



6 – MONTH REPORT 2013

USU Software AG

6 - MONTH REPORT 2013	2013	2012
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.06.2013	01.01.-30.06.2012
REVENUES	24,644	24,956
ADJUSTED EBIT	238	2,878
ADJUSTED NET RESULT	-42	1,886
ADJUSTED EARNINGS PER SHARE (EUR)	0.00	0.18
EBITDA	400	1,127
EBIT	-317	270
NET RESULT	-570	-791
EARNINGS PER SHARE (EUR)	-0.05	-0.08
CASH-FLOW FROM ORDINARY OPERATIONS	6,063	5,071
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	436	334
	30.06.2013	31.12.2012
CASH AND CASH EQUIVALENTS	12,835	11,408
SHAREHOLDERS EQUITY	49,079	52,295
BALANCE SHEET	77,320	66,721
EQUITY RATIO	63.5%	78.4%

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Dear shareholders,

Dear readers,

As anticipated, the USU Group was unable to improve on the strong sales and earnings figures from the previous year in the first half of 2013. This was due in particular to the weaker performance of the Service Business compared with the previous year, with new orders proving insufficient to fully offset the expiry of several major projects by the end of the period under review. By contrast, USU again generated growth in its Product Business. In the first half of the year, the USU Group made targeted investments in the expansion of the product portfolio and the workforce in this segment in order to ensure the successful implementation of its medium-term growth strategy. USU acquired a majority interest in the social media company BIG Social Media GmbH (“BIG”) at the start of 2013 and introduced several in-house product innovations over the course of the period under review. In June, all of the new developments were revealed and presented in detail to the around 240 customers, interested parties and partners attending USU World, the international symposium for knowledge-based service management. A description of the new software products can be found in the research and development report in this publication. With the first orders having already been placed, USU is optimistic that it will be able to achieve its forecast business expansion in the typically strong second half of the year.

Growth over the coming quarters will be further driven by the partnership with the US software group CA Technologies (“CA”). Following the completion of the combination of USU’s license management software and CA’s IT asset management software in June 2013, this is expected to generate additional annual potential of around EUR 1 million. This will also lead to a sustainable expansion in USU’s international business, which did not yet make a contribution to the Group’s growth in the period under review. USU also received additional project orders in its Service Business towards the end of the period under review; these will be reflected in the figures for the third quarter and will help improve consultant utilization in this segment.

All in all, assuming a sustained normalization of the Group's Service Business, the Management Board expects to achieve its targets of sales of at least EUR 58 million and adjusted EBIT* of more than EUR 8 million. With the expansion of the workforce by more than 100 employees compared with the same period of the previous year, the Group's innovative portfolio and the planned continuation of US market penetration, the Management Board also believes that USU is well positioned to achieve its medium-term target of consolidated sales in excess of EUR 100 million on the back of a further improvement in the earnings margin in a targeted manner by 2017.

These forecasts were also presented to the shareholders at USU's Annual General Meeting on June 6, 2013. The shareholders in attendance approved all of the agenda items with a large majority of the votes cast. In addition to approving the actions of the Management Board and the Supervisory Board and electing Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor of the financial statements for fiscal 2013, the Annual General Meeting resolved the payment of a dividend of EUR 0.25 per share for 2012. This represented a 25% increase on the prior-year dividend and meant that, in accordance with the Company's dividend policy, around half of the profit generated by USU Software AG was again distributed to its shareholders. In order to ensure consistent dividends, USU's shareholders will continue to participate in the Company's business success in the form of a corresponding dividend payment in future.

Yours,

Bernhard Oberschmidt,

Chairman of the Management Board of USU Software AG

** For an explanation of adjusted EBIT, see the note "Adjusted consolidated earnings" of group report on pages 9 and 10 of this 2013 six-month report.*

Economic development

Following a weak start to the year, the German economy picked up momentum in the second quarter of 2013. According to an initial report from the German Federal Statistical Office (Destatis), gross domestic product (GDP) in Germany adjusted for inflation, seasonal and calendar effects rose by 0.7% in the second quarter of 2013 as against the previous quarter (Q2/2012: -0.1%). This positive quarter-on-quarter development was primarily driven by domestic demand, with both private and public consumer spending and capital expenditure increasing significantly. German GDP rose by 0.9% compared with the same quarter of the previous year (Q2/2012: 0.6%).

Sector performance

According to the 43rd Industry Barometer published by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), the majority (57%) of German high-tech companies reported increased sales in the first half of 2013. However, the figures were some way below the expectations of the companies from the IT, telecommunications and entertainment technology sectors ("ICT") that were surveyed by BITKOM. Despite this, ICT providers remain optimistic with regard to the second half of 2013. According to BITKOM, 68% of high-tech companies expect to see increased sales. Companies in the IT services and software sectors were particularly positive, with further sales growth forecast by 76% and 71% of them respectively.

