (Q1-Q3 2010: EUR 1,411 thousand), the USU Group virtually tripled the profitability resulting from its original software and IT service business in the reporting period. In line with this, USU boosted its EBITDA margin from 5.6% in the first nine months of 2010 to 13.0% in the first nine months of 2011.

The USU Group's depreciation and amortization expense amounted to EUR 1,525 thousand in the first nine months of 2011 (Q1-Q3 2010: EUR 986 thousand), due largely to the increase in the amortization of intangible assets to EUR 1,170 thousand (Q1-Q3 2010: EUR 686 thousand) as a result of the Aspera acquisition. Regardless of this, USU's EBIT also soared by 520.0% to EUR 2,635 thousand (Q1-Q3 2010: EUR 425 thousand).

Cumulative net finance costs declined from EUR 130 thousand in the previous year to EUR -140 thousand, essentially on account of the interest on the purchase price for the remaining shares in Aspera GmbH. As a result, EBT surged by 349.5% as against the previous year to EUR 2,495 thousand (Q1-Q3 2010: EUR 555 thousand).

Income taxes amounted to EUR -716 thousand in the first nine months of the current fiscal year (Q1-Q3 2010: EUR -118 thousand) and consisted of income taxes for the period under review and deferred taxes. In total, the USU Group generated a net profit for the first nine months of 2011 of EUR 1,779 thousand (Q1-Q3 2010: EUR 437 thousand) – quadrupling the figure for the same period of the previous year. Earnings per share rose accordingly from EUR 0.04 in the first three quarters of 2010 to currently EUR 0.17.

Balance sheet structure.

On the assets side of the statement of financial position, the USU Group's non-current assets amounted to EUR 44,756 thousand as of September 30, 2011 (December 31, 2010: EUR 45,416 thousand). The key item included in this, goodwill, rose to EUR 33,332 thousand as against EUR 32,885 thousand as of December 31, 2010 owing to the majority acquisition of the Swiss consulting company USU Consulting GmbH, while intangible assets decreased as a result of amortization to EUR 7,187 thousand (December 31, 2010: EUR 8,234 thousand). Current assets climbed to EUR 23,243 thousand as of the end of the first nine months of 2011 (December 31, 2010: EUR 21,468 thousand). This increase was partly due to the positive operating cash flow of the USU Group and the growth in Group liquidity this entailed (cash in hand, bank balances and securities). In spite of the dividend payment of EUR 2,105 thousand distributed to the shareholders of USU Software AG on July 1, 2011 and the settlement of the purchase price for the majority acquisition of USU Consulting GmbH, which resulted in a cash outflow of EUR 389 thousand, Group liquidity rose to a total of EUR 12,061 thousand (December 31, 2010: EUR 11,055 thousand).

On the equity and liabilities side, current and non-current liabilities amounted to EUR 19,814 thousand as of September 30, 2011 (December 31, 2010: EUR 18,399 thousand). In particular, the growth in these items resulted from the increase in deferred income to EUR 3,451 thousand (December 31, 2010: EUR 1,657 thousand) for maintenance agreements invoiced at the start of the year, for which service is rendered and sales recognized later in the year, and the rise in personnel-related provisions and liabilities in connection with the higher bonus provisions on account of the positive business performance of USU. Other non-current liabilities in the amount of EUR 6,940 thousand (December 31, 2010: EUR 7,594 thousand) primarily include the present value of the purchase price liability for the intended acquisition of the remaining 49% of shares in Aspera by USU Software AG. The decline in this purchase price liability is due to a profit distribution that has since occurred. As a result of the high net profit for the period after just the first nine months of 2011, equity declined only slightly as against December 31, 2010, in spite of the dividend distribution in the third quarter of 2011, to EUR 48,185 thousand (EUR 48,485 thousand).

With total assets of EUR 67,999 thousand (December 31, 2010: EUR 66,884 thousand), the equity ratio was 70.9% as of September 30, 2011 (December 31, 2010: 72.5%).

Cash flow and investments.

Irrespective of the purchase price payment for the majority acquisition of USU Consulting GmbH and the dividend payment to the shareholders of USU Software AG, USU Software AG increased the Group's cash and cash equivalents not including securities to EUR 11,580 thousand as of September 30, 2011 (September 30, 2010: EUR 7,266 thousand). The cash flow from operating activities of the USU Group rose from EUR -956 thousand in the first nine months of 2010 to EUR 4,075 thousand in the same period of 2011, due in particular to the year-on-year growth in earnings.

