9 – MONTH REPORT 2012

USU Software AG

9 - MONTH REPORT 2012	2012	2011
in Thsd. EUR, except the earnings per share and number of employees	01.01.-30.09.2012	01.01.-30.09.2011
REVENUES	36,925	32,011
ADJUSTED EBIT	4,462	3,805
ADJUSTED NET RESULT	3,420	2,741
ADJUSTED EARNINGS PER SHARE (EUR)	0.32	0.26
EBITDA	2,667	4,161
EBIT	1,377	2,635
NET RESULT	1,490	1,779
EARNINGS PER SHARE (EUR)	0.14	0.17
CASH-FLOW FROM ORDINARY OPERATIONS	1,697	4,075
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	355	313
	30.09.2012	31.12.2012
CASH AND CASH EQUIVALENTS	9,616	17,630
SHAREHOLDERS EQUITY	49,316	49,908
BALANCE SHEET	64,117	70,050
EQUITY RATIO	76.9%	71.2%

USU Software AG
Spitalhof
D-71696 Möglingen
Tel. +49.7141.4867-0
Fax +49.7141.4867-200
www.usu-software.de

Investor Relations
Falk Sorge
Tel. +49.7141.4867-351
Fax +49.7141.4867-108
investor@usu-software.de

Dear Shareholders and Readers,

USU Software AG has continued to expand its product business in the third quarter of 2012 thanks to its strong organic growth. In addition, the Group as a whole has continued to invest in various selected future areas, which will allow it to keep on moving along the growth paths of recent years in the medium to long term. Firstly, this concerned the planned expansion of the Group's workforce, which in the reporting quarter increased in size by 13.4% as against the previous year to currently 355 employees thanks to a dedicated Group recruiting drive. Secondly, USU – as has already been announced – invested in its partnership with CA Technologies ("CA"), one of the biggest global software groups, with which USU concluded a long-term software license management partner agreement in the reporting quarter. In future, CA will globally market the SmartTrack license management solution from USU's Group subsidiary Aspera together with its service management product suite, which in the current fiscal year has necessitated advance investment in product integration at partner solutions. From 2013, the Management Board is anticipating an annual contribution to earnings in the USU Group from the license and maintenance income that will result from this of more than a million euro. In addition to the positive performance in Product Business, which has been characterized in particular by strong international business, Service Business decreased slightly in the period under review. Following the expiry of two major projects, the Group was unable to fully maintain the very high capacity utilization of consultants. Overall, consolidated sales in the third quarter of 2012 increased by 7% as against the previous year to almost EUR12 million. In spite of the investments described above, USU again increased its earnings on an adjusted basis in the reporting quarter. Thus, adjusted EBIT* was up 2% on the previous year's figure at EUR 1.6 million. All Group figures for the first nine months of fiscal 2012 are therefore fully in line with planning.

Overall, in spite of the additional investments, the Management Board is confirming its sales and earnings planning for the current fiscal year of consolidated sales of at least EUR 48 million and *adjusted EBIT** of between EUR 6.5 and EUR 7.0 million. It also intends to again allow the company's shareholders to participate heavily in its success – as per its dividend policy – in the form of a profit distribution. Furthermore, the Management Board is highly optimistic for the coming years and anticipates further significant expansion in international business in addition to positive growth in Germany.

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 page 9 of this 2012 nine-month report.*

Economic development

According to the leading German economic research institutes, the German economy was hampered by the euro crisis in the third quarter of 2012 as well. In their latest joint economic forecast for fall 2012 from October of this year, the institutes state that as a result of the ongoing uncertainty as to the future of the euro zone and the beleaguered global economy, corporate confidence has also fallen in Germany. Accordingly, ifo business forecasts have been steadily deteriorating for months and recently reached their lowest level since the recession of 2008/09. The institutes therefore anticipate that German gross domestic product (GDP) has risen by only 0.3% quarter-on-quarter in the months from July to September 2012 after adjustment for seasonal and calendar effects (Q3/2011: 0.4%) and are forecasting GDP growth of 0.8% for the year as a whole after 3.0% in 2011. According to the joint economic forecast for fall 2012, economic performance in the euro zone has even decreased significantly in the reporting quarter after a slight increase in the previous year. Over the year as a whole, the institutions are predicting a drop in euro zone GDP of 0.5% after expansion of 1.4% in the previous year.

Sector performance

According to reports by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), the German high-tech sector is continuing to develop well, through corporate confidence is on the wane in this market as well. The industry barometer calculated by BITKOM for the third quarter of 2012 has shown that 65% of IT, telecommunications and entertainment technology (ICT) providers are projecting a rising year-on-year sales performance in the reporting quarter. This marks a drop as against the previous quarter, when 69% of ICT companies had still been optimistic. By contrast, IT companies were again more than averagely positive. According to BITKOM research, 79% of software providers and 76% of IT service providers were anticipating year-on-year growth in sales. Over the year as a whole, BITKOM is forecasting growth in German ICT market volumes of 2.8% (2011: 2.0%) in 2012.