Business development in Q2 2013

In the second quarter of 2013, USU Software AG and its subsidiaries (hereinafter also referred to as the "USU Group" and "USU") generated IFRS consolidated sales of EUR 12,301 thousand (Q2/2012: EUR 12,374 thousand), thereby repeating the prior-year level as forecast. While sales in the Product Business segment increased to EUR 9,205 thousand (Q2/2012: EUR 8,592 thousand), sales in the Service Business segment declined year-on-year to EUR 3,077 thousand (Q2/2012: EUR 3,777 thousand). Following the expiry of several major projects, the latter segment was unable to repeat the high utilization rate recorded in the previous year.

Despite the weaker Service Business, the expansion of consulting in the Product Business meant that Group-wide consulting revenues increased to EUR 7,231 thousand (Q2/2012: EUR 6,872 thousand). Maintenance revenues also increased to EUR 3,135 thousand (Q2/2012: EUR 2,966 thousand), while license revenues was down on the same period of the previous year at EUR 1,534 thousand (Q2/2012: EUR 1,884 thousand). The new product innovations will have a positive impact on sales development in the second half of 2013.

The planned year-on-year expansion in the Group's workforce by more than 100 employees in connection with the implementation of the medium-term growth strategy, which resulted in a workforce of 436 at the end of the second quarter of 2013 (June 30, 2012: 334), meant that the cost base of the USU Group increased to EUR 12,076 thousand in the period under review (Q2/2012: EUR 11,259 thousand). This also reflected the intensification of the USU Group's research and development activities in order to realize product innovations and expenses for finalizing the combination of USU's license management software with the IT asset management software of its partner CA Technologies. Following the successful acceptance of this product combination by CA, USU will receive annual income of more than EUR 1 million from CA's software sales with effect from June 2013.

The investments in the Product Business segment and the muted performance of the Service Business segment meant that adjusted earnings before interest and taxes (adjusted EBIT) was down year-on-year at EUR 216 thousand in the second quarter of 2013 (Q2/2012: EUR 1,203 thousand). Adjusted consolidated earnings amounted to EUR 29 thousand (Q2/2012: EUR 885 thousand), resulting in adjusted earnings per share of EUR 0.00 (Q2/2012: EUR 0.08). On an unadjusted basis, USU generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 398 thousand (Q2/2012: EUR 1,246 thousand) and earnings before interest and taxes (EBIT) of EUR 32 thousand (Q2/2012: EUR 837 thousand). The IFRS consolidated earnings of the USU Group amounted to EUR -136 thousand in the period under review (Q2/2012: EUR 472 thousand), corresponding to earnings per share of EUR -0.01 (Q2/2012: EUR 0.04).

Business development for the first six months of the 2013 fiscal year

Development of sales and costs

Group sales

Consolidated sales for the first half of the year amounted to EUR 24,644 thousand, down 1.3% on the figure for the same period of the previous year (H1/2012: EUR 24,956 thousand); this was due to the restrained development of the Service Business segment. As anticipated, License Business remained muted ahead of the launch of the new product innovations, with sales declining by 11.9% year-on-year to EUR 3,175 thousand (H1/2012: EUR 3,605 thousand); by contrast, however, Group-wide maintenance sales increased by 7.2% to EUR 6,131 thousand (H1/2012: EUR 5,717 thousand). Product- and service-related consulting sales decreased slightly year-on-year to EUR 14,526 thousand (H1/2012: EUR 14,708 thousand); this was due solely to the weaker Service Business. Other income amounted to EUR 812 thousand in the first half of 2013 (H1/2012: EUR 926 thousand) and primarily related to merchandise sales of third-party hardware and software.

Sales by segment

The product range in the Product Business segment – to which BIG Social Media GmbH, a majority interest in which was acquired in January 2013, has been allocated – covers all activities relating to the USU product range in the markets for knowledge-based service management solutions and the knowledge management market. The Service Business segment comprises consulting services for IT projects and individual application development.

In the first half of 2013, the USU Group generated year-on-year sales growth of 7.9% to EUR 18,085 thousand in the Product Business segment (H1/2012: EUR 16,766 thousand). Among other things, this was due to the consolidation of the new subsidiary BIG and the higher level of consulting income. By contrast, consulting sales in the Service Business segment declined by 20.2% to EUR 6,525 thousand (H1/2012: EUR 8,175 thousand) as a result of the expiry of several major projects and the resulting utilization shortfalls. Sales not allocated to the segments amounted to EUR 34 thousand in the first six months of fiscal 2013 (H1/2012: EUR 15 thousand).