The cash flow from investing activities of EUR -946 thousand (Q1-Q3 2010: EUR -673 thousand) essentially includes investments in property, plant and equipment and intangible assets totaling EUR -616 thousand (Q1-Q3 2010: EUR -383 thousand) and total investments for the majority acquisition of subsidiaries of EUR -389 thousand (Q1-Q3 2010: EUR -303 thousand).

As in the previous year, the cash flow from financing activities comprises only the net expenses in connection with the dividend distribution to the shareholders of USU Software AG, which rose to EUR -2,105 thousand (Q1-Q3 2010: EUR -1,503 thousand) in the reporting period as a result of the dividend being increased from EUR 0.15 per share for fiscal 2009 to EUR 0.20 per entitled share for 2010.

Acquisition.

On July 29, 2011, USU Software acquired 70% of shares in get IT Services GmbH, Sursee, Switzerland, which was subsequently renamed USU Consulting GmbH. The Swiss strategy consulting company has already been a USU partner for many years and has excellent expertise in management and technical consulting, concept development, the handling of major projects in the area of IT strategy and service management plus ITIL training and preparation for ISO 20000 certification. Thus, USU Consulting GmbH supplements USU's portfolio both strategically on the market for knowledge-based service management and geographically by extending its presence in Switzerland. For further details, please see "Acquisition in 2011 Fiscal Year" in the notes to the consolidated financial statements of this interim report.

Orders on hand.

As of September 30, 2011, orders on hand in the USU Group amounted to EUR 20,103 thousand (September 30, 2010: EUR 16,599 thousand), equivalent to a year-on-year increase of 21.1%. This includes orders totaling EUR 158 thousand with the recently acquired USU Consulting GmbH. USU's orders on hand rose by 5.1% as against December 31, 2010 (EUR 19,132 thousand). The order book as of the end of the quarter shows the USU Group's fixed future sales based on binding contracts. These primarily consist of project-related orders and maintenance agreements.

Research and development.

In the third quarter of 2011, the USU Group implemented a range of product improvements and functional enhancements in its proprietary software products and selectively continued investments in the Group portfolio at a high level.

The subsidiary USU AG concentrated its development activities for **Valuation** on the completion of version 4.2, which was released as planned as of September 30, 2011. **Valuation 4.2** includes many new features to support IT service management users in their work, such as the business process modeler for graphic support when modeling processes or the data quality manager, which allows the user responsible to define and monitor the required data quality. The new **Valuation Release Manager** module covers a further central ITIL® process.

When anticipating planned software changes, the **Valuation Release Manager** supports administrators in the planning and creation of the respective software release through to its approval to go live. Using accompanying risk analyses, the risks of the disruption of business processes when changing software are minimized. Thanks to the technology partnership with baramundi, Valuation also offers an integrated solution for software distribution. Additional language versions such as French, Chinese and Arabic as well as a more role-based user interface, accessibility and functional enhancements round off the new features in the existing modules. The third quarter of 2011 saw the addition of auto-complete functionality to USU AG's **USU KnowledgeCenter** product suite. This offers users suggestions while they type based on its knowledge of questions and solutions. The reporting and analysis tool ReportServer was also developed further with the addition of configuration options for search entry fields.

The Group's subsidiary LeuTek GmbH developed "SmartConnect", a **ZIS** app for the iPhone that allows users to monitor the system status of services and devices on a mobile basis. The service treemap was also implemented for a faster, improved overview of critical services. Furthermore, LeuTek developed a web portal for the operation of large or non-central data centers, on which the operating statuses of several independent ZIS systems can be compiled. In addition, several new plugins were released to improve the monitoring of local applications for the **ZIS** server agent, **ZISAgent**.

In the reporting quarter, the license management software **SmartTrack** from the subsidiary Aspera GmbH was enhanced to include support for the global coding system UTF-8. For example, this allows for the adequate processing of data from the Asian region. At the same time, a new main menu was implemented with a systematically topic-based structure that enables a simplified overview and access to the available functionalities. An additional management menu was also created for management that is based on Aspera's "A-model for license management" and offers simple and fast navigation to the most important views.

The subsidiary Omega Software GmbH implemented a number of innovations within its proprietary SME product suite **myCMDB**, such as a quick search function, which searches a knowledge database for solutions to offer to users when entering errors, a new report generator and additional interfaces to third-party products.

