



6 – MONTH REPORT 2014

USU Software AG

6 - MONTH REPORT 2014	2014	2013
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.06.2014	01.01.-30.06.2013
REVENUES	27,607	24,644
ADJUSTED EBIT	1,984	238
ADJUSTED NET RESULT	1,733	-42
ADJUSTED EARNINGS PER SHARE (EUR)	0.16	0.00
EBITDA	2,349	400
EBIT	1,248	-317
NET RESULT	958	-570
EARNINGS PER SHARE (EUR)	0.09	-0.05
CASH-FLOW FROM ORDINARY OPERATIONS	3,306	6,063
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	453	436
	30.06.2014	31.12.2013
CASH AND CASH EQUIVALENTS	14,259	14,231
SHAREHOLDERS EQUITY	51,602	53,232
BALANCE SHEET	79,512	81,414
EQUITY RATIO	64.9%	65.4%

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Dear shareholders, dear readers,

The second quarter developed very positively for the USU Group. Thanks to booming license business, USU posted double-digit growth in sales in the quarter under review and increased both operating earnings and consolidated profit at an even higher rate. This was chiefly attributable to the strong US business of the Group subsidiary Aspera Technologies Inc., which gained three of the biggest companies in the USA as new customers in the first half of the year. International business accordingly developed positively and now accounts for almost a quarter of consolidated sales.

Following the positive first half of the year, the Management Board is confirming the USU Group's planning for 2014 as a whole, which predicts a rise in sales to EUR 63 - 65 million and an increase in adjusted EBIT to EUR 8 - 8.5 million. In the interests of the USU Group's shareholder-friendly dividend policy and long-term dividend continuity, the Management Board plans to allow USU shareholders to participate in the Company's success in the form of a corresponding profit distribution, as in the previous years. The shareholders had approved a dividend of EUR 0.25 per share for 2013 at this year's Annual General Meeting of USU Software AG on June 24, 2014. In addition, legally required amendment agreements with regard to the profit transfer agreements between USU Software AG and some of its subsidiaries were approved, as was a required amendment to the Articles of Association. The other items of the agenda, such as approving the conduct of the Management Board and Supervisory Board and selecting the auditor for the 2014 fiscal year, were also approved by a large majority.

To continue successfully on the course of growth taken in recent years, the Supervisory Board decided in late June to carry out a strategic expansion of the Management Board. Effective October 1, 2014, Bernhard Böhler, a founding member of the USU subsidiary Aspera GmbH, and Dr. Benjamin Strehl, who is currently responsible for M&A and product management at USU Software AG, were newly appointed to the Management Board. The new management structure ideally reflects the USU Group's growth drivers – innovations, internationalization and acquisitions. While I will be responsible as Chairman of the Management Board for the Group's strategy and innovation topics, Bernhard Böhler will advance internationalization further and Dr. Benjamin Strehl will selectively expand acquisition-based growth. The focus will be on implementing the medium-term strategy, which stipulates sales growth to more than EUR 100 million combined with an increase in the adjusted EBIT margin to over 15%.

Yours,

Bernhard Oberschmidt,

Chairman of the Management Board of USU Software AG

BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

Business model, objectives, strategies and controlling system

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

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

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

As the consolidated earnings of the USU Group under IFRS have been and continue to be influenced by various extraordinary items which make it difficult to compare USU's earnings power from year to year, the company has calculated its adjusted consolidated earnings for information purposes. This shows consolidated earnings adjusted for the amortization of intangible assets capitalized as a result of business combinations and additional non-recurring effects due to acquisitions plus the corresponding tax effects. Furthermore, on the basis of these adjusted consolidated earnings, USU Software AG reports consolidated earnings per share using the average number of shares outstanding. Adjusted EBIT is also reported and serves as an important planning and control parameter. Adjusted consolidated earnings, adjusted EBIT and adjusted earnings per share are not key indicators under IFRS.

Research and Development

In the first half of 2014, the USU Group invested a total of EUR 4,910 thousand (Q1-Q2 2013: EUR 4,647 thousand) or 17.8% (Q1-Q2 2013: 18.9%) of consolidated sales in research and development (R&D) in order to offer its customers state-of-the-art, practical products and solutions. With 144 employees working in research and development throughout the Group as of June 30, 2014 (Q1-Q2 2013: 143), the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide product portfolio.