In the period under review, the USU Group's international business was affected by the final preparations for the partnership with CA, among other things. The commitment of resources for the implementation of the combination of USU and CA's software products led to a downturn in international sales to EUR 3,191 thousand in the period under review (H1/2012: EUR 4,375 thousand). However, the final acceptance of the project by CA means that USU will return to significantly improved performance from the third quarter of the current fiscal year.

Operating costs

In the first half of 2013, the USU Group's operating cost base increased by 10.0% year-on-year to EUR 24,613 thousand (H1/2012: EUR 22,368 thousand); this was primarily due to the targeted expansion of the Group's workforce and the acquisition of a majority interest in BIG.

Irrespective of the significant expansion in the consultant team of one-quarter to 195 employees (June 30, 2012: 155), which relates almost exclusively to new appointments in the Product Business segment, the cost of sales declined by 1.1% year-on-year to EUR 12,920 thousand (H1/2012: EUR 13,062 thousand). This was due in particular to the lower level of utilization of third-party consultant resources in Service Business customer projects. In the period under review, the cost of sales as a proportion of consolidated sales remained unchanged year-on-year at 52.4% (H1/2012: 52.3%). Gross income totaled EUR 11,724 thousand (H1/2012: EUR 11,894 thousand), corresponding to a gross margin of 47.6% (H1/2012: 47.7%).

In the period from January to June 2013, the USU Group's sales and marketing expenses increased by 21.6% year-on-year to EUR 4,313 thousand (H1/2012: EUR 3,547 thousand). This development was due to the BIG acquisition and the targeted expansion of the Group's workforce. Accordingly, the ratio of sales and marketing expenses to sales in the Group as a whole increased from 14.2% in the previous year to 17.5%.

As a result of the majority acquisition of BIG, general and administrative expenses increased by 30.4% to EUR 2,733 thousand (H1/2012: EUR 2,096 thousand). Accordingly, administrative expenses as a proportion of consolidated sales rose to 11.1% (H1/2012: 8.4%).

In the first six months of 2013, USU increased its research and development expenses by 26.9% year-on-year to EUR 4,647 thousand (H1/2012: EUR 3,663 thousand) as a result of the additional acquisition- and innovation-related Group development activities and the resulting workforce expansion. The ratio of research and development expenses to consolidated sales rose to 18.9% (H1/2012: 14.7%). 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 27 thousand in the period under review (H1/2012: EUR -1,748 thousand). In particular, the figure for the previous year reflects the purchase price adjustment for the full acquisition of Aspera.

Earnings situation

Despite the targeted investments in new product innovations, the partnership with CA Technologies and the expansion of its workforce, USU generated positive earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 400 thousand in the first half of 2013 (H1/2012: EUR 1,127 thousand). Taking into account depreciation and amortization expense of EUR 717 thousand (H1/2012: EUR 857 thousand), earnings before interest and taxes (EBIT) amounted to EUR -317 thousand (H1/2012: EUR 270 thousand). Including the cumulative net finance costs of EUR -99 thousand (H1/2012: EUR -139 thousand), earnings before taxes (EBT) totaled EUR -416 thousand (H1/2012: EUR 131 thousand). Taking into account taxes on income of EUR -154 thousand (H1/2012: EUR -922 thousand), the USU Group's net loss for the first half of 2013 amounted to EUR -570 thousand (H1/2012: EUR -791 thousand) or EUR -0.05 per share (H1/2012: EUR -0.08).

Adjusted consolidated earnings

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, the results of the capitalization of tax loss carryforwards and the associated goodwill impairment, additional extraordinary items due to acquisitions and 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. It also calculates its *adjusted EBIT*. *Adjusted consolidated earnings*, *adjusted EBIT* and *adjusted earnings per share* are not key indicators under IFRS.

Adjusted consolidated earnings <i>in EUR thousand</i>	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
Result of ordinary operations (EBIT)	-317	270
Amortization of intangible assets capitalized as a result of business combinations	375	570
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	180	2,038
- stay bonus Aspera GmbH / USU Consulting GmbH	178	183
- davon aus Kaufpreisanpassungen	2	1,855
Adjusted EBIT	238	2,878
Financial income (as per consolidated income statement)	24	111
Financial costs (as per consolidated income statement)	-123	-250
Income taxes (as per consolidated income statement)	-154	-922
Tax effects relating to adjustments	0	77
- amortization	0	77
- deferred taxation from tax loss carryforwards	0	0
Minority interests (as per consolidated income statement)	-27	-8
Adjusted consolidated earnings	-42	1,886
Adjusted earnings per share (in EUR):	0.00	0.18
Weighted average number of outstanding shares:		
Basic and diluted	10,523,770	10,523,770