The USU Group's cumulative research and development costs amounted to EUR 4,966 thousand in the first nine months of the year (Q1-Q3 2010: EUR 4,335 thousand).

Employees.

As of the end of the third quarter of 2011, the USU Group employed a total of 313 people (Q1-Q3 2010: 307). This corresponds to year-on-year headcount growth of 2.0%. Broken down by functional unit, 143 (Q1-Q3 2010: 126) people were employed in consulting and services at the end of the reporting period, 104 (Q1-Q3 2010: 104) in research and development, 37 (Q1-Q3 2010: 46) in sales and marketing, and 29 (Q1-Q3 2010: 31) in administration. Broken down by segment, the USU Group employed 224 (Q1-Q3 2010: 224) people in the Product Business segment, 67 (Q1-Q3 2010: 60) in the Service Business segment and 22 (Q1-Q3 2010: 23) in central administration.

USU shares (ISIN DE000A0BVU28).

The shares of USU Software AG are listed in the Prime Standard of the Frankfurt stock exchange under the German Securities Code (WKN) A0BVU2 and International Securities Identification Number (ISIN) DE000A0BVU28, and are admitted to trading on the regulated market of this stock exchange.

Following a generally positive performance on the stock markets in the first half of 2011, prices plummeted on international exchanges over the course of the third quarter of the current year, due mainly to the lingering doubt over the European and US debt situation and the threat of global recession. While the DAX fell by more than a quarter year-on-year to 5,502.02 points as of September 30, 2011 (June 30, 2011: 7,376.24), the Technology All Share Index lost 24.1% over the same period and closed the third quarter of 2011 at 795.35 points (June 30, 2011: 1,048.39). USU's shares proved no exception to this negative market trend and closed at EUR 4.06 on the XETRA electronic trading system as of September 30, 2011 (June 30, 2011: EUR 5.20), having lost a total of 21.8% of its value as against the end of the previous quarter. As against the closing price of EUR 4.89 at the end of 2010, USU's share price dropped by 16.9% as of September 30, 2011, while the DAX tumbled 20.4% and the Technology All Share Index 21.8%.

Supplementary report.

There were no transactions of particular significance after with a material effect on the development of business in the USU Group after September 30, 2011. In this respect, there were no major changes to the net assets, financial position or results of operations of the Group.

Opportunity and risk report.

The escalating debt crisis in Europe has triggered heavy turbulence on the international financial markets, the effects of which on the economy in the European target market of the USU Group cannot yet be confidently forecast. If the situation were to deteriorate further, a possible recession in Europe could have a negative impact on the business performance of the USU Group. However, in their latest joint economic forecast for fall 2011, the leading German economic research institutes predict that the USU Group's core market of Germany, which currently accounts for around 90% of the consolidated sales of USU Software AG and its subsidiaries, will probably not experience a recession, unlike the rest of the euro zone. Instead, German gross domestic product is expected to rise by 2.9% in 2011 and 0.8% the year after, from which the USU Group would also benefit accordingly. Please see the risk report in the 2010 Annual Report for more information on the other risks and opportunities affecting USU Software AG and the Group as a whole.

Forecast report.***General economic***

In their joint economic forecast for fall 2011 from October of this year, the leading German economic research institutes predict that the debt and confidence crisis in the euro zone will increasingly impair the economy in Germany as well. The severe losses and heavy price fluctuations on the financial markets and the significant deterioration in key sentiment indicators since August suggest that overall economic production will come to a standstill in the winter of 2011/12. The sharp increase in uncertainty will also have a muting effect on consumer spending and investment propensity. However, in contrast to the rest of the euro zone, there will probably not be a recession. From the second quarter of 2012, the economy in Germany could even begin to gain momentum again on condition that the doubt in the euro area slowly recedes. Institutions are therefore anticipating a rise in gross domestic product of 2.9% (2010: 3.7%) in the year under review followed by total GDP growth of 0.8% for 2012. Economic research institutes are initially forecasting a decline in total economic production in the euro zone in the winter of 2011/12. They also state that a number of economic indicators are pointing to recessive trends that would take full effect from the fourth quarter of 2011. Nonetheless, they do not expect a more prolonged economic downturn. Assuming that the public debt crisis does not spread significantly to the European financial markets, the euro area should post GDP growth of 1.5% in 2011 (2010: 1.8%) and a slight increase of 0.4% overall the year after.

