9-MONTH REPORT 2017

USU Software AG

9-Month Report 2016 *in EUR thousand, except for earnings per share and number of employees*	2017 Jan. 1 – Sept. 30, 2017	2016 Jan. 1 – Sept. 30, 2016
REVENUE	59,908	51,393
ADJUSTED EBIT	2,350	5,342
ADJUSTED CONSOLIDATED NET PROFIT	1,489	4,748
ADJUSTED EARNINGS PER SHARE (EUR)	0.14	0.45
EBITDA	2,749	6,305
EBIT	699	4,405
CONSOLIDATED NET PROFIT	-33	3,919
EARNINGS PER SHARE (EUR)	0.00	0.37
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,120	4,219
NUMBER OF EMPLOYEES AS OF SEPT. 30	661	528
	Sept. 30, 2017	Dec. 31, 2016
CASH AND CASH EQUIVALENTS	13,691	23,180
EQUITY	59,651	63,623
TOTAL ASSETS	91,339	91,905
EQUITY RATIO	65.3%	69.2%

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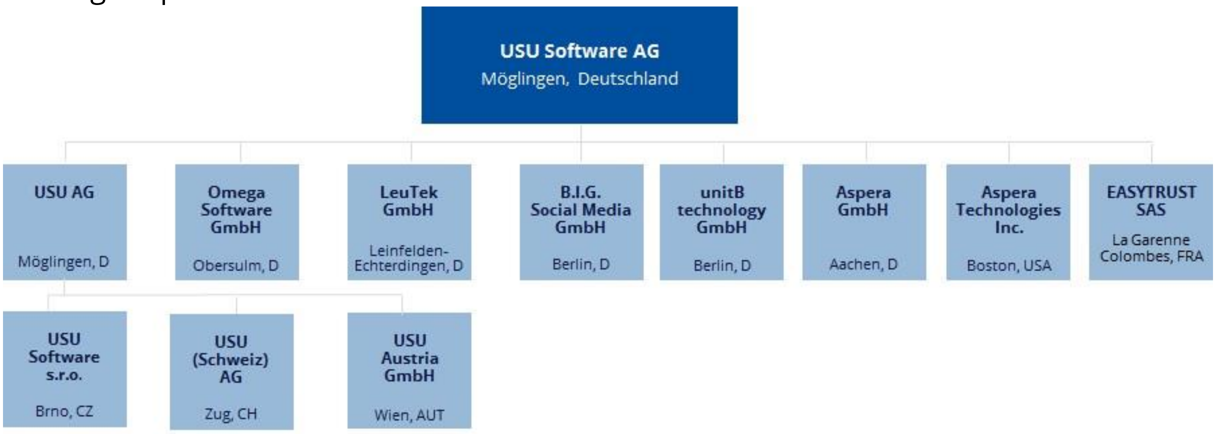
Dear Shareholders and Readers,

The first nine months of the current fiscal year were adversely impacted by various effects, leading to a considerable reduction in earnings. Firstly, several customers who had originally opted for on-premises installation with a corresponding license purchase ultimately decided at short notice to order a software-as-a-service (SaaS) solution. Although this will be positive for the USU Group in the medium term, it will mean a considerable shortfall in the current year compared with the forecast license sales. At the same time, investments in markets outside Germany were actively maintained at a high level.
Irrespective of these influences on consolidated net profit, the Management Board of USU Software AG pressed ahead with the Group-wide workforce expansion with a view to the medium-term development of the USU Group, which led to a corresponding increase in costs. After taking negative exchange rate effects into account, this meant that the USU Group's business performance failed to meet its own expectations by some distance. This has consequences in terms of planning for fiscal 2017 as a whole, with forecasts being lowered as a result. In light of the effects detailed above, the Management Board of USU Software AG has reduced its forecasts for the current fiscal year and postponed its medium-term forecast for 2020 by one year to 2021. The necessary strategic investments in markets outside Germany such as the acquisition of EASYTRUST, which involves expenses for product integration and market development, and the Group-wide workforce expansion are extremely important for the USU Group's future development. Although the delay in the resulting growth will have an adverse effect in the current year, we will feel the benefit in the medium term. Our successful 40-year history as a company shows that phases of investment like this have a positive impact in subsequent periods, and we have no doubt that this will be the case once again.

Yours,
Bernhard Oberschmidt,
CEO of USU Software AG

Basic information on USU Software AG and the Group

As the parent company of the Group, USU Software AG, Möglingen, Germany, directly or indirectly participates in the following operational companies: Aspera GmbH, Aachen, Germany; Aspera Technologies Inc., Boston, USA; B.I.G. Social Media GmbH, Berlin, Germany; EASYTRUST SAS, Les Garenne Colombes, France; LeuTek GmbH, Leinfelden-Echterdingen, Germany; Omega Software GmbH, Obersulm, Germany; unitB technology GmbH, Berlin, Germany; USU AG, Möglingen, Germany; USU Austria GmbH, Vienna, Austria; USU (Schweiz) AG, Zug, Switzerland; USU Software s.r.o., Brno, Czech Republic. USU Software AG also has shareholdings in Openshop Internet Software GmbH, Möglingen, Germany, and USU Consulting GmbH, Sursee, Switzerland, which are no longer operational.



The USU Software AG and its subsidiaries

On January 5, 2017, USU Software AG acquired 100% of shares in unitB technology GmbH, Berlin (“unitB technology”), an internationally oriented full-service agency for digital communications and IT.

Further information on the acquisition of unitB technology can be found under *Change in Group organization* in the notes to the consolidated financial statements in this 6-Month Report 2017.

The company acquired all shares in EASYTRUST SAS, La Garenne Colombes, France, (“EASYTRUST”) on May 4, 2017. With the acquisition of EASYTRUST, the USU Group is expanding its vertical integration in the field of IT management and its international presence on the key French market.

EASYTRUST is a highly specialized software provider for the automatic detection and analysis of hardware and software in complex infrastructures and the software license management of Oracle products. Further information on the acquisition of EASYTRUST can be found under *Change in Group organization* in the notes to the consolidated financial statements in this 9-Month Report 2017.

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 software solutions for knowledge-based service management. USU is Europe's largest provider of IT and knowledge management software.

In the area of IT management, USU supports companies with comprehensive ITIL®-compliant solutions for strategic and operational IT and enterprise service management. USU solutions give customers an overall view of their IT processes and IT infrastructure and enable them to transparently plan, allocate, monitor and actively manage services. USU is one of the world's leading manufacturers in the area of software license management.

USU is driving the digitization of business processes with its intelligent solutions and expertise in the area of digital interaction. Standard software and consulting services are used to automate service workflows and actively provide knowledge for all communications channels and points of customer contact in sales, marketing and customer service. The portfolio in this area is rounded off by software for industrial big data and the service segment with system integration and individual applications.

More than 800 USU customers from all sectors of the global economy use USU solutions to create transparency, cut costs and reduce their risk. They include Allianz, Baloise Group, BOSCH, BMW, Daimler, Deutsche Telekom, Evonik, Heidelberger Druckmaschinen, Jacobs Engineering, Jungheinrich, Poste Italiane, Texas Instruments, VW, W&W and ZDF.