In the period under review, the USU Group generated slightly positive adjusted earnings before interest and taxes (adjusted EBIT) of EUR 238 thousand (H1/2012: EUR 2,878 thousand). The decline as against the first half of 2012 reflects the major project deals concluded by the USU Group early in the previous year, which are not anticipated until the second half of 2013. In addition to the recognition of license, maintenance and consulting

income from the CA partnership, new product innovations – which resulted in corresponding development expenses in the period under review and which were launched towards the end of the first six months of the year – are also expected to make a positive contribution to development. Accordingly, adjusted consolidated earnings amounted to EUR -42 thousand in the period under review (H1/2012: EUR 1,886 thousand). This corresponds to a break-even of EUR 0.00 in terms of adjusted earnings per share (H1/2012: EUR 0.18).

Balance sheet structure

The structure of the statement of financial position as of June 30, 2013 was largely influenced by the majority acquisition of BIG and the partnership with CA. On the asset side, non-current assets amounted to EUR 51,971 thousand at the end of the second quarter of 2013 (December 31, 2012: EUR 43,236 thousand), primarily as a result of the increase in goodwill to EUR 41,452 thousand (December 31, 2012: EUR 32,395 thousand). As the purchase price allocation of BIG has not yet been finalized, all differences between the carrying amount and fair value as of the acquisition date and assets yet to be identified in final purchase price allocation have been fully allocated to goodwill. Current assets rose to EUR 25,349 thousand as of June 30, 2013 (December 31, 2012: EUR 23,485 thousand). This was primarily due to the increase in Group liquidity in the form of cash-in-hand and bank balances to a total of EUR 12,835 thousand (December 31, 2012: EUR 11,408 thousand). On the equity and liabilities side, current and non-current liabilities amounted to EUR 28,241 thousand as of June 30, 2013 (December 31, 2012: EUR 14,426 thousand). The increase was largely attributable to purchase price liabilities of EUR 8,224 thousand in connection with the planned acquisition in full of BIG (December 31, 2012: EUR 0 thousand). At the same time, liabilities from payments received for the first partial payment by CA Technologies under the terms of the partnership agreement with USU increased to EUR 6,053 thousand (December 31, 2012: EUR 2,481 thousand). In addition, deferred income rose to EUR 6,025 thousand as of the end of the reporting period (December 31, 2012: EUR 2,393 thousand); this figure includes the maintenance agreements invoiced at the start of the year for which performance will be rendered and sales recognized later in the year. Equity amounted to EUR 49,079 thousand as of the end of the reporting period (December 31, 2012: EUR 52,295 thousand). The decline in this item is due to the dividend payment of EUR 2,631 thousand to the shareholders of USU Software AG in the second quarter of 2013. Based on total assets of EUR 77,320 thousand (December 31, 2012: EUR 66,721 thousand), the equity ratio was 63.5% as of June 30, 2013 (December 31, 2012: 78.4%).

Cash-Flow and investments

As of June 30, 2013, the USU Group had cash and cash equivalents of EUR 12,835 thousand (H1/2012: EUR 12,893 thousand). The USU Group's cash flow from operating activities improved to EUR 6,063 thousand (H1/2012: EUR 5,071 thousand), largely as a result of changes in working capital. The cash flow from investing activities in the amount of EUR -1,999 thousand (H1/2012: EUR -9,320 thousand) primarily relates to the first purchase price payment for the BIG acquisition less cash and cash equivalents acquired, which totaled EUR 1,539 thousand, whereas the prior-year figure was influenced by the payment of the remaining purchase price for the full acquisition of Aspera in the amount of EUR 8,978 thousand. Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 471 thousand in the period under review (H1/2012: EUR 395 thousand). The cash flow from financing activities totaled EUR -2,631 thousand in the period under review (H1/2012: EUR 0 thousand); this was due to the dividend payment of EUR 0.25 per share to the shareholders of USU Software AG on June 7, 2013.

Orders on hand

Orders on hand at the USU Group amounted to EUR 23,381 thousand as of June 30, 2013, down 4.5% on the high prior-year figure (June 30, 2012: EUR 24,471 thousand). Compared with the end of the previous year (December 31, 2012: EUR 21,501 thousand), USU's orders on hand increased by 6.7%. Among other things, this reflects the improved order situation in the Service Business segment, which was impacted by utilization shortfalls in the period under review following the expiry of two major projects at the end of 2012.