Sector

According to the latest information from the industry association BITKOM, the German IT market will enjoy strong growth in the current year, partly as a result of investments in information technology by companies that had postponed major purchases in the past. Market volumes in the IT industry will increase by 4.3% in 2011 after a 3.0% rise in 2010, according to BITKOM forecasts from the spring of this year. BITKOM is anticipating further growth of 4.4% for 2012. The software market is expected to expand rapidly with growth rates of 4.5% in 2011 (2010: 3.5%) and 4.9% in 2012. However, BITKOM is also predicting increases in IT services of 3.5% in the current year (2010: 1.7%) and 3.8% in 2012. This means that the IT market will grow significantly more than the market as a whole in the period under analysis.

Outlook

Thanks to the extremely positive business performance in the first nine months of this fiscal year and the current forecast for the final quarter of 2011, the Management Board expects to successfully implement the guidance it raised on the publication of its half-year figures for 2011 of consolidated sales of more than EUR 43 million and operating earnings (EBITDA) for the Group as a whole of at least EUR 6 million, thereby setting a new record for sales and earnings in the history of USU Software AG. If the uncertain financial factors on the USU Group's core European market are resolved and the economic environment stabilizes in the coming months, the Management Board is anticipating a strong, lasting investment propensity among companies and further growth effects from this in 2012 as well. The Management Board is therefore planning to enable the shareholders of USU Software AG to participate significantly in the company's business success in 2011 and beyond, and to continue the shareholder-friendly dividend policy established in previous years.

USU Software AG

The Management Board

ASSETS <i>(Thsd. EUR)</i>	9-month report 30.09.2011	Annual report 31.12.2010
Non current assets		
Intangible assets	7,187	8,234
Goodwill	33,332	32,885
Property, plant and equipment	1,016	878
Other financial assets	852	783
Deferred tax assets	1,792	2,027
Other assets	577	609
Total non current assets	44,756	45,416
Current assets		
Inventories	1,490	684
Work in process	3,232	1,601
Trade receivables	5,800	7,479
Income tax receivables	109	176
Other financial assets	55	168
Other assets	52	52
Prepaid expenses	444	253
Securities	481	483
Cash on hand and bank balances	11,580	10,572
Total non current assets	23,243	21,468
Total assets	67,999	66,884

LIABILITIES AND SHAREHOLDERS' EQUITY <i>(Thsd. EUR)</i>	9-month report 30.09.2011	Annual Report 31.12.2010
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	294	294
Accumulated losses	-15,439	-15,125
Other comprehensive income	-7	0
Shareholders' equity not including minority interests	48,164	48,485
Minority interests	21	0
Total shareholders' equity	48,185	48,485
Non-current liabilities		
Deferred tax liabilities	1,212	1,409
Pension provisions	487	415
Other liabilities	6,940	7,594
Total non-current liabilities	8,639	9,418
Current liabilities		
Provisions for income taxes	331	627
Personnel-related provisions and liabilities	4,190	3,206
Other provisions and liabilities	1,035	1,667
Liabilities from received payments	989	577
Trade payables	1,179	1,247
Deferred income	3,451	1,657
Total current liabilities	11,175	8,981
Total liabilities and shareholders' equity	67,999	66,884

CONSOLIDATED INCOME STATEMENT (Thsd. EUR)	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2011	III / 2010	2011	2010
	01.07.2011 -	01.07.2010 -	01.01.2011 -	01.01.2010 -
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Sales revenue	11,208	9,861	32,011	25,088
Cost of sales	-5,693	-4,855	-15,729	-13,070
Gross profit	5,515	5,006	16,282	12,018
Sales and marketing expenses	-1,272	-1,534	-4,587	-4,279
General administrative expenses	-1,037	-914	-2,902	-2,335
Research and development expenses	-1,625	-1,571	-4,966	-4,335
Other operating income	25	49	122	154
Other operating expenses	-46	-38	-144	-112
Amortization of intangible assets recognized in the course of company acquisitions	-390	-322	-1,170	-686
Result of ordinary operations (EBIT)	1,170	676	2,635	425
Interest income	49	49	94	206
Interest expenses	-78	-25	-234	-76
Result before tax (EBT)	1,141	700	2,495	555
Income taxes	-178	-120	-716	-118
Net profit / loss	963	580	1,779	437
of which:				
- shareholders of USU Software AG	974	580	1,790	437
- minority interests	-11	0	-11	0
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG				
(basic and diluted)	0.09	0.06	0.17	0.04
Weighted average shares				
(basic and diluted)	10,523,770	10,021,054	10,523,770	10,021,054