In Business Service Management, Valuation 4.5, the USU Group's end-to-end IT management product suite, was developed further in a targeted manner. In addition to the functional enhancement of Valuation, the R&D team also started to develop two new modules, the Supplier Manager for administering and assessing the business performance of suppliers and business partners and the Resource Manager for planning efficient use of IT assets. Following the finalization of Valuation Mobile Manager 1.1, users can now use relevant Valuation services while on the move on mobile devices such as smartphones and tablets. At the same time, there was close integration of the dashboards from USU Service Intelligence in Valuation and associated use of the reporting of this newly developed USU software for intelligent IT management. USU Service Intelligence offers users pre-defined role-based dashboards, reports and analysis options for the optimization of its various ITIL processes. In the innovative project USU Service Manager, an end-to-end solution for the specification, administration and management of a company's IT service portfolio, customer-related enhancements were added and the Service Shop was developed, a new module with which end users can order and manage predefined services such as hard- and software directly and in a user-friendly manner. Following the finalization of Version 5.7 of the monitoring software ZIS-System, which includes a major new feature in the form of the "Mobile Service Dashboard", a presentation of the availability and structure of IT and business services that is optimized for mobile devices, the R&D department is currently working on developing the "Self Service Cockpit", a new end user interface in the style of a dashboard with simple configuration and quick creation of ad hoc views. In addition to customer-related function enhancement, work on the license management software SmartTrack in the period under review particularly involved further development of the optimization and simulation module for license optimization.

In Knowledge Solutions, the USU Group particularly forged ahead with developing and linking its knowledge management products USU KnowledgeCenter, USU KnowledgeScout and USU Lifebelt, which are to be implemented in the current fiscal year as planned. In addition, the development team is working on the strategic linking of these knowledge management solutions with the Group's own social media products. R&D activities in Social Media also focused on targeted continuation of the "Social CRM" innovation project. In contrast to traditional CRM systems, which aim to manage the relationship between companies and customers only, Social CRM serves to analyze relationships between different customers and target groups and their attitude towards the company in order to react to them quickly and gear the company's communication processes to their needs.

In addition to these development activities, USU carries out targeted research to drive and develop future product innovations and launch them successfully on the market. One key focus here is "big data", knowledge-driven management of – usually industrial – mass data. As part of these research activities, USU was awarded two out of 13 projects promoted in the technology competition organized by the German Federal Ministry for Economic Affairs and Energy (BMWi) „SmartData – Innovationen aus Daten“. USU is thereby underscoring its big data expertise, selectively expanding its product portfolio, and strengthening its position in one of the key growth markets.

ECONOMIC REPORT

Overall Economic Development

According to the German Federal Statistical Office¹ (Destatis), the German economy lost considerable momentum in the second quarter of 2014. According to an initial report by Destatis, gross domestic product (GDP) in Germany declined by 0.2% in the quarter under review in comparison to the previous quarter when adjusted for price, seasonal and calendar effects, after posting growth of 0.7% in the first quarter of 2014. Preliminary calculations by Destatis indicate that this decline in GDP was due primarily to negative foreign trade and decreasing capital expenditure. By contrast, domestic consumer spending on the part of private households and the state increased. The German economy also lost momentum in comparison to the previous year, although price-adjusted GDP was positive overall with a rise of 0.8% (Q2 2013: 0.5%).

¹ Press release no. 287 of the German Federal Statistical Office dated August 14, 2014, published at www.destatis.de.

Sector Development

According to the recent economic survey² “45th Industry Barometer (2nd Half of 2014)” published by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), German companies in the high-tech sector are continuing to develop very positively. For example, 74% of the companies operating in the fields of IT, telecommunications and entertainment technology (ICT) that were surveyed by BITKOM generated an increase in sales in the first half of 2014. There was a particularly positive development in software and IT service companies, with growth in sales being reported by 81% and 84% respectively. The ICT providers remain highly confident for 2014 as a whole as well – according to BITKOM, 81% of the high-tech companies anticipate sales growth compared to 2013.

Business Performance in Q2 2014

In the quarter under review, the USU Group increased Group sales in accordance with IFRS by 16.2% to EUR 14,293 thousand (Q2 2013: EUR 12,301 thousand), chiefly as a result of the successful expansion of international business. The USU Group thus increased sales generated outside Germany from EUR 1,453 thousand in the previous year to EUR 4,014 thousand in the second quarter of 2014, corresponding to growth of 176.3%. This was also accompanied by a substantial increase in license income, which rose by 46.7% to EUR 2,250 thousand (Q2 2013: EUR 1,534 thousand). USU also increased its consulting income by 16.6% to EUR 8,429 thousand (Q2 2013: EUR 7,231 thousand) as a result of the expansion of license business. Maintenance business grew by 4.3% to EUR 3,271 thousand (Q2 2013: EUR 3,136 thousand).

Broken down by segment, product business in particular developed very successfully in the second quarter of 2014, with organic growth of 19.5% to EUR 10,998 thousand (Q2 2013: EUR 9,206 thousand). However, USU also generated a 5.9% increase in sales to EUR 3,259 thousand (Q2 2013: EUR 3,077 thousand) in service business that is not dependent on specific products.

Irrespective of the targeted workforce expansion and the extensive research and development activities for implementing the medium-term growth strategy, the cost base of the Group as a whole grew comparatively moderately by 6.9% year-on-year to EUR 12,909 thousand (Q2 2013: EUR 12,076 thousand). The USU Group accordingly posted a significant increase in profit.

² BITKOM press release dated July 1, 2014, published at www.bitkom.org.