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

Research and development

In the first six months of 2013, the USU Group invested a total of EUR 4,647 thousand (H1/2012: EUR 3,663 thousand) or 18.9% (H1/2012: 14.7%) of consolidated sales in research and development in order to allow it to offer its customers state-of-the-art, practical products and solutions. With 143 employees working in research and development throughout the Group as of June 30, 2013 (H1/2012: 108), USU 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 addition to the targeted evolution of the Group's existing products, development activities in the first half of 2013 focused on the implementation of new product innovations at the Group subsidiary USU AG. The international symposium USU World in May of this year saw the presentation of the newly developed USU Service Manager, a new, end-to-end solution for the specification, administration and management of a company's IT service portfolio that allows IT to achieve a high degree of standardization and efficiency. USU Service Manager is available in both cloud and on-site versions. This was accompanied by the continued development of another product innovation, USU Service Intelligence, in close cooperation with the first reference customers. USU Service Intelligence is an intuitive software tool that allows companies to independently prepare, analyze and manage their IT data. The tool uses predefined key figures and individual dashboards to allow customers to identify and resolve dependencies, operational weaknesses and deviations from the strategic orientation of their IT organization at a glance. In the period under review, development work on the innovation project USU Lifebelt, which enables a company's employees to help themselves when IT problems arise, included the development of a reporting tool that provides a comprehensive overview of the successful usage and the optimization potential of the installed application. Another product innovation is the USU KnowledgeScout, an interactive advice system that helps technical customer support to provide efficient error diagnosis. Expert knowledge can be easily entered, prepared and made available throughout the company. Since its launch, the first customer projects have been realized successfully and the further development of the product in accordance with the roadmap has been initiated. Plans include expanded functions for logging the diagnostic procedures performed, feedback options and an offline client.

USU AG's development team also worked on the evolution of the business service management product suite Valuation, whose version 4.4 is scheduled for release towards the end of the current fiscal year. The planned new features are aimed at improving the user interface, software ergonomics and accessibility and expanding the SaaS range, among other things. Following the launch of the USU KnowledgeCenter 6 product suite in the first half of the year, further development activities have focused on the continued optimization of this new version, which offers a modern look and a wide range of new functions allowing even better integration of a company's knowledge into the respective customer's processes.

At the subsidiary Aspera GmbH, work in the first half of the year focused on combining the SmartTrack license management software with the software from the partner CA Technologies; this was successfully finalized towards the end of the second quarter. In this context, new language versions were also implemented, meaning that SmartTrack is available in French, Spanish and Italian in addition to German and English.

The new features and key development areas for the ZIS system from the subsidiary Zed Tek GmbH included the finalization of version 5.6, which is scheduled to roll out in late Q3/2013. The new version of ZIS has a number of new features and design improvements. Customer-based function extensions were also added to the SME product suite myCMDB from the USU subsidiary Omega Software GmbH in the period under review. In the first half of 2013, development work at the subsidiary BIG, in which the USU Group recently acquired a majority interest, included the new version of BIG SCREEN 3.0 that will be published in late Q3/2013. The main feature will be the real-time capability of all of the analytical components, which means that searching and analyzing posts and the inclusion of the relevant information in all statistics can take place in near real-time.

Employees

With 436 employees as of June 30, 2013 (June 30, 2012: 324), the USU Group has selectively expanded its workforce by 30.5% as against the previous year through the successful recruitment of new employees and the acquisition of a majority interest in BIG. The latter company had a total of 40 employees at the end of the period under review. Broken down by functional unit, a total of 195 (June 30, 2012: 155) people were employed in consulting and services at the end of the reporting period, 143 (June 30, 2012: 108) in research and development, 51 (June 30, 2012: 32) in sales and marketing, and 47 (June 30, 2012: 39) in administration. Broken down by segment, the USU Group employed 322 (June 30, 2012: 233) people in the Product Business segment, 71 (June 30, 2012: 69) in the Service Business segment and 43 (June 30, 2012: 32) 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.

In Q2/2013, the German stock market saw largely volatile development with a slight upturn in prices towards the end of the period. While the DAX climbed by 2.1% as against the end of the previous quarter to close at 7,959.22 points on June 30, 2013 (March 31, 2013: 7,795.31 points), the Technology All Share remained essentially unchanged quarter-on-quarter, rising by 0.5% to 1,145.74 points. In trading on the electronic exchange XETRA, USU's shares closed at EUR 8.05 on June 30, 2013, an increase of 0.6% (March 31, 2013: EUR 8.00).

USU's share price rose by 13.5% in the first half of 2013 (December 31, 2012: EUR 7.09), thereby slightly outperforming the Technology All Share, which increased by 13.4%

over the same period (December 31, 2012: 1,010.12 points). The DAX underperformed by comparison, with growth of 4.6% (December 31, 2012: 7,612.39 points).

Supplementary report

There were no transactions of particular significance after June 30, 2013 that had a material effect on the development of business in the USU Group. In this respect, there were no major changes to the net assets, financial position or results of operations of the Group.