USU Software AG has made it its goal to achieve growth in consolidated sales above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group's international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy.

Taking into account the acquisitions of unitB technology and EASYTRUST and the latest operational developments, the Management Board is forecasting an increase in consolidated sales to between EUR 83 million and EUR 86 million in the current fiscal year, accompanied by an increase in adjusted EBIT to between EUR 6 million and EUR 8 million. The adjusted medium-term forecast to 2021 projects growth in consolidated sales to EUR 140 million accompanied by an increase in adjusted EBIT to EUR 20 million.

As the USU Group's IFRS consolidated earnings have been and continue to be influenced by various extraordinary effects hampering the comparability of USU's earnings power across multiple fiscal years, the company has also 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

Innovation is one of the key growth drivers for the USU Group. Accordingly, the company has been investing heavily in research and development (R&D) for years. In total, it invested EUR 9,956 thousand (Q1-Q3 2016: EUR 8,321 thousand) or 16.9% (Q1-Q3 2016: 16.2%) of consolidated sales in R&D in the first nine months of 2017. The number of employees in this segment was 189 as of September 30, 2017 (September 30, 2016: 148). The USU Group does not capitalize its R&D expenses but recognizes them directly in profit or loss.

In the Valuemation segment, version 5.0 of the IT service management suite of the same name was completed at the end of the second quarter. The new version benefits in particular from an ergonomic interface design and the optimization of process-oriented user guidance and has now been delivered to the first customers. Valuemation 5.0 was also ported to MS SQL Server, as was version 3.0 of the mobile version of Valuemation. At the same time, the development team began implementing new functions for the next version of Valuemation, including improvements to web-based user administration and performance monitoring. Valuemation Analytics 4.3 for the analysis and monitoring of all IT processes was also completed in the period under review.

In the Business Service Monitoring and Alarm Management segment, the new version of ZIS was released. In addition to traditional infrastructure such as servers, databases and networks, the system now provides a transparent, consolidated overview of the entire cloud infrastructure. The new ZIS Cloud Connector allows the effective monitoring of private, public and hybrid clouds from the respective providers. The interfaces with the market leaders Amazon WebServices, Windows Azure and Google Cloud Platform have already been created, with further connectors to follow.

In the Software License Management segment, the new version of the Aspera software SmartTrack was delivered. Among other things, the new release allows simulation tables to be imported, making it easy to run comparisons of different scenarios. Furthermore, two new connectors to Lansweeper and Symantec Altiris allow additional systems and raw software data to be imported. A new version of the License Control for SAP solution is also available. Its user interface primarily optimizes the indirect use of systems that access SAP.

In the KCenter area, the new version of Knowledge Center was completed in October 2017. It offers improved editing functions and simpler handling of large volumes of documents. A new version of Knowledge First was also released. The web self-service solution now boasts significantly improved integration, particularly for one-page sites. One new development is the Knowledge Bot solution, which was presented in late September 2017. This intelligent service and FAQ bot application makes defined content available for customer communication on an automated basis.

The R&D activities of BIG Social Media are also concentrated on service bots. The new generation of bot solutions boasts improved response recognition thanks to natural language processing. Additional platforms and channels for chatbots are also supported, including Facebook and LinkedIn.

In the Katana division, which focuses on the growth area of industrial big data and is the latest business segment to emerge from the research segment, work continued on the development of an MVP (minimum viable product). To date, the current solution has been offered on-demand at customers or as a service using an ASP model in a private cloud. Implementation as true SaaS will allow smaller customers in particular to be provided with affordable, standardized solutions. The division has also developed Katana Flow, an application for the graphical programming of data pipelines in beta development status.

In addition, the third quarter saw the launch of the research project SmartMMI. Supported by the German Federal Ministry of Transport and Digital Infrastructure, the project involves processing geodata. USU is contributing its data analysis expertise to the task of deriving connection scheduling on the basis of the local public transport system's traffic data.

Economic Report

Overall economic development

According to information from the German Federal Statistical Office (Destatis)[1] published in mid-November 2017, the German economy enjoyed strong growth in the third quarter of 2017. Adjusted for inflation, seasonal and calendar effects, gross domestic product (GDP) for the third quarter of 2017 was 0.8% higher than in the previous quarter according to a flash estimate by Destatis. Among other things, positive impetus was provided by foreign trade, with exports recording stronger growth than imports in the third quarter of 2017. This meant that, at least mathematically, net exports (exports minus imports) had a positive effect on GDP compared with the previous quarter. While private and public consumer spending remained largely unchanged against the previous quarter, gross fixed asset investments made a positive contribution to economic growth. The pace of growth in the economy also picked up compared with the previous quarter: GDP adjusted for inflation increased by 2.3% year-on-year in the third quarter of 2017, while GDP adjusted for calendar effects rose by 2.8%.

According to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat) [2], the euro area also enjoyed strong quarter-on-quarter GDP growth of 0.6% in the third quarter of 2017. Seasonally adjusted euro area GDP increased by 2.3% as against Q3 2016 in the third quarter of 2017.

Sector development

According to surveys conducted by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) [3], the German high-tech industry also enjoyed positive development. Eight out of every ten companies (82 percent) expected to record higher sales in the second half of 2017 than in the same period of the previous year. Only 7% expect sales to decline. This is shown by the latest economic survey by the digital association BITKOM. As a result, the BITKOM index amounted to 76 points, the second-highest level since the first survey in 2001 “The positive business forecasts reflect the consistently good general economic situation. Sentiment is even better in the Bitkom industry than for the economy as a whole,” says Bitkom President Achim Berg.

[1] cf. destatis press release 404 dated November 14, 2017, published at https://www.destatis.de
[2] cf. Eurostat press release dated November 14, 2017 – 171/2017, published at http://ec.europa.eu/eurostat
[3] cf. BITKOM press release dated August 18, 2017, published at http://www.bitkom.org

Business development in the third quarter of 2017

In the third quarter of 2017, several primarily foreign USU Group customers opted for a software-as-a-service (SaaS) solution instead of purchasing an individual license and the corresponding maintenance (on-premises) at short notice prior to the finalization of the respective agreements. As a result, USU Software AG recorded lower consolidated license sales than expected in the period under review. As SaaS agreements typically have a term lasting several years, USU will benefit from this development in the medium term, but the immediate consequence is a shortfall in sales in the reporting period.

Irrespective of this, the USU Group increased its sales by 15.4% to EUR 20,037 thousand in the third quarter of 2017 (Q3 2016: EUR 17,362 thousand). As a result of strong domestic business in particular, the USU Group generated a 32.9% increase in license income to EUR 3,320 thousand in the period under review (Q3 2016: EUR 2,499 thousand). At the same time, the USU Group increased its maintenance business, including SaaS sales, by 11.4% year-on-year to EUR 5,599 thousand in the third quarter of 2017 (Q3 2016: EUR 5,024 thousand). Consulting business was up by 14.7% year-on-year at EUR 10,970 thousand in the same period (Q3 2016: EUR 9,567 thousand).