Business development in Q3 2012

With a rise in sales of 6.8% to EUR 11,969 thousand (Q3/2011: EUR 11,208 thousand), USU Software AG and its subsidiaries (also referred to as the “USU Group” or “USU” below) again grew significantly more rapidly than the market as a whole in the third quarter of 2012. However, as anticipated, the strong growth of the first half of 2012 did not continue in full.

The main reasons for this were the highly positive performance in the same quarter of the previous year, which is used as the comparative value for calculating the growth rate, the expiry of major projects in Service Business, which it was unable to entirely compensate for on account of project postponements, and the planned advance investments for the software license management partnership with the US software group CA Technologies ("CA") that was launched in the reporting quarter. Regardless of these advance investments, USU's international sales also increased significantly in the reporting quarter by 60.5% as against the previous year to EUR 1,615 thousand (Q3/2011: EUR 1,006 thousand).

As part of its further international expansion, the Product Business segment again enjoyed a highly successful performance with a rise in sales of 11.4% to EUR 8,381 thousand (Q3/2011: EUR 7,521 thousand). By contrast, the Service Business segment fell short of the previous year in the reporting quarter with sales of EUR 3,579 thousand (Q3/2011: EUR 3,678 thousand), which was due in particular to the project specifics described.

The cost base amounted to EUR 10,560 thousand (Q3/2011: EUR 9,627 thousand), an increase of 9.7%. In addition to the targeted recruitment drive, this rise was due to the investments described above in the partnership with CA, from which the Management Board is anticipating earnings contributions of more than EUR 1 million from the coming fiscal year. However, for the reporting quarter it has meant a drop in EBITDA of 8.9% to EUR 1,540 thousand (Q3/2011: EUR 1,690 thousand) and of 5.5% in EBIT to EUR 1,107 thousand (Q3/2011: EUR 1,170 thousand). At EUR -9 thousand in the reporting quarter (Q3/2011: EUR -29 thousand), net finance costs were slightly better than in the same quarter of the previous year. As was announced in the previous quarter, USU generated a positive extraordinary effect in its tax situation due to the profit transfer agreement with Aspera GmbH, which was approved by the Annual General Meeting of USU Software AG on July 18, 2012. As a result of this profit transfer agreement, USU Software AG capitalized tax loss carryforwards in the third quarter in the amount of deferred tax liabilities resulting from the acquisition of Aspera and still in place by the end of the quarter, resulting in cumulative tax income of EUR 1,183 thousand (Q3/2011: EUR -178 thousand). Overall, the net profit for the third quarter of 2012 was up 136.7% at EUR 2,281 thousand (Q3/2011: EUR 963 thousand). The USU Group's IFRS earnings per share amounted to EUR 0.22 in the reporting quarter (Q3/2011: EUR 0.09).

After adjustment for non-recurring effects, USU generated adjusted EBIT in the reporting quarter of EUR 1,583 thousand (Q3/2011: EUR 1,559 thousand), corresponding to a year-on-year increase of 1.5%. Adjusted net profit climbed by 51.3% to EUR 1,533 thousand (Q3/2011: EUR 1,012 thousand). This is equivalent to 40.0% higher adjusted earnings per share of EUR 0.14 (Q3/2011: EUR 0.10).

Business development for the first nine months of the 2012 fiscal year

Development of sales and costs

Group sales

In the first nine months of the year under review, the USU Group generated consolidated sales of EUR 36,925 thousand (Q1-Q3/2011: EUR 32,011 thousand), corresponding to a rise of 15.4% as against the previous year. The progress in international business was particularly successful in the period under review and contributed sales of EUR 5,990 thousand (Q1-Q3/2011: EUR 3,172 thousand). Accordingly, growth in international product business was at 88.8% year-on-year.

Broken down by type of sales, license business posted the highest rise thanks to international expansion as anticipated. Thus, in the first nine months of fiscal 2012, USU increased income from software licenses by 27.8% as against the previous year to EUR 5,187 thousand (Q1-Q3/2011: EUR 4,058 thousand). As a result of the growth in license business, maintenance income climbed by 10.8% to EUR 8,661 thousand (Q1-Q3/2011: EUR 7,819 thousand). Over the same period, consulting business grew by 13.5% to EUR 21,567 thousand (Q1-Q3/2011: EUR 18,998 thousand). Other income in the first nine months of 2012 amounted to EUR 1,510 thousand (Q1-Q3/2011: EUR 1,136 thousand) and essentially included merchandise sales of third-party hardware and software.

Sales by segment

The range of services in the Product Business segment covers all activities relating to USU products in the markets for knowledge-based service management solutions and knowledge management. The Service Business segment comprises consulting services for IT projects and individual application development.

In the first nine months of fiscal 2012, the USU Group's Product Business segment increased its sales by 17.0% to EUR 25,147 thousand (Q1-Q3/2011: EUR 21,500 thousand), largely as a result of the organic growth in license and maintenance income. Consulting sales in the Service Business segment climbed by 12.2% to EUR 11,754 thousand in the period under review (Q1-Q3/2011: EUR 10,480 thousand). Sales not assigned to either segment amounted to EUR 24 thousand in the period under review (Q1-Q3/2011: EUR 31 thousand).