In the second quarter of 2014, adjusted earnings before interest and taxes (adjusted EBIT) climbed to EUR 1,511 thousand (Q2 2013: EUR 216 thousand), seven times as high as the previous year's level. USU increased its adjusted consolidated earnings from EUR 29 thousand in the same quarter of the previous year to EUR 1,422 thousand. Adjusted earnings per share therefore improved to EUR 0.13 (Q2 2013: EUR 0.00).

On an unadjusted basis, USU generated a 328.9% rise in earnings before interest, taxes, depreciation and amortization (EBITDA) to EUR 1,707 thousand (Q2 2013: EUR 398 thousand). USU improved its earnings before interest and taxes (EBIT) from EUR 32 thousand in the second quarter of 2013 to EUR 1,151 thousand at present. The USU Group's consolidated net profit calculated in accordance with IFRS totaled EUR 1,040 thousand in the quarter under review after a net loss of EUR 136 thousand in the previous year. This corresponds to earnings per share of EUR 0.10 (Q2 2013: EUR -0.01).

Business Performance in the First Six Months of the 2014 Fiscal Year

Development of Sales and Costs

Consolidated Sales

In the first half of the year, the USU Group generated an organic sales increase of 12.0% year-on-year to EUR 27,607 thousand (Q1-Q2 2013: EUR 24,644 thousand). In addition to strong international business, USU also benefited from sales of the new product innovations. Software license income consequently rose by an above-average 30.5% in the first half of 2014 compared to the first six months of 2013 to EUR 4,142 thousand (Q1-Q2 2013: EUR 3,175 thousand). USU also increased its consulting sales by a disproportionately high 14.1% to EUR 16,572 thousand (Q1-Q2 2013: EUR 14,526 thousand), while maintenance business grew 3.9% to EUR 6,370 thousand (Q1-Q2 2013: EUR 6,131 thousand). Other income amounted to EUR 523 thousand in the first two quarters of 2014 (Q1-Q2 2013: EUR 812 thousand) and related primarily to merchandise sales of third-party hardware and software.

Sales by Segment

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

The Product Business segment contributed a total of EUR 20,764 thousand (Q1-Q2 2013: EUR 18,085 thousand) to consolidated sales in the first six months of the 2014 fiscal year, corresponding to a year-on-year increase of 14.8%. Consulting sales in the Service Business segment also increased slightly by 3.5% to EUR 6,755 thousand (Q1-Q2 2013: EUR 6,525 thousand) as a result of obtaining several new customer projects. Sales not allocated to the segments totaled EUR 88 thousand in the months from January to June 2014 (Q1-Q2 2013: EUR 34 thousand).

Broken down by region, the USU Group's international business performed particularly well in the period under review. Here, USU benefited in particular from several major orders from leading Fortune 100 companies in the oil, telecommunications and insurance sectors that were obtained by the US subsidiary Aspera Technologies. As a result, the USU Group doubled its international sales year-on-year to EUR 6,778 thousand in the period under review (Q1-Q2 2013: EUR 3,191 thousand) while also significantly expanding the share of consolidated sales generated outside Germany to 24.6% (Q1-Q2 2013: 12.9%). This was the first time that the USU Group had generated a quarter of its sales for the first half of a fiscal year abroad.

Operating Costs

In the first half of 2014, the USU Group's operating cost base increased by 5.2% to EUR 25,888 thousand (Q1-Q2 2013: EUR 24,613 thousand), chiefly due to the expansion of the Group's workforce in line with planning.

In the period under review, the cost of sales rose in line with the expansion of the consultant team and the accompanying increase in personnel costs by 5.8% compared to the first half of 2013 to EUR 13,663 thousand (Q1-Q2 2013: EUR 12,920 thousand). The comparatively moderate increase is due, among other factors, to the partial use of developer resources in consultancy projects and the associated decrease in external consultant fees, as well as to the targeted reduction of operating expenses. The cost of sales as a proportion of consolidated sales accordingly fell to 49.5% (Q1-Q2 2013: 52.4%). Gross income increased to EUR 13,944 thousand (Q1-Q2 2013: EUR 11,724 thousand), corresponding to a gross margin of 50.5% (Q1-Q2 2013: 47.6%).

In the period under review, the USU Group's sales and marketing expenses were below the previous year's figure at EUR 4,180 thousand (Q1-Q2 2013: EUR 4,313 thousand). While personnel costs rose as a result of the targeted increase of the Group-wide sales team, USU made considerable cuts to its operating expenses in this area. Sales and marketing expenses as a proportion of consolidated sales thus fell from 17.5% in the previous year to 15.1% in the first half of 2014.

General administrative expenses climbed by 14.7% year-on-year to EUR 3,135 thousand in the first six months of 2014 (Q1-Q2 2013: EUR 2,733 thousand) due to increased personnel and operating expenses. Administrative expenses as a proportion of consolidated sales thus amounted to 11.4% (Q1-Q2 2013: 11.1%).