Muted international business meant that sales in the Product Business segment saw below-average growth of 13.7% year-on-year to EUR 15,199 thousand (Q3 2016: EUR 13,370 thousand). By contrast, sales in the Service Business segment increased by 18.3% year-on-year to EUR 4,663 thousand in the third quarter of 2017 as a result of sustained high consultant capacity utilization and the new Group subsidiary unitB technology (Q3 2016: EUR 3,943 thousand). The share of product business in relation to the USU Group's consolidated sales thus decreased slightly as against the previous year to 75.9% (Q3 2016: 77.0%).

As market development in France and the United Kingdom in particular is taking longer than previously announced, the Management Board of USU Software AG has decided to expand its foreign investments, including in the French market in the form of the recently acquired EASYTRUST SAS, which has since been renamed USU SAS. As a result of this and the targeted expansion of the Group's workforce, the USU Group's cost base increased by 24.0% year-on-year to EUR 19,410 thousand in conjunction with the costs of the new Group subsidiaries (Q3 2016: EUR 15,297 thousand).

Taking into account negative exchange rate effects due to the weakness of the US dollar, the USU Group's profitability was significantly lower in the third quarter of 2017 than in the previous year. Operating earnings before interest, taxes, depreciation and amortization (EBITDA) declined by 58.9% year-on-year to EUR 991 thousand in the period under review (Q3 2016: EUR 2,410 thousand), while earnings before interest and taxes (EBIT) fell from EUR 1,811 thousand in the third quarter of 2016 to EUR 274 thousand, a reduction of 84.9%.

The USU Group's consolidated net profit (IFRS) declined from EUR 1,661 in the same quarter of the previous year to EUR 20 thousand in the period under review. This corresponds to earnings per share of EUR 0.00 (Q3 2016: EUR 0.16).
Adjusted for the extraordinary effects of acquisitions, USU's adjusted EBIT declined significantly year-on-year by 61.0% to EUR 785 thousand in the third quarter of 2017 (Q3 2016: EUR 2,014 thousand). Adjusted consolidated earnings fell by 73.1% to EUR 479 thousand (Q3 2016: EUR 1,778 thousand). This corresponds to a decrease in adjusted earnings per share from EUR 0.13 in the third quarter of 2016 to EUR 0.05 in the period under review.

Business development in the first nine months of fiscal 2017

Development of revenue and costs

Consolidated revenue

Over the first nine months of fiscal 2017, USU Software AG increased its consolidated sales (IFRS) by 14.6% year-on-year to EUR 58,908 thousand (Q1-Q3 2016: EUR 51,393 thousand). This was due in particular to strong domestic business, which increased by 15.3% to EUR 42,688 thousand (Q1-Q3 2016: EUR 37,024 thousand). Despite positive performance in the first half of the year, international sales saw comparatively muted growth of 12.9% to EUR 16,220 thousand in the first nine months (Q1-Q3 2016: EUR 14,369 thousand). Accordingly, the share of consolidated sales generated outside Germany decreased slightly, from 28.0% in the previous year to 27.5% in the first nine months of the current fiscal year. In light of the Group's targeted foreign investments and with a view to the expansion of SaaS business, the Management Board expects the share of consolidated sales attributable to international business to return to above 30% in the medium term.
Despite the partial shift towards SaaS business, USU's software license business grew by 14.9% year-on-year to EUR 9,112 thousand in the first three quarters of 2017 (Q1-Q3 2016: EUR 7,927 thousand). At the same time, the higher level of SaaS revenue meant that maintenance business increased to EUR 16,307 thousand (Q1-Q3 2016: EUR 14,400 thousand). This represents an increase of 13.2% on the previous year.

Consulting business enjoyed above-average growth in the first nine months of fiscal 2017, rising by 15.4% year-on-year to EUR 32,705 thousand (Q1-Q3 2016: EUR 28,330 thousand). Other income, which primarily comprises project-related merchandise sales of third-party hardware and software, totaled EUR 784 thousand in the period under review (Q1-Q3 2016: EUR 736 thousand).

Revenue by segment

The range in the Product Business segment comprises all activities relating to USU products on the IT management solutions market, which also includes the recently acquired EASYTRUST in France, the knowledge management market and "Katana", the new division for big data analytics that emerged from the research department. The Service Business segment comprises consulting services for IT projects, individual application development and, following the acquisition of unitB technology, digital strategy consulting, service and UX design and web portals, apps and intranets.

The Product Business segment contributed sales of EUR 44,555 thousand in the first nine months of 2017 (Q1-Q3 2016: EUR 39,946 thousand), up 11.5% on the previous year. This was attributable to organic sales growth as well as to the acquisition of EASYTRUST SAS in France. In the same period, the USU Group increased its consulting sales in the Service Business segment by 25.3% to EUR 14,131 thousand (Q1-Q3 2016: EUR 11,277 thousand). In addition to organic growth, the acquisition of unitB technology GmbH in early January 2017 contributed to this development. Sales not allocated to the segments totaled EUR 222 thousand in the first nine months of fiscal 2017 (Q1-Q3 2016: EUR 170 thousand).

Operating costs

The operating cost base of the USU Group increased by 23.0% year-on-year to EUR 57,236 thousand in the first nine months of 2017 (Q1-Q3 2016: EUR 46,529 thousand).

This firstly reflects the higher level of targeted investment in marketing, sales and development outside Germany with a view to achieving a sustainable expansion in USU's foreign business and secondly the first-time inclusion of the costs of unitB technology and EASYTRUST in the USU Group's cost base.

The cost increase also resulted from higher staff costs owing to the strategic expansion of the Group's workforce in order to successfully implement the medium-term growth target.

The cost of sales increased by 16.1% year-on-year to EUR 27,513 thousand in the period under review (Q1-Q3 2016: EUR 23,695 thousand). This rise was primarily due to the year-on-year expansion of the consultant team by 21.1% as against the previous year to 298 as of September 30, 2017 (September 30, 2016: 246). The cost of sales as a percentage of consolidated sales also increased from 46.1% in the first nine months of 2016 to 46.7%. Gross income rose to EUR 31,395 thousand in the same period (Q1-Q3 2016: EUR 27,698 thousand), corresponding to a gross margin of 53.3% (Q1-Q3 2016: 53.9%).

USU's marketing and sales expenses saw an above-average year-on-year increase of 35.7% to EUR 12,902 thousand in the first nine months of fiscal 2017 in connection with the targeted intensification of its international activities (Q1-Q3 2016: EUR 9,505 thousand). In this context, USU also expanded the sales team for the US and Canadian market and stepped up its marketing activities in these markets, as well as in France and the United Kingdom. Marketing and sales expenses as a share of consolidated sales therefore increased from 18.5% in the previous year to 21.9% in the period under review.

Legal consulting, due diligence and other incidental acquisition costs in connection with the acquisition of unitB technology and EASYTRUST resulted in an increase in general and administrative expenses of 37.1% year-on-year to EUR 6,865 thousand in the period from January to September 2017 (Q1-Q3 2016: EUR 5,008 thousand). This was due in part to higher costs for the standardization of the internal Group IT administration of the USU Group. Relative to consolidated sales, the administrative cost ratio rose from 9.7% in the same period of the previous year to 11.7% in the first nine months of fiscal 2017.