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thsd. EUR)	Quarterly Report	Quarterly Report	9-Month Report	9-Month Report
	III / 2011	III / 2010	2011	2010
	01.07.2011 -	01.07.2010 -	01.01.2011 -	01.01.2010 -
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Group result	963	580	1,779	437
Available-for-sale financial instruments (securities)				
Fair value changes taken directly to equity	0	8	-2	28
Recognized to profit or loss	0	0	0	0
Deferred taxes from available-for-sale financial instruments (securities)	0	0	0	-13
Currency translation difference	0	-5	-5	-9
Other comprehensive income	0	3	-7	6
Overall result	963	583	1,772	443
of which:				
- shareholders of USU Software AG	974	583	1,783	443
- minority interests	-11	0	-11	0

CONSOLIDATED STATEMENT OF CASH FLOW <i>(Thsd. EUR)</i>	9-month report 01.01.2011 - 30.09.2011	9-month report 01.01.2010 - 30.09.2010
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result bevor taxes (EBT)	2,495	555
Adjustments for:		
Financial income / financial expenditure	141	-130
Depreciation and amortization	1,525	986
Income taxes paid	-687	-236
Income taxes refunded	37	87
Interest paid	-217	-8
Interest received	84	201
Other non-cash income and expenses	-189	-99
Change in working capital:		
Inventories	-803	-246
Work in process	-1,631	-1,656
Trade receivables	1,803	-195
Prepaid expenses and other assets	104	271
Trade payables	-156	455
Personnel-related provisions and liabilities and pension provisions	1,055	-396
Other provisions and liabilities	514	-545
Net cash flow form ordinary activities	4,075	-956
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	-389	-303
Capital expenditure in property, plant and equipment	-423	-330
Capital expenditure in other intangible assets	-193	-53
Repayment of short-term loans	32	11
Sales of non-current assets	27	2
Net cash flow from investing activities	-946	-673
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend payment	-2,105	-1,503
Net cash flow from financing activities	-2,105	-1,503
Net effect of currency translation in cash and cash equivalents	-16	-35
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	1,008	-3,167
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,572	10,433
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,580	7,266

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



CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Accum- 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, 2010	10,021,054	10,021	51,490	250	-15,877	27	-30	45,881	0	45,881
Group result	0	0	0	0	437	0	0	437	0	437
Other comprehensive income	0	0	0	0	0	-9	15	6	0	6
Overall result	0	0	0	0	437	-9	15	443	0	443
Dividend payment	0	0	0	0	-1,503	0	0	-1,503	0	-1,503
Consolidated equity as of September 30, 2010	10,021,054	10,021	51,490	250	-16,943	18	-15	44,821	0	44,821
Consolidated equity as of January 1, 2011	10,523,770	10,524	52,792	294	-15,125	9	-9	48,485	0	48,485
Group result	0	0	0	0	1,790	0	0	1,790	-11	1,779
Other comprehensive income	0	0	0	0	0	-5	-2	-7	0	-7
Overall result	0	0	0	0	1,790	-5	-2	1,783	-11	1,772
Change in the basis of consolidation	0	0	0	0	0	0	0	0	32	32
Dividend payment	0	0	0	0	-2,104	0	0	-2,104	0	-2,104
Consolidated equity as of September 30, 2011	10,523,770	10,524	52,792	294	-15,439	4	-11	48,164	21	48,185

Principles of Accounting

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

This nine-month report for 2011 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, 2010. This unaudited nine-month report for 2011 should therefore be read in conjunction with the audited consolidated financial statements for 2010. 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.

Acquisition in 2011 Fiscal Year

On July 29, 2011, USU Software acquired 70% of shares in get IT Services GmbH, Sursee, Switzerland, which was subsequently renamed USU Consulting GmbH. USU Consulting GmbH has already been a USU partner for many years and has excellent expertise in management and technical consulting, concept development, the management of major projects in the area of IT strategy and service management plus ITIL training and preparation for ISO 20000 certification. Founded in 2002, the company – which has been profitable for a number of years – performs high-quality services for renowned clients such as Credit Suisse,

Helsana, Holcim, RUAG and Victorinox. Thus, USU Consulting GmbH supplements USU's portfolio both strategically on the market for knowledge-based service management and geographically by extending its presence in Switzerland. In addition, the contribution of the shares in USU Consulting GmbH affords opportunities to leverage synergies and cut costs.