Research and development expenses rose by 5.7% from EUR 4,647 thousand in the first half of 2013 to EUR 4,910 thousand in the period under review. The ratio of research and development expenses to consolidated sales fell to 17.8% (Q1-Q2 2013: 18.9%). USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please see the separate *Research and Development* report in this Group report.

Net other operating income and expenses totaled EUR 157 thousand in the months from January to June 2014 (Q1-Q2 2013: EUR 27 thousand).

Earnings Situation

As a result of the significant expansion of high-margin license business and a comparatively moderate development of costs, the USU Group as a whole achieved a disproportionately high increase in profitability in the first six months of 2014. EBITDA accordingly increased by 487.3% year-on-year to EUR 2,349 thousand in the period under review (Q1-Q2 2013: EUR 400 thousand). Including depreciation and amortization expense of EUR 1,101 thousand (Q1-Q2 2013: EUR 717 thousand), EBIT amounted to EUR 1,248 thousand (Q1-Q2 2013: EUR -317 thousand). Including the cumulative net finance costs of EUR -126 thousand (Q1-Q2 2013: EUR -99 thousand), which include primarily financial expenses for the discounting of the purchase price obligation from the acquisition of the remaining shares in B.I.G. Social Media GmbH (BIG), USU increased its earnings before taxes (EBT) from EUR -416 thousand in the first half of the previous year to EUR 1,122 thousand in the first half of 2014. After deducting income taxes of EUR -164 thousand (Q1-Q2 2013: EUR -154 thousand), USU generated net income for the period of EUR 958 thousand (Q1-Q2 2013: EUR -570 thousand). This corresponds to earnings per share of EUR 0.09 (Q1-Q2 2013: EUR -0.05).

Adjusted Consolidated Earnings

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

Adjusted consolidated earnings	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
<i>in EUR thousand</i>		
Result of ordinary operations (EBIT)	1,248	-317
Amortization of intangible assets recognized in the course of company acquisitions	628	375
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	108	180
- stay bonus Aspera / BIG / USU Consulting GmbH	108	178
- purchase price adjustments	0	2
Adjusted EBIT	1,984	238
Financial income (as per consolidated income statement)	76	24
Financial costs (as per consolidated income statement)	-202	-123
Income taxes (as per consolidated income statement)	-164	-154
Tax effects relating to adjustments	76	0
- amortization	76	0
- deferred taxation from tax loss carryforwards	0	0
Minority interests (as per consolidated income statement)	-37	-27
Adjusted consolidated earnings	1,733	-42
Adjusted earnings per share (in EUR):	0.16	0.00
Weighted average number of outstanding shares:		
Basic and diluted	10,523,770	10,523,770

In the first half of 2014, USU significantly increased its adjusted earnings before interest and taxes (adjusted EBIT) year on year to EUR 1,984 thousand (Q1-Q2 2013: EUR 238 thousand). USU also generated substantial growth in adjusted consolidated earnings to EUR 1,733 thousand (Q1-Q2 2013: EUR -42 thousand), corresponding to adjusted earnings per share of EUR 0.16 (Q1-Q2 2013: EUR 0.00).

Net Assets and Financial Position

On the assets side of the balance sheet, the USU Group's non-current assets totaled EUR 48,984 thousand as of June 30, 2014 (December 31, 2013: EUR 49,579 thousand). The decline reported for this item resulted from the amortization of intangible assets. At EUR 30,528 thousand as of the end of the second quarter of 2014, current assets were also down on the comparative figure from December 31, 2013 of EUR 31,835 thousand, primarily as a result of the targeted reduction of trade receivables to EUR 9,322 thousand (December 31, 2013: EUR 11,590 thousand). Despite the dividend distribution of EUR 2,631 thousand, cash and cash equivalents rose slightly to EUR 14,259 thousand as of June 30, 2014 (December 31, 2013: EUR 14,231 thousand).

On the equity and liabilities side, the dividend payment to the shareholders resulted in a decline in equity to EUR 51,602 thousand as of the end of the period under review (December 31, 2013: EUR 53,232 thousand). At the same time, USU reduced its borrowings in the form of current and non-current liabilities to EUR 27,910 thousand as of June 30, 2014 (December 31, 2013: EUR 28,182 thousand). While liabilities from advance payments fell to EUR 9,487 thousand (December 31, 2013: EUR 11,213 thousand), deferred income increased from EUR 3,217 thousand as of the end of the 2013 fiscal year to EUR 6,878 thousand. With total assets of EUR 79,512 thousand (December 31, 2013: EUR 81,414 thousand), the equity ratio was 64.9% as of June 30, 2014 (December 31, 2013: 65.4%).

Cash Flow and Capital Expenditure

As of the end of the second quarter of 2014, the USU Group had cash and cash equivalents of EUR 14,259 thousand (Q1-Q2 2013: EUR 12,835 thousand). This represents a year-on-year increase in Group liquidity of EUR 1,424 thousand or 11.1%.

The USU Group's cash flow from operating activities was clearly positive in the first half of 2014 at EUR 3,306 thousand, but remained below the high figure from the previous year of EUR 6,063 thousand, which included income from advance payments by the partner CA Technologies.