In line with the expansion of the research and development team to 189 as of September 30, 2017 (September 30, 2016: 148), research and development expenses climbed by 19.7% as against the previous year to currently EUR 9,956 thousand (Q1-Q3 2016: EUR 8,321 thousand). This was also due in part to recruitment for the new KATANA division. In addition, this item includes the USU Group's investments in the continuing development of EASYTRUST software products and integrating them with existing USU products. Accordingly, the ratio of research and development expenses to consolidated sales increased slightly to

16.9% in the first nine months of 2017 (Q1-Q3 2016: 16.2%). 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 management report.

Net other operating income and expenses totaled EUR 58 thousand in the first nine months of 2017 (Q1-Q3 2016: EUR 498 thousand).

Results of operations

The increase in the USU Group's investment activity outside Germany had an impact on earnings development in the first nine months of 2017 compared with the same period of the previous year. Accordingly, EBITDA declined by 56.1% year-on-year to EUR 2,747 thousand (Q1-Q3 2016: EUR 6,305 thousand). Adjusted for depreciation and amortization of EUR 2,048 thousand (Q1-Q3 2016: EUR 1,900 thousand), USU generated EBIT of EUR 699 thousand in the same period (Q1-Q3 2016: EUR 4,405 thousand). Net finance costs amounted to EUR -118 thousand in the first nine months of 2017 (Q1-Q3 2016: EUR -78 thousand). Taking into account the income tax expense of EUR -614 thousand (Q1-Q3 2016: EUR -408 thousand), consolidated net profit declined from EUR 3,919 thousand in the first three quarters of the previous year to EUR -33 thousand in the period under review. Earnings per share therefore amounted to EUR 0.00 (Q1-Q3 2016: EUR 0.37).

Adjusted consolidated net profit

Starting with EBIT, the table below shows the reconciliation to the non-IFRS key earnings ratios of adjusted EBIT, adjusted consolidated net profit and adjusted earnings per share. These are provided for information purposes and represent the USU Group's key figures adjusted for extraordinary effects relating to acquisitions. Adjusted EBIT is also the principal key performance indicator for the USU Group.

Adjusted consolidated net profit *EUR thousand*	**Jan. 1, 2017 – Sept. 30, 2017**	**Jan. 1, 2016 - Sept 30, 2016**
Profit from ordinary activities (EBIT)	**699**	**4,405**
Amortization of intangible assets recognized in connection with company acquisitions	1,031	957
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	620	-20
- from stay bonus for BIG GmbH / unitB technology GmbH	225	75
- from Consulting fees for acquisition of unitB technology	140	0
- from purchase price adjustments	0	140
- from incidental acquisition costs	255	45
Adjusted EBIT	**2,350**	**5,342**
Finance income (as per consolidated income statement)	33	114
Finance costs (as per consolidated income statement)	-151	-192
Income taxes (as per consolidated income statement)	-614	-408
Tax effects relating to adjustments	-129	-108
- depreciation and amortization	-129	-108
Adjusted consolidated net profit	**1,489**	**4,748**
Adjusted earnings per share (in EUR):	**0.14**	**0.45**
Weighted average shares outstanding:		
Basic and diluted	10,523,770	10,523,770

The increased level of investment outside Germany meant that adjusted EBIT declined by 56.0% year-on-year to EUR 2,350 thousand in the first nine months of 2017 (Q1-Q3 2016: EUR 5,342 thousand). At the same time, adjusted consolidated net profit fell by 68.6% as against the first nine months of 2016 to EUR 1,489 thousand (Q1-Q3 2016: EUR 4,748 thousand). Adjusted earnings per share declined accordingly from EUR 0.45 in the previous year to EUR 0.14 in the period under review.

Net assets and financial position

On the asset side of the statement of financial position, the USU Group’s non-current assets increased to EUR 57,555 thousand as of September 30, 2017 following the acquisitions of unitB technology GmbH and EASYTRUST (December 31, 2016: EUR 47,608 thousand).

Based on the purchase price allocation for unitB technology GmbH and EASYTRUST, intangible assets increased from EUR 5,428 thousand as of December 31, 2016 to EUR 8,884 thousand as of September 30, 2017, while goodwill increased to EUR 41,983 thousand as of the end of the reporting period (December 31, 2016: EUR 35,575 thousand). However, current assets declined from EUR 44,297 thousand as of December 31, 2016 to EUR 33,784 thousand over the same period, mainly as a result of the decrease in Group liquidity in connection with the payment of the purchase price components owed for the acquisition of unitB technology and EASYTRUST and the dividend payment to USU's shareholders, while trade receivables were also reduced significantly. Cash and cash equivalents (cash on hand and bank balances plus securities) declined to EUR 13,691 thousand as of September 30, 2017 (December 31, 2016: EUR 23,180 thousand), while trade receivables decreased from EUR 14,190 thousand as of December 31, 2016 to EUR 11,176 thousand as of September 30, 2017.

On the equity and liabilities side of the statement of financial position, debt in the form of the USU Group’s current and non-current liabilities increased to EUR 31,688 thousand as of September 30, 2017 (December 31, 2016: EUR 28,282 thousand), mainly as a result of higher deferred income for maintenance agreements invoiced at the start of the year for which the services will be rendered and the sales recognized later in the year. Purchase price liabilities for the acquisition of unitB technology GmbH of EUR 1,435 thousand as of September 30, 2017 (December 31, 2016: EUR 0 thousand) also contributed to this increase. At the same time, the USU Group's equity declined from EUR 63,623 thousand as of December 31, 2016 to EUR 59,651 thousand as of September 30, 2017; this was due to the dividend payment to the shareholders of USU Software AG in the amount of EUR 4,209 thousand in the third quarter of 2017. With total assets amounting to EUR 91,339 thousand (December 31, 2016: EUR 91,905 thousand), the equity ratio was 65.3% as of September 30, 2017 (December 31, 2016: 69.2%). This means that USU Software AG continues to enjoy extremely solid financing with no liabilities to banks.

Cash flows and capital expenditure

The USU Group had cash and cash equivalents of EUR 10,677 thousand as of the end of the third quarter (Q1-Q3 2016: EUR 19,417 thousand). This corresponds to a year-on-year decrease of EUR 8,740 thousand or 45.0%, which is primarily attributable to the acquisition of unitB technology and EASYTRUST and the associated purchase price payments as well as the dividend payment to the company's shareholders.

At EUR 2,120 thousand (Q1-Q3 2016: EUR 3,445 thousand), the USU Group’s cash flow from operating activities also fell by 49.8% year-on-year in the first nine months of 2017. In addition to the drop in earnings, this is also due to specific changes in working capital.

Net cash used in investing activities of EUR -7,224 thousand (Q1-Q3 2016: EUR -903 thousand) primarily reflects the acquisition of unitB technology and EASYTRUST and therefore contains the item “Acquisition of subsidiaries less cash and cash equivalents acquired” in the amount of EUR -6,280 thousand (Q1-Q3 2016: EUR 0 thousand). Investments in property, plant and equipment and intangible assets totaled EUR -957 thousand (Q1-Q3 2016: EUR -929 thousand).