Opportunity and risk report.

There have been no changes in the risks and opportunities affecting USU Software AG and the Group as a whole since the balance sheet date December 31, 2012. In this regard, please refer to the risk report in the 2012 Annual Report.

Forecast report

General economy

According to its 2013/14 economic forecast published in late June 2013, the ifo institute expects the German economy to see slower development in the second half of the year following the temporary upturn in the spring, which was driven by catch-up effects. The ifo is forecasting GDP growth in Germany of 0.6% for 2013 as a whole. This compares with the increase in economic output of 0.9% in 2012 after adjustment for inflation, seasonal and calendar effects, according to Destatis. Global GDP is also expected to increase again, primarily due to monetary and fiscal stimulus action taken by tiger economies such as China, India and Russia as well as the emerging markets in Southeast Asia and Latin America. Based on their revised forecast, experts at ifo assume that global production will rise by 2.9% in 2013 following GDP growth of 3.2% in 2012.

Sector

According to the 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

After a modest start to fiscal 2013, the Management Board is forecasting significant sales and earnings growth for USU Software AG and its subsidiaries in the second half of 2013. This is based on three main growth drivers: innovation, internationalization and acquisitions. In recent quarters, the USU Group has initiated a number of new product developments that will form the basis for future organic expansion in high-margin, rapid growing Product Business alongside the existing software portfolio. USU generates license and maintenance income in this area in addition to product-related consulting income. The Service Business segment, in which USU generates consulting sales from individual projects that are not dependent on specific products, is expected to return to a normal level of consultant utilization following the expiry of several major projects during the third quarter of 2013. The Management Board is also anticipating growth for the year as a whole from the internationalization of the USU Group. This will result in part from the partnership with CA Technologies, from which USU has generated sales since the second quarter of 2013. The US subsidiary Aspera Technologies Inc., which was formed in 2012, is also expected to contribute to the expansion of international sales thanks to the expansion of its business activities. In addition to organic growth, another key element of the Company's strategy is the expansion of Group activities through the acquisition of companies and interests in companies. To this end, the company implemented the majority acquisition of BIG Social Media GmbH, an international provider of SaaS solutions in the field of social media management, in early 2013. The Management Board of USU Software AG plans to acquire further equity investments in sustainably profitable growth companies moving forward.

Overall, the Management Board is reiterating its target of increasing sales for fiscal 2013 as a whole to at least EUR 58 million (2012: EUR 51.2 million). In addition to the expansion of Product Business, the sustainable stabilization of Service Business is central to achieving this goal. Adjusted EBIT is expected to rise to over EUR 8 million in the same period (2012: EUR 7.1 million). In turn, the shareholders of USU Software AG will participate substantially in the company's success in the form of a dividend. Thanks to the above growth drivers, the Management Board expects sales growth to remain above that of the market as a whole, and that the earnings margin will increase further in subsequent years. The Management Board's medium-term planning involves growth to over EUR 100 million by 2017.

Möglingen, August 22, 2013

USU Software AG

The Management Board

ASSETS (Thsd. EUR)	6-month report 30.06.2013	Annual report 31.12.2012
Non current assets		
Intangible assets	5,245	5,626
Goodwill	41,452	32,395
Property, plant and equipment	1,497	1,194
Other financial assets	22	33
Deferred tax assets	3,194	3,194
Other assets	561	794
Total non current assets	51,971	43,236
Current assets		
Inventories	763	693
Work in process	2,599	2,448
Trade receivables	7,342	7,353
Income tax receivables	328	585
Other financial assets	318	282
Other assets	69	97
Prepaid expenses	1,095	619
Securities	0	0
Cash on hand and bank balances	12,835	11,408
Total non current assets	25,349	23,485
Total assets	77,320	66,721

LIABILITIES AND SHAREHOLDERS' EQUITY (Thsd. EUR)	6-month report 30.06.2013	Annual Report 31.12.2012
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	470	470
Other comprehensive income	-16	0
Accumulated losses	-14,654	-11,480
Shareholders' equity not including minority interests	49,116	52,306
Minority interests	-37	-11
Total shareholders' equity	49,079	52,295
Non-current liabilities		
Pension provisions	1,039	993
Total non-current liabilities	1,039	993
Current liabilities		
Provisions for income taxes	759	433
Purchase price liabilities	8,224	0
Personnel-related provisions and liabilities	3,078	4,494
Other provisions and liabilities	1,391	1,942
Liabilities from received payments	6,053	2,481
Trade payables	1,672	1,690
Deferred income	6,025	2,393
Total current liabilities	27,202	13,433
Total liabilities and shareholders' equity	77,320	66,721