The cash flow from investing activities of EUR -703 thousand (Q1-Q2 2013: EUR -1,999 thousand) includes investments in property, plant and equipment and intangible assets totaling EUR -714 thousand (Q1-Q2 2013: EUR -471 thousand), which are offset by income from the sale of fixed assets of EUR 11 thousand (Q1-Q2 2013: EUR 0 thousand).

The cash flow from financing activities totaled EUR -2,631 thousand in the period under review (Q1-Q2 2013: EUR -2,631 thousand) as a result of the dividend distribution to the shareholders of USU Software AG in the amount of EUR 0.25 per share as of June 25, 2014.

Orders on Hand

The USU Group increased its orders on hand by 15.5% year on year to EUR 27,014 thousand as of June 30, 2014 (June 30, 2013: EUR 23,381 thousand). Compared with the end of the previous year (December 31, 2013: EUR 23,276 thousand), USU's orders on hand increased by 16.1%.

Orders on hand as of the end of the quarter show the USU Group's fixed future sales based on binding contracts for the next 12 months. These consist primarily of project-related orders and maintenance agreements.

Employees

As of June 30, 2014, the USU Group's workforce was up 3.9% on the previous year's level at 453 employees (Q1-Q2 2013: 436 employees), chiefly due to the expansion of the consultant and sales team in the Product Business segment in line with planning.

Broken down by functional unit, USU had a total of 202 (Q1-Q2 2013: 195) employees in consulting and services as of the end of the second quarter of 2014, while 144 (Q1-Q2 2013: 143) were employed in research and development, 60 (Q1-Q2 2013: 51) in sales and marketing, and 47 (Q1-Q2 2013: 47) in administration. Broken down by segment, there were 342 (Q1-Q2 2013: 322) employees in the USU Group's Product Business segment, 69 (Q1-Q2 2013: 71) in its Service Business segment and 42 (Q1-Q2 2013: 43) in its central administration.

Expansion of the Management Board

On June 27, 2014, the Supervisory Board of USU Software AG resolved to expand the Company's Management Board. The current sole member and Chairman of the Management Board, Bernhard Oberschmidt, will be joined by Bernhard Böhler and Dr. Benjamin Strehl with effect from October 1, 2014.

Bernhard Böhler is a founding member of the USU subsidiary Aspera GmbH and has significantly advanced sales, marketing and internationalization at this company since 2000. At USU Software AG, Bernhard Böhler will be responsible for sales and internationalization of the entire Group. After working at the business consultancy Roland Berger, Dr. Benjamin Strehl assumed responsibility for the areas of product management and M&A at USU Software AG in 2010. As a member of the Management Board, he will be responsible primarily for advancing acquisition-based growth of the USU Group as well as research and development and consulting. The current sole member of the Management Board, Bernhard Oberschmidt, will remain in charge of the Group's strategy and the Finance, Investor Relations and Central Administration departments as Chairman of the Management Board.

SUPPLEMENTARY REPORT

On July 21, 2014, USU Software AG acquired the remaining 30% of the shares in USU Consulting GmbH. This means that all Group subsidiaries are now wholly owned by the Company. There were no other transactions of particular significance after June 30, 2014 that had a material effect on the development of business in the USU Group. As such, there were no major changes overall to the net assets, financial position or results of operations of the Group.

FORECAST, OPPORTUNITY AND RISK REPORT

Forecast Report

General Economy

In its latest economic forecast³, the Leibniz Institute for Economic Research (“ifo”) anticipates significant growth in Germany’s total economic output in 2014. The main impetus is expected to come from the domestic economic, especially capital expenditure and private consumer spending. Accordingly, ifo forecasts a rise in real gross domestic product (GDP) of 2.0% for Germany in the current year (2013: 0.4%). However, in early August 2014 the President of the ifo Institute, Hans-Werner Sinn, announced⁴ that the growth forecast for Germany would probably have to be revised downward.

Globally, the pace of general economic expansion is also expected to accelerate according to ifo, chiefly due to the growing economic momentum in advanced economies. The ifo Institute therefore anticipates global GDP growth of 2.9% (2013: 3.0%) in 2014.

Sector

According to information⁵ from BITKOM, the German ICT market will pick up again significantly this year, although the individual segments will generate very different growth rates. The software sector will once again act as the growth driver, with BITKOM’s latest forecast predicting a year-on-year rise in income of 5.3% (2013: 4.9%) in the current year. The market for IT services is also expected to perform better than average with a sales increase of 3.2% (2013: 1.6%). By contrast, the IT hardware and telecommunications segments will grow only slightly. Overall, BITKOM anticipates a 1.7% (2013: 0.8%) increase in the German ICT market volume in 2014.

For the global ICT market, BITKOM expects⁶ even stronger growth of 4.1% in the year under review (2013: 3.8%) on the basis of a new study by the European Information Technology Observatory (EITO).