Net cash used in financing activities totaled EUR -4,209 thousand in the first nine months of 2017 (Q1-Q3 2016: EUR -3,883 thousand) and related solely to the dividend payment to the shareholders of USU Software AG in the amount of EUR 0.40 per share (Q1-Q3 2016: EUR 0.35 per share) or EUR 4,209 thousand in total (Q1-Q3 2016: EUR -3,683 thousand), whereas the prior-year figure also included the repayment of purchase price liabilities in connection with the acquisition of subsidiaries in the amount of EUR -200 thousand.

Orders on hand

The USU Group’s orders on hand amounted to EUR 46,328 thousand at the end of the third quarter of 2017, up 13.3% on the previous year (September 30, 2016: EUR 40,893 thousand). In particular, this development reflects the orders on hand at the new Group subsidiaries EASYTRUST and unitB technology, while the existing Group companies also increased their orders on hand.All in all, Group-wide orders on hand therefore increased by 17.2% as against the end of the previous year (December 31, 2016: EUR 39,534 thousand).

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 and SaaS agreements.

Employees

The USU Group achieved a targeted expansion in its workforce of 20.3% year-on-year to 661 employees as of September 30, 2017 (September 30, 2016: 528). In addition to organic growth, this development was primarily driven by the acquisitions of unitB technology and EASYTRUST, which had a total of 73 employees as of September 30, 2017. Broken down by functional unit, USU employed a total of 298 people in consulting and services as of the end of the third quarter of 2017 (September 30, 2016: 246), 189 in research and development (September 30, 2016: 148), 91 in sales and marketing (September 30, 2016: 75) and 83 in administration (September 30, 2016: 59). Broken down by segment, USU employed 478 (September 30, 2016: 405) people in the Product Business segment, 100 (September 30, 2016: 64) in the Service Business segment and 83 (September 30, 2016: 59) in USU Group central functions.

Supplementary report

There were no transactions of particular significance with a material effect on the business performance of the USU Group after September 30, 2017. Thus, there were no major changes to the net assets, financial position or results of operations of the Group.

Forecast, opportunity and risk report

Forecast

General economy

According to the most recent survey by the Joint Economic Forecast Project Group[4] conducted with the participation of the leading German economic research institutes, the upturn in the German economy increased in breadth and intensity in the period under review. In addition to consumer spending, the growth trend was driven by international business and investments. This was the verdict expressed by the economic research institutes participating in the joint economic forecast in their fall report for the German Federal Government. Although the extremely dynamic economic momentum in the first half of the current year will slow slightly, the increase in economic output will outperform the growth in production capacities both this year and next year. All in all, the institutes expect GDP to repeat last year's growth rate of 1.9% in 2017, followed by growth of 2.0% in 2018.

[4] cf. Joint Economic Forecast Fall 2017, dated September 28, 2017

According to the joint forecast, the world economy is also enjoying an upturn, with growth in production in the USA, Japan and the euro area clearly outperforming the trend. Although this upturn is likely to continue, the pace of growth in global production is expected to slow gradually. The institutes are forecasting expansion in the world economy of 3.1% in both 2017 and 2018.

Sector

According to forecasts by the industry association BITKOM[5], growth in the German ITC sector, which comprises information technology, telecommunications and entertainment technology, is expected to be boosted by the digitization of industry in the current year. Accordingly, BITKOM is forecasting growth on the German ITC market of 1.9% to EUR 160.8 billion in 2017 (2016: EUR 157.8 billion). According to the latest BITKOM forecast, information technology (IT) is the sector in which the industry is currently recording the highest growth rate and the largest absolute market volume. Based on the figures published by BITKOM, sales in the IT industry will increase by 3.4% to EUR 85.8 billion in 2017 (2016: EUR 83.0 billion). This development is set to benefit software providers in particular, with BITKOM forecasting above-average growth of 6.3% to EUR 23.0 billion in this segment (2016: EUR 21.6 billion). However, IT service providers are also set to experience strong growth of 2.3% to EUR 39.0 billion (2016: EUR 38.1 billion). Meanwhile, BITKOM is forecasting further growth in the overall ITC market of 1.3% to EUR 162.9 billion in 2018. "The growth in employment is even stronger than the sales growth within the industry. Almost 100,000 new jobs have been created in the past three years alone, meaning the BITKOM industry is now Germany's largest employer – ahead of leading industries like automotive and mechanical engineering," commented BITKOM President Achim Berg.

In terms of the global IT market, the Worldwide IT Spending Forecast Update[6] published by the market research company Gartner on October 3, 2017, forecasts a year-on-year increase in global IT expenditure of 3.3% to USD 3.5 trillion in 2017. According to Gartner, the biggest growth area is expected to be corporate software, with forecast growth of 8.5% to USD 354 billion (2016: USD 326 billion).The global IT market is expected to grow by a further 4.3% to just under USD 3.7 trillion in 2018, with the software industry again enjoying above-average market growth of 9.4% to USD 387 billion.

[5] cf. BITKOM press release dated October 25, 2017, published at www.bitkom.de

[6] cf. Gartner press release dated October 3, 2017, published at www.gartner.com

Outlook

Although the Management Board expects the growth trend achieved by USU Software AG in recent years to continue in fiscal 2017 as a whole, the trend towards SaaS business is curbing growth slightly, particularly in the company's international markets, thereby requiring forecasts to be adjusted. Strong domestic business will lead to sales growth to EUR 83-86 million in the current year. In light of the reduced sales forecast and the necessary investments in the intensification of the company's international activities, the Management Board has also lowered its earnings target for 2017. Adjusted EBIT for 2017 is now forecast at between EUR 6 million and EUR 8 million.
Although the Management Board expects the foreign investments to have a positive effect from 2018 onwards, it will take some time before the full impact is felt. In light of the delayed growth phase in the company's key investment markets, the Management Board has therefore decided to postpone its medium-term forecast for 2020, which involves consolidated revenue of EUR 140 million and adjusted EBIT of EUR 20 million, by one year to 2021.

Irrespective of the necessary forecast adjustments, the Management Board is planning to enable the shareholders of USU Software AG to participate significantly in the company’s operating success again in 2017, as in previous years, and thus to continue the shareholder-friendly dividend policy in the interests of sustained continuity.

Report on risks and opportunities

There have been no changes in the risks and opportunities affecting USU Software AG or the Group as a whole since December 31, 2016. For more information please see the report on risks and opportunities in the 2016 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.

In the third quarter of 2017, the stock markets continued the positive trend recorded in previous quarters, with price growth recorded almost across the board. The Technology All Share thus closed at 2,789.24 points on the XETRA electronic trading platform on September 30, 2017, up 10.2% on the end of the previous quarter (June 30, 2017: 2,530.84 points). This represented a new all-time high for the end of a reporting quarter. In the same period, the DAX rose by 4.1% to 12,828.86 points in XETRA trading (June 30, 2017: 12,325.12 points), thereby also reaching a new all-time high as of the end of the quarter.