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (unaudited)**

CONSOLIDATED INCOME STATEMENT (Thsd. EUR)	Quarterly Report II / 2013 01.04.2013 - 30.06.2013	Quarterly Report II / 2012 01.04.2012 - 30.06.2012	6-Month Report 2013 01.01.2013 - 30.06.2013	6-Month Report 2012 01.01.2012 - 30.06.2012
Sales revenue	12,301	12,374	24,644	24,956
Cost of sales	-6,475	-6,594	-12,920	-13,062
Gross profit	5,826	5,780	11,724	11,894
Sales and marketing expenses	-2,112	-1,778	-4,313	-3,547
General administrative expenses	-1,136	-1,054	-2,733	-2,096
Research and development expenses	-2,354	-1,834	-4,647	-3,663
Other operating income	63	36	204	184
Other operating expenses	-68	-28	-177	-1,932
Amortization of intangible assets recognized in the course of company acquisitions	-187	-285	-375	-570
Result of ordinary operations (EBIT)	32	837	-317	270
Interest income	13	69	24	111
Interest expenses	-63	-87	-123	-250
Result before tax (EBT)	-18	819	-416	131
Income taxes	-118	-346	-154	-922
Net profit / loss	-136	473	-570	-791
of which:				
- shareholders of USU Software AG	-116	466	-543	-783
- minority interests	-20	7	-27	-8
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG				
(basic and diluted)	-0.01	0.04	-0.05	-0.08
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 II / 2013 01.04.2013 - 30.06.2013	Quarterly Report II / 2012 01.04.2012 - 30.06.2012	6-Month Report 2013 01.01.2013 - 30.06.2013	6-Month Report 2012 01.01.2012 - 30.06.2012
Group result	-136	473	-570	-791
Available-for-sale financial instruments (securities)				
Fair value changes taken directly to equity	0	5	0	10
Recognized to profit or loss	0	0	0	0
Deferred taxes from available-for-sale financial instruments (securities)	0	0	0	0
Currency translation difference	-3	-14	-16	3
Other comprehensive income	-3	-9	-16	13
Overall result	-139	464	-586	-778
of which:				
- shareholders of USU Software AG	-119	457	-559	-770
- minority interests	-20	7	-27	-8

CONSOLIDATED STATEMENT OF CASH FLOW (Thsd. EUR)	6-month report 01.01.2013 - 30.06.2013	6-month report 01.01.2012 - 30.06.2012
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result before taxes (EBT)	-416	131
Adjustments for:		
Financial income / financial expenditure	99	139
Depreciation and amortization	716	857
Income taxes paid	-158	-981
Income taxes refunded	0	11
Interest paid	-7	-141
Interest received	9	107
Other non-cash income and expenses	51	-77
Change in working capital:		
Inventories	-70	96
Work in process	-151	-1,201
Trade receivables	1,487	910
Prepaid expenses and other assets	67	-400
Trade payables	-347	184
Personnel-related provisions and liabilities and pension provisions	-1,534	-664
Other provisions and liabilities	6,317	6,100
Net cash flow from ordinary activities	6,063	5,071
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	-1,539	-8,978
Capital expenditure in property, plant and equipment	-313	-360
Capital expenditure in other intangible assets	-158	-35
Repayment of short-term loans	11	52
Sales of non-current assets	0	1
Investments in available-for-sale securities	0	0
Net cash flow from investing activities	-1,999	-9,320
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend payment	-2,631	0
Net cash flow from financing activities	-2,631	0
Net effect of currency translation in cash and cash equivalents	-6	-3
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	1,427	-4,252
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,408	17,145
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,835	12,893

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (unaudited)

STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Accumu- lated losses	Currency Trans- lation	Securities measured at fair value	equity including minority interests	Minority interest	Total
	Shares	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
Consolidated equity as of January 1, 2012	10,523,770	10,524	52,792	386	-13,773	-16	-7	49,906	2	49,908
Group result	0	0	0	0	-783	0	0	-783	-8	-791
Other comprehensive income	0	0	0	0	0	3	10	13	0	13
Overall result	0	0	0	0	-783	3	10	-770	-8	-778
Consolidated equity as of June 30, 2012	10,523,770	10,524	52,792	386	-14,556	-13	3	49,136	-6	49,130
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

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 2013 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, 2012. This unaudited six-month report for 2013 should therefore be read in conjunction with the audited consolidated financial statements for 2012. 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.

Consolidated group

On December 20, 2012, USU Software AG acquired 51% of shares in BIG Social Media GmbH, Berlin (“BIG”) in an agreement subject to a condition precedent. The shares were transferred in title on January 15, 2013 when the first installment of the purchase price was paid. BIG has been included in consolidation in this six-month report for 2013.