³ ifo 2014/15 Economic Forecast by the Leibniz Institute for Economic Research dated June 26, 2014, published at www.ifo.de

⁴ Column by Hans-Werner Sinn on WirtschaftsWoche Online dated August 4, 2014, published at www.wiwo.de

⁵ BITKOM press release dated March 9, 2014, published at www.bitkom.org

⁶ BITKOM press release dated June 13, 2014, published at www.bitkom.org

Outlook

Following the positive business performance in the first half of 2014, the Management Board confirms the planning for the USU Group, which anticipates an increase in sales to EUR 63 - 65 million (2013: EUR 55.7 million) for the current fiscal year. The growth of the high-margin product business in the following quarters, from which license, maintenance and product-related consulting income is generated, will be particularly crucial here.

In addition to the targeted domestic business growth, to which the new product innovations and the latest USU subsidiary BIG are expected to contribute, the Management Board still expects significant growth potential in international business. Both the subsidiary Aspera Technologies Inc. and the partner CA Technologies are expected to further advance the USU Group's US business. At the same time, the Management Board sees additional potential in the expansion of European partner business. For consulting-intensive service business, in which USU generates consulting sales from individual projects that are not dependent on specific products, the Management Board forecasts an increase in the utilization of in-house and freelance consultants in the following quarters and consequently an improvement in earnings in this segment.

Accordingly, adjusted EBIT is expected to rise to EUR 8 - 8.5 million (2013: EUR 5.1 million) throughout the Group. At the same time, the Management Board confirms the medium-term planning, which predicts that the EUR 100 million sales threshold will be exceeded by 2017 and that the adjusted EBIT margin will rise to over 15%. Based on this forecast, the Management Board plans – both in 2014 and beyond – to allow the shareholders of USU Software AG to participate significantly in the Company's operating success again and thus to continue the shareholder-friendly dividend policy of the past years.

Opportunity and Risk Report

There were no other changes to the further opportunities and risks of USU Software AG or of the Group as a whole as against December 31, 2013. For more information, please see the opportunity and risk report in the 2013 annual report.

USU Shares (ISIN DE000A0BVU28).

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

After a positive first quarter overall, the German stock market posted a slight price rise again in the quarter under review. While the Technology All Share climbed by 4.0% in comparison to the end of the previous year to 1,566.70 points as of June 30, 2014 (March 31, 2014: 1,506.39 points), the German stock index (DAX) posted a price increase of 2.9% to 9,833.70 points (March 31, 2014: 9,555.91 points). Following a significant increase in the first quarter, USU Software AG's share price also rose further in the period under review and closed at EUR 13.57 on the electronic exchange XETRA as of June 30, 2014 (March 31, 2014: EUR 13.36), equivalent to an increase of 1.5%. Compared to December 31, 2013, the USU share price posted an increase of 47.5% as of the end of the period under review (December 31, 2013: EUR 9.20), while the Technology All Share climbed by 10.9% (December 31, 2013: 1,412.31 points). By contrast, the DAX recorded a comparatively modest performance with growth of 2.9% (December 31, 2013: 9,552.16 points).

Möglingen, August 21, 2014

USU Software AG
The Management Board

ASSETS (Thsd. EUR)	6-month report 30.06.2014	Annual report 31.12.2013
Non current assets		
Intangible assets	7,563	8,176
Goodwill	34,559	34,559
Property, plant and equipment	2,117	2,099
Other financial assets	0	0
Deferred tax assets	4,099	4,099
Other assets	646	646
Total non current assets	48,984	49,579
Current assets		
Inventories	754	730
Work in process	3,931	3,173
Trade receivables	9,322	11,590
Income tax receivables	631	601
Other financial assets	308	393
Other assets	115	54
Prepaid expenses	1,208	1,063
Cash on hand and bank balances	14,259	14,231
Total non current assets	30,528	31,835
Total assets	79,512	81,414

LIABILITIES AND SHAREHOLDERS' EQUITY (Thsd. EUR)	6-month report 30.06.2014	Annual Report 31.12.2013
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	470	470
Other comprehensive income	-1	-44
Accumulated losses	-12,103	-10,467
Shareholders' equity not including minority interests	51,682	53,275
Minority interests	-80	-43
Total shareholders' equity	51,602	53,232
Non-current liabilities		
Deferred tax liabilities	842	918
Pension provisions	1,132	1,092
Total non-current liabilities	1,974	2,010
Current liabilities		
Provisions for income taxes	34	285
Purchase price liabilities	3,107	2,905
Personnel-related provisions and liabilities	3,706	4,489
Other provisions and liabilities	1,383	2,322
Liabilities from received payments	9,487	11,213
Trade payables	1,341	1,741
Deferred income	6,878	3,217
Total current liabilities	25,936	26,172
Total liabilities and shareholders' equity	79,512	81,414