USU Software AG's share price again enjoyed substantial growth relative to the indices in the third quarter of 2017, closing at EUR 28.02 in XETRA trading on September 30, 2017. This represents an increase of 10.2% compared with the end of the previous quarter (June 30, 2017: EUR 27.00). USU’s share price increased by 38.7% as against December 31, 2016 (EUR 20.20), while the Technology All Share climbed by 32.6% in the same period (December 31, 2016: 2102.78 points) and the DAX gained 11.4% (December 31, 2016: 11481.06 points).

The stock markets recorded further growth after the reporting date December 30, 2017. USU's share price also benefited from this development, reaching a new ten-year high of EUR 31.55 (XETRA closing price). Following the publication of the preliminary figures for the first nine months of 2017 in mid-November, USU's share price slid to EUR 22.30 in XETRA trading during the course of November 17, 2017, before recovering slightly in the subsequent days.

Möglingen, 23 November 2017

USU Software AG

Bernhard Oberschmidt Chairman of the Management Board	Bernhard Böhler Member of the Management Board	Dr. Benjamin Strehl Member of the Management Board

ASSETS *in EUR thousand*	**9-month report Sept. 30, 2017**	**Annual report Dec. 31, 2016**
Non-current assets		
Intangible assets	8,884	5,428
Goodwill	41,983	35,575
Property, plant and equipment	2,183	2,134
Deferred tax assets	3,790	3,790
Other assets	715	681
Non-current assets	57,555	47,608
Current assets		
Inventories	687	529
Unbilled work in progress	4,168	3,862
Trade receivables	11,176	14,190
Income tax receivables	446	561
Other financial assets	2,031	260
Other assets	270	698
Prepaid expenses	1,315	1,017
Securities	3,014	3,014
Cash on hand and bank balances	10,677	20,166
Current assets	33,784	44,297
Total assets	**91,339**	**91,905**

EQUITY AND LIABILITIES *EUR thousand*	**9-month report Sept. 30, 2017**	**Annual report Dec. 31, 2016**
Equity		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Legal reserve	574	574
Other comprehensive income	126	-144
Net accumulated losses	-4,365	-123
Equity	59,651	63,623
Non-current liabilities		
Deferred tax liabilities	1,304	0
Pension provisions	2,327	2,266
Non-current liabilities	3,631	2,266
Current liabilities		
Income tax liabilities	471	529
Purchase price liabilities	1,435	0
Other current financial liabilities	168	0
Personnel-related provisions and liabilities	5,887	6,208
Other provisions and liabilities	2,692	2,155
Liabilities from advance payments	5,997	9,287
Trade payables	1,946	1,850
Deferred income	9,461	5,987
Current liabilities	28,057	26,016
Total equity and liabilities	**91,339**	**91,905**

CONSOLIDATED INCOME *EUR thousand*	**Quarterly Report III / 2017 July 1, 2017 - Sept. 30, 2017**	**Quaterly Report III / 2016 July 1, 2016 - Sept. 30, 2016**	**9-month report 2017 Jan 1, 2017 - Sept. 30, 2017**	**9-month report 2016 Jan 1, 2016 - Sept. 30, 2016**
Revenue	20,037	17,074	58,908	51,393
Cost of sales	-9,227	-7,676	-27,513	-23,695
Gross profit	10,810	9,398	31,395	27,698
Selling and marketing expenses	-4,150	-3,034	-12,902	-9,505
General and administrative expenses	-2,464	-1,636	-6,865	-5,008
Research and development expenses	-3,569	-2,618	-9,956	-8,321
Other operating income	254	455	705	736
Other operating expenses	-238	-61	-647	-238
Amortization of intangible assets recognized in connection with company acquisitions	-369	-289	-1,031	-957
Profit from ordinary activities (EBIT)	274	1,811	699	4,405
Finance income	6	11	33	114
Finance costs	-62	-45	-151	-192
Earnings before taxes (EBT)	218	1,777	581	4,327
Income taxes	-198	-116	-614	-408
Net profit	20	1,661	-33	3,919
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG:				
Basic and diluted	0.00	0.16	0.00	0.37
Weighted average shares outstanding: Basic and diluted	10,523,770	10,523,770	10,523,770	10,523,770

STATEMENT OF COMPREHENSIVE INCOME *EUR thousand*	Quarterly report III / 2017 July 1, 2017 – Sept. 30, 2017	Quarterly report III / 2016 July 1, 2016 - Sept 30, 2016	9-month report 2017 Jan. 1, 2017 Sept. 30, 2017	9-month report 2016 Jan. 1, 2016 Sept. 30, 2016
Consolidated net profit	**-33**	**1,661**	**-33**	**3,919**
Available-for-sale financial assets (securities)				
- Changes in fair value recognized in equity	0	0	0	0
- Reclassified to profit or loss	0	0	0	0
Deferred taxes on available-for-sale financial assets (securities)	0	0	0	0
Currency translation difference	78	15	270	32
Other comprehensive income after taxes	**78**	**15**	**270**	**32**
Total comprehensive income	**45**	**1,676**	**237**	**3,951**

Consolidated Statement of Cash Flows *EUR thousand*	9-month report Jan. 1, 2017 – Sept. 30, 2017	9-month report Jan. 1, 2016 – Sept. 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Earnings before taxes (EBT)	581	4,327
Adjustments for:		
Finance income/finance costs	118	78
Depreciation and amortization	2,048	1,900
Income taxes paid	-802	-1,220
Income taxes refunded	525	52
Interest paid	-9	-3
Interest received	19	65
Other non-cash income and expenses	417	-27
Change in working capital:		
Inventories	-158	-119
Unbilled work in progress	-213	-1,761
Trade receivables	4,419	2,861
Prepaid expenses and other assets	-1,620	93
Trade payables	-365	-238
Personnel-related provisions and liabilities and pension provisions	-1,227	-1,647
Other provisions and liabilities	-1,613	-142
Net cash flows from operating activities	**2,120**	**4,219**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	-6,280	0
Purchase of property, plant and equipment	-827	-801
Purchase of other intangible assets	-130	-128
Repayment of short-term loans	0	0
Proceeds from sales of non-current assets	13	26
Purchase of available-for-sale securities	0	0
Net cash flows used in investing activities	**-7,224**	**-903**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Dividend payment	-4,209	-3,683
Repayment of purchase price liabilities in connection with the acquisition of subsidiaries	0	-200
Net cash flows used in financing activities	**-4,209**	**-3,883**
Net effect of currency translation on cash and cash equivalents	**-176**	**-111**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**-9,489**	**-678**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,166**	**20,095**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**10,677**	**19,417**

Changes in consolidated equity	Subscribed capital		Capital re-serves	Legal reserve	Net accu-mu-lated losses	Other comprehensive income		Total
	Shares					Currency translation	Fair value of securities	
	Number	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Consolidated equity as of January 1, 2016	10,523,770	10,524	52,792	574	-3,025	-74	0	60,791
Consolidated net profit					3,919			3,919
Other comprehensive income								
after taxes						32		32
Total comprehensive income	**0**	**0**	**0**	**0**	**3,919**	**32**	**0**	**3,951**
Dividend payment					-3,683			-3,683
Consolidated equity as of Sept. 30, 2016	10,523,770	10,524	52,792	574	-2,789	-42	0	61,059
Consolidated equity as of January 1, 2017	10,523,770	10,524	52,792	574	-123	-144	0	63,623
Consolidated net profit					-33			-33
Other comprehensive income								
after taxes						270		270
Total comprehensive income	**0**	**0**	**0**	**0**	**-33**	**270**	**0**	**237**
Dividend payment					-4,209			-4,209
Consolidated equity as of June 30, 2017	10,523,770	10,524	52,792	574	-4,365	126	0	59,651

Accounting principles

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

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

The same accounting policies were applied as in the preparation of the consolidated financial statements for the fiscal year ended December 31, 2016. This unaudited nine-month report for 2017 should therefore be read in conjunction with the audited consolidated financial statements for 2016.