Final purchase price allocation will be carried out in fiscal 2013. Hence, all differences between carrying amounts and fair values as of the acquisition date and all intangible assets yet to be identified in purchase price allocation have therefore been assigned in full to goodwill. Please also see the disclosures in the notes to the audited 2012 consolidated financial statements under “8.3 Acquisition of BIG Social Media GmbH, Berlin”.

Accounting standards applied for the first time

The following IFRSs are to be applied for the first time in the 2013 fiscal year:

- In June 2011, the International Accounting Standards Board (IASB) published the amended IAS 19 “Employee Benefits”. The amendments were endorsed by the EU in June 2012. The amendments to IAS 19 are required to be applied retrospectively for fiscal years beginning on or after January 1, 2013. First-time application did not have any impact on the consolidated financial statements.
- In May 2011, the IASB published IFRS 13 “Fair Value Measurement”, which combines the provisions on fair value measurement that were previously contained in the individual IFRSs in a single standard and replaces them with a uniform provision. IFRS 13 is required to be applied prospectively for financial years beginning on or after January 1, 2013. First-time application did not have a material impact on the measurement of assets and liabilities. Changes relate in particular to the notes to the consolidated financial statements. The information on the fair value of financial instruments and the categorization of financial instruments that was previously only required to be provided at year-end must now also be provided in the interim financial statements.

Sales revenues

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

	1.1.-30.6.2013 Thsd. EUR	1.1.-30.6.2012 Thsd. EUR
Consulting	14,526	14,708
Licences / products	3,175	3,605
Service and maintenance	6,131	5,717
Other	812	926
	24,644	24,956

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.-30.6.2013 Thsd. EUR	1.1.-30.6.2012 Thsd. EUR	1.1.-30.6.2013 Thsd. EUR	1.1.-30.6.2012 Thsd. EUR	1.1.-30.6.2013 Thsd. EUR	1.1.-30.6.2011 Thsd. EUR	1.1.-30.6.2013 Thsd. EUR	1.1.-30.6.2012 Thsd. EUR	1.1.-30.6.2013 Thsd. EUR	1.1.-30.6.2012 Thsd. EUR
Revenues	18,085	16,766	6,525	8,175	24,610	24,941	34	15	24,644	24,956
EBITDA	1,570	3,166	438	1,104	2,008	4,270	-1,608	-3,142	400	1,128
EBIT	1,329	2,405	381	1,045	1,710	3,450	-2,027	-3,180	-317	270
Net financial income	-	-	-	-	-	-	-99	-139	-99	-139
Taxes	-	-	-	-	-	-	-154	-922	-154	-922
Net profit / loss	1,329	2,405	381	1,045	1,710	3,450	-2,280	-4,241	-570	-791
Employees (as of June 30, 2013/12)	322	233	71	69	393	302	43	32	436	334

The USU Software Group generated a total of 12.9% (H1 2012: 17.5%) or EUR 3,191 thousand (H1 2012: EUR 4,375 thousand) of its consolidated sales outside Germany in the first six months of the 2013 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.

Financial instruments

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

in Thsd. EUR	30.06.2013		31.12.2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current financial instruments				
Loans to members of the Management Board	22	22	33	33
Work in progress	2,599	2,599	2,448	2,448
Trade receivables	7,342	7,342	7,353	7,353
Other current financial assets	318	318	282	282
Current financial instruments	0	0	0	0
Cash on hand and bank balances	12,835	12,835	11,408	11,408
	23,116	23,116	21,524	21,524

in Thsd. EUR	30.06.2013		31.12.2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Trade payables	1,672	1,672	1,690	1,690
Liabilities from advance payments	6,053	6,053	2,481	2,481
Purchase price obligation for BIG	8,224	8,224	0	0
	15,949	15,949	4,171	4,171

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.

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, 2013:

Holdings of members of corporate bodies	shares 30.06.2013	shares 30.06.2012
Management Board		
Bernhard Oberschmidt	18,696	18,696
Supervisory Board		
Udo Strehl*	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500
* An additional 3,487,868 (2012: 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 (2012: 32,000) shares in USU Software AG are allocated to Udo Strehl through the "Knowledge is the future" foundation of which he is the Managing director pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.		

Related party disclosures

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

There were no significant changes to business relations between USU Software AG and the Supervisory Board Chairman and majority shareholder Udo Strehl and his wife compared with the information in the notes to the consolidated financial statements of fiscal 2012. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2012.

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 22, 2013

Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

SEPTEMBER 5, 2013

ANALYST CONFERENCE OF USU SOFTWARE AG
- 3. ZKK – Zurich Capital market Conference -
Zurich, Switzerland

NOVEMBER 11, 2013

9-MONTH REPORT 2013

NOVEMBER 11, 2013

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