CONSOLIDATED INCOME STATEMENT (Thsd. EUR)	Quarterly Report	Quarterly Report	6-Month Report	6-Month Report
	II / 2014	II / 2013		
	01.04.2014 - 30.06.2014	01.04.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Sales revenue	14,293	12,301	27,607	24,644
Cost of sales	-6,852	-6,475	-13,663	-12,920
Gross profit	7,441	5,826	13,944	11,724
Sales and marketing expenses	-2,152	-2,112	-4,180	-4,313
General administrative expenses	-1,479	-1,136	-3,135	-2,733
Research and development expenses	-2,426	-2,354	-4,910	-4,647
Other operating income	94	63	215	204
Other operating expenses	-13	-68	-58	-177
Amortization of intangible assets recognized in the course of company acquisitions	-314	-187	-628	-375
Result of ordinary operations (EBIT)	1,151	32	1,248	-317
Interest income	71	13	76	24
Interest expenses	-100	-63	-202	-123
Result before tax (EBT)	1,122	-18	1,122	-416
Income taxes	-82	-118	-164	-154
Net profit / loss	1,040	-136	958	-570
of which:				
- shareholders of USU Software AG	1,059	-116	995	-543
- minority interests	-19	-20	-37	-27
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG				
(basic and diluted)	0.10	-0.01	0.09	-0.05
Weighted average shares				
(basic and diluted)	10,523,770	10,523,770	10,523,770	10,523,770

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thsd. EUR)	Quarterly Report	Quarterly Report	6-Month Report	6-Month Report
	II / 2014	II / 2013		
	01.04.2014 - 30.06.2014	01.04.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Group result	1,040	-136	958	-570
Items never to be reclassified to profit or loss				
Actuarial gains/losses from pension provisions	0	0	0	0
Deferred taxes from actuarial gains/losses	0	0	0	0
Items that have been or can be reclassified to profit or loss				
Available-for-sale financial instruments (securities)	0	0	0	0
Currency translation difference	-1	-3	43	-16
Other comprehensive income	-1	-3	43	-16
Overall result	1,039	-139	1,001	-586
of which:				
- shareholders of USU Software AG	1,058	-119	1,038	-559
- minority interests	-19	-20	-37	-27

CONSOLIDATED STATEMENT OF CASH FLOW <i>(Thsd. EUR)</i>	6-month report 01.01.2014 - 30.06.2014	6-month report 01.01.2013 - 30.06.2013
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result bevor taxes (EBT)	1,122	-416
Adjustments for:		
Financial income / financial expenditure	126	99
Depreciation and amortization	1,101	716
Income taxes paid	-240	-158
Income taxes refunded	0	0
Interest paid	-3	-7
Interest received	7	9
Other non-cash income and expenses	53	51
Change in working capital:		
Inventories	-24	-70
Work in process	-758	-151
Trade receivables	2,268	1,487
Prepaid expenses and other assets	-152	67
Trade payables	-196	-347
Personnel-related provisions and liabilities and pension provisions	-743	-1,534
Other provisions and liabilities	745	6,317
Net cash flow form ordinary activities	3,306	6,063
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	0	-1,539
Capital expenditure in property, plant and equipment	-610	-313
Capital expenditure in other intangible assets	-104	-158
Repayment of short-term loans	0	11
Sales of non-current assets	11	0
Net cash flow from investing activities	-703	-1,999
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend payment	-2,631	-2,631
Net cash flow from financing activities	-2,631	-2,631
Net effect of currency translation in cash and cash equivalents	56	-6
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	28	1,427
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,231	11,408
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,259	12,835

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



CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Accumu- lated losses	Other comprehensive income		Share- holder's equity not including minority interests	Minority interest	Total
	Shares	Thsd. EUR				Currency Trans- lation	Securities measured at fair value			
	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR			
Consolidated equity as of January 1, 2013	10,523,770	10,524	52,792	470	-11,480	0	0	52,306	-11	52,295
Group result	0	0	0	0	-543	0	0	-543	-27	-570
Other comprehensive income	0	0	0	0	0	-16	0	-16	0	-16
Overall result	0	0	0	0	-543	-16	0	-559	-27	-586
Dividend payment	0	0	0	0	-2,631	0	0	-2,631	0	-2,631
Consolidated equity as of June 30, 2013	10,523,770	10,524	52,792	470	-14,654	-16	0	49,116	-37	49,079
Consolidated equity as of January 1, 2014	10,523,770	10,524	52,792	470	-10,467	-44	0	53,275	-43	53,232
Group result	0	0	0	0	995	0	0	995	-37	958
Other comprehensive income	0	0	0	0	0	43	0	43	0	43
Overall result	0	0	0	0	995	43	0	1,038	-37	1,001
Dividend payment	0	0	0	0	-2,631	0	0	-2,631	0	-2,631
Consolidated equity as of June 30, 2014	10,523,770	10,524	52,792	470	-12,103	-1	0	51,682	-80	51,602

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 six-month report for 2014 on USU Software AG was prepared in line with IAS 34. The same accounting policies were used as in the preparation of the consolidated financial statements for the preceding fiscal year ended December 31, 2013. This unaudited six-month report for 2014 should therefore be read in conjunction with the audited consolidated financial statements for 2013. The provisions of section 37x (3) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) were complied with. Furthermore, the company used the German Accounting Standard 16 (Interim Financial Reporting) as a guideline in preparing this report.