This consolidated interim report contains all the necessary deferrals and, in the opinion of the management, provides a true and fair view of the financial position and financial performance. All deferrals performed are in line with the standard accrual concept.

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

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

Change in Group organization

(1) Acquisition of unitB technology GmbH

On January 5, 2017 USU Software AG acquired 100% of shares in unitB technology GmbH, Berlin ("unitB technology"), an internationally oriented full-service agency for digital communications and IT, and included this company in consolidation for the first time.

With its 35 employees, unitB technology generated sales of EUR 4.0 million and an operating earnings margin of 10% in 2016. unitB technology's portfolio ranges from digital strategic consulting and service and UX design through to the realization of complex web portals, apps and intranets. Its particular strength lies in the systematic combination of strategy, creativity and IT technology. By establishing state-of-the-art digital solutions, unitB technology is laying the foundations for effective, customer-centered online communications and the optimization of its customers' digital transformation processes. Major companies in the banking, insurance and healthcare sectors in particular, including the Volksbanken and Raiffeisenbanken, direct line, FIDUCIA & GAD IT and Bayer, are already using unitB technology's solutions with success. Thanks to unitB technology's digital consulting and UX expertise and state-of-the-art technical solutions, the acquisition adds important key components to USU's product and service range. Control of unitB technology GmbH was achieved with the acquisition of 100% of shares. unitB technology is allocated to USU's Service Business segment.

The purchase price, which is to be paid in cash, includes a fixed and a variable purchase price component. The fixed component is EUR 4,204 thousand. The variable component consists of two elements that amount to a maximum of EUR 900 thousand in total. One element of the variable component is linked to the continued employment of sellers at unitB technology until at least December 31, 2018 ("stay bonus"). If both sellers are employed by unitB technology at this date, a maximum stay bonus of EUR 400 thousand will result. If both sellers leave the company prematurely during this period, the stay bonus will be reduced by EUR 200 thousand per year.

The second element of the variable purchase price component is linked to unitB technology GmbH achieving an EBIT target (earn-out) for the 2016, 2017 and 2018 fiscal years and is not graduated. If the EBIT target is achieved, an earn-out payment of EUR 500 thousand will result. There will be no earn-out payment if the EBIT target is not reached. On the basis of the development of the company, management estimates a future expense of EUR 475 thousand, which means a total forecast purchase price of EUR 4,679 thousand, EUR 3,254 thousand of which became due at the beginning of January 2017.

The outstanding purchase price liabilities are due for payment by the end of March 2019 depending, among other things, on the EBIT generated in the 2016, 2017 and 2018 fiscal years.

The final purchase price allocation for this acquisition has since been determined. The table below provides an overview of the calculation of goodwill:

EUR thousand		**Fair values**
Intangible assets		1,479
Property, plant and equipment		55
Inventories		93
Trade receivables		1,263
Other assets		86
Cash and cash equivalents		1,380
Deferred tax liabilities		-449
Liabilities		-390
Provisions		-452
Deferred income		-83
		2,981
Goodwill		1,697
Purchase price (present value)		**4,679**

The net outflow of cash for the acquisition is calculated from the purchase price of EUR 4,679 thousand less the cash and cash equivalents acquired of EUR 1,380 thousand, and amounts to EUR 3,299 thousand.

Trade receivables comprise gross amounts due of EUR 1,263 thousand, EUR 0 thousand of which is provisionally considered a bad debt as of the acquisition date.

Goodwill primarily relates to the skills and technical ability of unitB technology's workforce and the expected synergies from the integration of the company into the Group's existing business. The goodwill recognized is not tax-deductible.

The non-tax-deductible intangible assets additionally identified in final purchase price allocation of EUR 1,487 thousand break down as follows:

	EUR thousand	Estimated economic life (years)
Customer relationships	1,071	6
Advantageous contract	364	4
Orders on hand	52	0.5
	1,487	

The measurement method used to determine the fair value of the intangible asset "Customer relationships" was the multi-period excess earnings method. This takes into account the present value of the expected net cash flows generated by the customer relationships with the exception of all cash flows relating to contributory assets.

The measurement method used to determine the fair value of the intangible asset "Advantageous contract" was the direct cash flow forecast method. Under this method, the (direct) cash inflow from an investment resulting from its operational use is compared against the operating cash outflow for the investment in the respective period. This way, specific cash flows from investments, such as those arising from contracts, can be compared against standard market cash flows and the differences can be measured.

Legal consulting and due diligence costs of EUR 248 thousand were incurred in connection with the acquisition of unitB technology, EUR 85 thousand of which were already expensed and paid in the previous year. They were excluded from the consideration transferred, recognized as an expense for the fiscal year and reported under general and administrative expenses in the income statement.

(2) Acquisition of EASYTRUST SAS

On May 4, 2017, the company acquired 100% of shares in EASYTRUST SAS, La Garenne Colombes, France ("EASYTRUST"). With the acquisition of EASYTRUST, the USU Group is expanding its vertical integration in the field of IT management and its international presence on the key French market. Easytrust SAS was acquired with the aim of strengthening the existing market position on the Oracle software asset management market, leveraging the corresponding synergies with Aspera GmbH by bundling activities and ultimately offering a comprehensive solution portfolio from a single source. Control of EASYTRUST was achieved with the acquisition of 100% of shares. EASYTRUST is allocated to USU's Product Business segment.

EASYTRUST is a highly specialized software provider for the automatic detection and analysis of hardware and software in complex infrastructures. EASYTRUST's solutions ensure that current, complete and traceable information on an IT landscape is available at all times. It focuses on the detection of software and hardware in the environment of large-scale data centers. In addition, EASYTRUST FOR ORACLE offers automatic, manufacturer-verified measurement and optimization of Oracle products. This means that EASYTRUST delivers important license management data for the USU subsidiary Aspera, allowing it to reinforce its market position as the world's only one-stop, full-service provider for license management.

EASYTRUST was formed in 2010 and currently has 31 employees. Its high-profile customers include companies such as YVES ROCHER, SAFRAN and CANAL+. EASYTRUST increased its sales by around 30% year-on-year to more than EUR 4.0 million in fiscal 2016.

In line with the purchase agreement, the complete purchase price of EUR 4,750 thousand was paid directly and in full to the seller's account. There are therefore no contingent purchase price components.

The costs for consultants and lawyers in connection with the acquisition amounted to EUR 165 thousand. They were excluded from the consideration transferred, recognized as an expense for the fiscal year and reported under general and administrative expenses in the income statement.