The cost of the 70% of shares in USU Consulting GmbH was EUR 505 thousand and was fully paid in cash. In addition, incidental costs of acquisition of EUR 50 thousand were incurred for the majority acquisition of USU Consulting GmbH by the end of the reporting period, which were recognized directly as an expense.

It was not possible to complete the purchase price allocation for timing reasons and this is to be determined conclusively in subsequent quarters. As part of the majority acquisition of USU Consulting GmbH, EUR 447 thousand has initially been allocated to goodwill on the basis of the provisional purchase price allocation. The acquired provisional goodwill essentially results from employees' expertise and the synergy potential.

USU Consulting GmbH has been included in consolidation in accordance with the purchase method under IFRS 3 as of July 29, 2011 and assigned to the Product Business segment. The shares not attributable to the shareholders of the parent company (30%) are reported as non-controlling interests in equity.

Sales revenues

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

	1.1.-30.09.2011 Thsd. EUR	1.1.-30.09.2010 Thsd. EUR
Consulting	18,998	15,153
Licences / products	4,058	2,651
Service and maintenance	7,819	6,055
Other	1,136	1,229
	32,011	25,088

Segment reporting

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

	Product Business		Service Business		Total Segments		Unallocated		Group	
	1.1.-30.9.2011 Thsd. EUR	1.1.-30.9.2010 Thsd. EUR								
Revenues	21,500	16,829	10,480	8,240	31,980	25,069	31	19	32,011	25,088
EBITDA	3,896	2,849	1,981	346	5,877	3,195	-1,716	-1,784	4,161	1,411
EBIT	2,461	1,956	1,906	263	4,367	2,219	-1,732	-1,794	2,635	425
Net financial income	-	-	-	-	-	-	-140	130	-140	130
Taxes	-	-	-	-	-	-	-716	-118	-716	-118
Net profit / loss	2,461	1,956	1,906	263	4,367	2,219	-2,588	-1,782	1,779	437
Employees at the end of period	224	224	67	60	291	284	22	23	313	307

The USU Software Group generated a total of 9.9% (Q1-Q3/2010: 7.7%) or EUR 3,172 thousand (Q1-Q3/2010: EUR 1,941 thousand) of its consolidated sales outside Germany in the first nine months of the 2011 financial year. In addition, less than 10% of the consolidated assets held are outside Germany. At the same time, the investments made outside Germany came to less than 10% of the consolidated total investments. Further details of the geographical data have thus not been provided.

Dividend

The Annual General Meeting on June 30, 2011 resolved to utilize USU Software AG’s unappropriated surplus for 2010 in the amount of EUR 2,362 thousand to distribute a dividend of EUR 2,105 thousand or EUR 0.20 per dividend-bearing share to the shareholders, with the remaining EUR 257 thousand being carried forward to new account. The dividend was paid from July 1, 2011.

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 September 30, 2011:

Holdings of members of corporate bodies	shares 2011	shares 2010
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 3,483,868 (2010: 3,773,868) shares of USU Software AG can be allocated to Udo Strehl via Udo Strehl Private Equity GmbH as the majority shareholder of the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. A further 32,000 (2010: 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.*

On March 8, 2011, Udo Strehl Private Equity GmbH (USPEG), whose majority shareholder is Udo Strehl, Chairman of the Supervisory Board of USU Software AG, sold a total of 300,000 shares in USU Software AG to several institutional investors off the board.

USPEG acquired 6,482 shares in USU Software AG on August 5, 2011, and a further 3,518 USU shares on August 8, 2011 on the Stuttgart stock exchange.

The Chairman of the Supervisory Board, Udo Strehl, notified USU Software AG of these securities transactions immediately. In turn, the company promptly published notification of these transactions on its homepage.

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 2010. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2010.

USU Software AG

Möglingen, November 17, 2011

Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

NOVEMBER 21, 2011 4:30 p.m. – 5:15 p.m.	ANALYST CONFERENCE OF USU SOFTWARE AG - GERMAN EQUITY FORUM - Frankfurt am Main, Germany
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MARCH 29, 2012	ANNUAL REPORT 2011
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MAY 16, 2012	3-MONTH REPORT 2012
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JUNE / July, 2012	ANNUAL GENERAL MEETING
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AUGUST 16, 2012	6-MONTH REPORT 2012
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NOVEMBER 15, 2012	9-MONTH REPORT 2012
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