This interim report contains all the necessary deferrals and, in the opinion of the management, provides a true and fair view of assets, liabilities, financial position, and profit or loss. All deferrals performed are in line with the customary accruals concept.

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

Income taxes are recognized in the interim period based on the best estimate of the weighted average annual income tax rate expected for the year as a whole. This tax rate is applied to the pre-tax profit of the consolidated companies.

It is not necessarily possible to conclude the annual net profit from the profit of the interim periods.

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

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

On May 28, 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”. This standard must be applied from the 2017 fiscal year at the latest. We have not yet completed the analysis of the effects on our consolidated financial statements. For further information on new standards that have not yet come into force, please refer to the details in the notes to the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2013.

Financial instruments

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

in Thsd. EUR	30.06.2014		31.12.2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current financial instruments				
Loans to members of the Management Board	0	0	0	0
Work in progress	3,931	3,931	3,173	3,173
Trade receivables	9,322	9,322	11,590	11,590
Other current financial assets	308	308	393	393
Cash on hand and bank balances	14,259	14,259	14,231	14,231
	27,820	27,820	29,387	29,387

in Thsd. EUR	30.06.2014		31.12.2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Trade payables	1,341	1,341	1,741	1,741
Liabilities from advance payments	9,487	9,487	11,213	11,213
Purchase price obligation for BIG	3,107	3,107	2,905	2,905
	13,935	13,935	15,859	15,859

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

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

Sales revenues

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

	1.1.-30.06.2014 Thsd. EUR	1.1.-30.06.2013 Thsd. EUR
Consulting	16,572	14,526
Licences / products	4,142	3,175
Service and maintenance	6,370	6,131
Other	523	812
	27,607	24,644

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.-30.6.2014 Thsd. EUR	1.1.-30.6.2013 Thsd. EUR								
Revenues	20,764	18,085	6,755	6,525	27,519	24,610	88	34	27,607	24,644
EBITDA	3,084	1,570	891	438	3,975	2,008	-1,626	-1,608	2,349	400
EBIT	2,145	1,329	824	381	2,969	1,710	-1,721	-2,027	1,248	-317
Net financial income	-	-	-	-	-	-	-126	-99	-126	-99
Taxes	-	-	-	-	-	-	-164	-154	-164	-154
Net profit / loss	2,145	1,329	824	381	2,969	1,710	-2,011	-2,280	958	-570
Employees (as of June 30, 2014/13)	342	322	69	71	411	393	42	43	453	436

The USU Software Group generated a total of 24.6% (Q1-Q2 2013: 12.9%) or EUR 6,778 thousand (Q1-Q2 2013: EUR 3,191 thousand) of its consolidated sales outside Germany in the first six months of the 2014 financial year. In contrast, less than 10% of the consolidated assets held are outside Germany. At the same time, the investments made outside Germany came to less than 10% of the consolidated total investments. Further details of the geographical data have thus not been provided.

Shares held by members of corporate bodies at USU Software AG

The following shares in USU Software AG were held by members of corporate bodies of the company as at June 30, 2014:

Holdings of members of corporate bodies	shares 30.06.2014	shares 30.06.2013
Management Board		
Bernhard Oberschmidt	181,518	18,696
Supervisory Board		
Udo Strehl*	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500
<p><i>* An additional 3,487,868 (2013: 3,487,868) shares of USU Software AG can be allocated to Udo Strehl via AUSUM GmbH as the majority shareholder of the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. A further 32,000 (2013: 32,000) shares in USU Software AG are allocated to Udo Strehl through the "Knowledge is the future" foundation of which he is the Managing director pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.</i></p>		

On May 23, 2014, the Chairman of the Management Board of USU Software AG, Bernhard Oberschmidt, acquired 162,822 shares of the Company on the over-the-counter market and subsequently notified USU Software AG of this securities transaction. The Company in turn published the notification regarding securities transactions as required.

No stock options or convertible bonds issued by USU Software AG were held by any member of the Company's executive bodies.

Related party disclosures

In accordance with IAS 24, all related parties are persons or companies with the ability to control the Group or exercise significant influence over it, or on whom/which the Group can exert significant influence, including the management and the Supervisory Board. Companies that are already included as part of full consolidation in the interim consolidated financial statements are not considered related parties.

There were no significant changes to business relations between USU Software AG and the Supervisory Board Chairman and majority shareholder Udo Strehl and his wife compared with the information in the notes to the consolidated financial statements of fiscal 2013. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2013.

Responsibility statement

To the best of my knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Möglingen, August 21, 2014

Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

NOVEMBER 21, 2014

9-MONTH REPORT 2014

NOVEMBER 25 - 26, 2014

**ANALYST CONFERENCE OF USU SOFTWARE AG
- *GERMAN EQUITY FORUM 2014* -
Frankfurt am Main, Germany**

DECEMBER 9 - 10, 2014

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