Owing to time constraints, it was not possible to perform final purchase price allocation for this acquisition; this will be completed in the course of 2017. The provisional difference between the purchase price and the provisional fair values of the assets and liabilities identified to date amounts to EUR 4,710 thousand and is reported as goodwill.

The table below provides an overview of the calculation of the provisional goodwill:

EUR thousand		**Fair values**
Intangible assets		2,964
Property, plant and equipment		6
Financial assets		30
Trade receivables		141
Other assets		332
Cash and cash equivalents		344
Deferred tax liabilities		-984
Provisions		-455
Liabilities		-1,250
Deferred income		-1,088
		40
Goodwill		4,710
Purchase price (present value)		**4,750**

The net outflow of cash for the acquisition is calculated from the purchase price of EUR 4,750 thousand less the cash and cash equivalents acquired of EUR 344 thousand, and amounts to EUR 4,406 thousand.

Trade receivables comprise gross amounts due of EUR 482 thousand, EUR 0 thousand of which is provisionally considered a bad debt as of the acquisition date.

The acquisition of Easytrust SAS resulted in goodwill as the consideration paid includes amounts for the benefits from the forecast synergies, sales growth, future developments and existing employees. The benefits are not reported separately from goodwill. At the same time, the amount of goodwill is defined by the negative net assets acquired.

The goodwill acquired is not tax-deductible.

The non-tax-deductible intangible assets additionally identified in provisional purchase price allocation of EUR 2,953 thousand break down as follows:

	EUR thousand	Estimated economic life (years)
Customer relationships	245	10
Software	2,621	10
Orders on hand	87	1
	2,953	

The multi-period excess earnings method was used to measure the intangible assets “Customer relationships” and “Orders on hand”. The license fee analogy method was used for “Software”.

EASYTRUST SAS was renamed USU SAS with effect from September 19, 2017.

Financial instruments

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

EUR thousand	Sept. 30, 2017 Carrying amount	Sept. 30, 2017 Fair value	Dec. 31, 2016 Carrying amount	Dec. 31, 2016 Fair value
Unbilled work in progress	4,168	4,168	3,862	3,862
Trade receivables	11,176	11,176	14,190	14,190
Other current financial assets	2,031	2,031	260	260
Securities held as current assets	3,014	3,014	3,014	3,014
Cash on hand and bank balances	10,677	10,677	20,166	20,166
	31,066	**31,066**	**41,492**	**41,492**

EUR thousand	Sept. 30, 2017 Carrying amount	Sept. 30, 2017 Fair value	Dec. 31, 2016 Carrying amount	Dec. 31, 2016 Fair value
Financial liabilities	168	168	0	0
Trade payables	1,946	1946	1,850	1,850
Liabilities from advance payments	5,997	5,997	9,287	9,287
Purchase price liabilities	1,435	1,435	0	0
	9,546	**9,546**	**11,793**	**11,793**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 level 2 or 3 financial instruments with the exception of the purchase price liabilities (level 3).

Revenue

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

	Jan. 1 – Sept. 30, 2017 EUR thousand	Jan. 1 – Sept. 30, 2016 EUR thousand
Consulting	**32,705**	**28,330**
Licenses/products	**9,112**	**7,927**
Maintenance/SaaS	**16,307**	**14,400**
Other	**784**	**736**
	58,908	**51,393**

Segment reporting

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

	Product Business		Service Business		Total Segments		Unallocated		Group	
	Jan. 1 - Sept 30, 2017 EUR thou.	Jan. 1 – Sept. 30, 2016 EUR thou.	Jan. 1 – Sept. 30, 2017 EUR thou.	Jan. 1 – Sept. 30, 2016 EUR thou.	Jan. 1 – Sept. 30, 2017 EUR thou.	Jan. 1 – Sept. 30, 2016 EUR thou.	Jan. 1 – Sept. 30, 2017 EUR thou.	Jan. 1 – Sept. 30, 2016 EUR thou.	Jan. 1 – Sept. 30, 2017 EUR thou.	Jan. 1 – Sept. 30, 2016 EUR thou.
Revenue	**44,555**	**39,946**	**14,131**	**11,277**	**58,686**	**51,223**	**222**	**170**	**58,908**	**51,393**
EBITDA	**5,221**	**7,320**	**1,827**	**1,662**	**7,048**	**8,982**	**-4,299**	**-2,677**	**2,749**	**6,305**
EBIT	**3,920**	**5,683**	**1,382**	**1,516**	**5,302**	**7,199**	**-4,603**	**-2,794**	**699**	**4,405**
Net finance income	**-**	**-**	**-**	**-**	**-**	**-**	**-118**	**-78**	**-118**	**-78**
Taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-614**	**-408**	**-614**	**-408**
Consolidated net profit	**3,920**	**5,683**	**1,382**	**1,516**	**5,302**	**7,199**	**-5,335**	**-3,280**	**-33**	**3,919**
No. of employees at end of period	**478**	**405**	**100**	**64**	**578**	**469**	**83**	**59**	**661**	**528**

The USU Group generated a total of 27.5% (Q1-Q3 2016: 28.0%) or EUR 16,220 thousand (Q1-Q3 2016: EUR 14,369 thousand) of its consolidated revenue outside Germany in the first six months of the 2017 fiscal year. This data is based on customers’ registered offices. By contrast, less than 10% of consolidated assets were held outside Germany. At the same time, investments outside Germany amounted to less than 10% of the Group’s total investments. For reasons of materiality, further details of the geographical data have therefore not been provided.

Shares held by members of executive bodies at USU Software AG

The following shares in USU Software AG were held by members of the company's executive bodies as of June 30, 2017:

Stock declarations by members of executive bodies	Shares June 30, 2017	Shares June 30, 2016
Management Board		
Bernhard Oberschmidt	156,518	156,518
Bernhard Böhler	167,572	167,572
Dr. Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl*	0	2,000,176
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

** An additional 5,338,044 (2016: 3,337,868) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 22(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).*
A further 32,000 (2016: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 22(1) sentence 1 no. 1 WpHG.

On September 21, the Chairman of the Supervisory Board, Udo Strehl, transferred the 2,000,176 shares of USU Software AG held by him to AUSUM GmbH, in which he is the majority shareholder.

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

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 in 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 Chairman of the Supervisory Board and majority shareholder Udo Strehl and his wife as compared to the information in the notes to the consolidated financial statements for fiscal 2016. For more information, please see the consolidated financial statements of USU Software AG for the fiscal year ended December 31, 2016.

Möglingen, 23 November 2017

USU Software AG

Bernhard Oberschmidt Chairman of the Management Board	Bernhard Böhler Member of the Management Board	Dr. Benjamin Strehl Member of the Management Board

November 27 to 29, 2017	**Investor and analyst conference at *German Equity Forum 2017, Frankfurt/Main***
March 30, 2018	**Publication of the Annual Report 2017**
May 24, 2018	**Publication of the 3-Month Report 2018**
June 28, 2018	**Annual General Meeting, Ludwigsburg**
August 31, 2018	**Publication of the 6-Month Report 2018**
November 22, 2018	**Publication of the 9-Month Report 2018**