In international business in the months from January to September 2012, the USU Group generated an increase in the income from outside Germany of 88.8% to EUR 5,990 thousand (Q1-Q3/2011: EUR 3,172 thousand). The share of consolidated sales generated internationally therefore rose from 9.9% in the previous year to 16.2%, and was thus still higher than the stated target of 15% in the reporting period.

Operating costs

In the first nine months of 2012, the operating cost base of the USU Group expanded by 16.8% year-on-year to EUR 32,928 thousand (Q1-Q3/2011: EUR 28,184 thousand), which was due in part to the targeted headcount increase of 13.4% to 355 (September 30, 2011: 313) employees in addition to advance investments in connection with the CA partnership.

The cost of sales increased by 22.1% year-on-year to EUR 19,206 thousand (Q1-Q3/2011: EUR 15,729 thousand) as a result of the recruitment drive and the additional use of freelance staff in the first half of 2012. As a percentage of consolidated sales, the cost of sales was 52.0% in the reporting period (Q1-Q3/2011: 49.1%). USU posted gross income in the same period of EUR 17,719 thousand (Q1-Q3/2011: EUR 16,282 thousand), corresponding to a gross margin of 48.0% (Q1-Q3/2011: 50.9%).

In the months from January to September 2012, the USU Group's sales and marketing expenses were up 7.2% at EUR 4,919 thousand (Q1-Q3/2011: EUR 4, 587 thousand). In particular, this resulted from the recruitment activities in sales implemented as planned in the reporting quarter. The ratio of sales and marketing expenses to consolidated sales was down on the previous year's level at 13.3% (Q1-Q3/2011: 14.3%).

General administrative expenses climbed by 14.3% as against the previous year to EUR 3,317 thousand in the reporting period (Q1-Q3/2011: EUR 2,902 thousand), due in part to the additional activities in connection with the new Group subsidiary Aspera Technologies Inc. and the costs for M&A activities. As a percentage of consolidated sales, administrative expenses were down on the figure for the previous year at 9.0% (Q1-Q3/2011: 9.1%).

In the first nine months of 2012, the USU Group's research and development expenses increased by 10.5% to EUR 5,486 thousand (Q1-Q3/2011: EUR 4,966 thousand), primarily as a consequence of the targeted recruitment activities in this department. In doing so, USU also successfully boosted its development resources as part of the advised expansion in the USU KnowledgeCenter product portfolio. As a percentage of consolidated sales, research and development expenses decreased year-on-year from 15.5% to 14.9% in the first nine months of fiscal 2012. USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please refer to the separate research and development report in this Group management report.

Other operating income amounted to EUR 206 thousand in (Q1-Q3/2012: EUR 122 thousand). The other operating expenses of EUR 1,971 thousand (Q1-Q3/2011: EUR 144 thousand) include an extraordinary item of EUR 1,855 thousand (Q1-Q3/2011: EUR 0 thousand) resulting from the 100% acquisition of Aspera GmbH. As of December 31, 2011, the anticipated purchase price for the remaining 49% stake yet to be acquired in Aspera, which was dependent on Aspera's earnings in the fiscal years 2010/11 (April 1, 2010 to March 31, 2011) and 2011/12 (April 1, 2011 to March 31, 2012), was recognized in the statement of financial position as a purchase price liability at a total of EUR 6,648 thousand on the basis of the forecast business development of Aspera. As the earnings performance at Aspera GmbH significantly exceeded expectations in the months from January to March 2012, the updated purchase price was EUR 1,855 thousand higher than the forecast value recognized in the statement of financial position as of December 31, 2011. In accordance with IFRS, the resulting difference must be recognized in full in profit or loss under other operating expenses. For better comparability of the operating business performance not including extraordinary items, the Management Board refers readers to the *Adjusted consolidated earnings* section of this Group management report.

Earnings situation

Owing to the extraordinary effect of the final Aspera acquisition in the first quarter of 2012 and the associated non-recurring expense for the purchase price adjustment of EUR 1,855 thousand, EBITDA for the first nine months of 2012 amounted to EUR 2,667 thousand (Q1-Q3/2011: EUR 4,161 thousand). Taking into account depreciation and amortization of EUR 1,290 thousand (Q1-Q3/2011: EUR 1,525 thousand), EBIT amounted to EUR 1,377 thousand (Q1-Q3/2011: EUR 2,635 thousand). Including the cumulative net finance costs of EUR -148 thousand (Q1-Q3/2011: EUR -140 thousand), EBT totaled EUR 1,229 thousand (Q1-Q3/2011: EUR 2,495 thousand). Mainly as a result of the recognition of deferred tax assets in connection with the conclusion of the profit transfer agreement between USU Software AG and Aspera GmbH, USU generated cumulative tax income of EUR 261 thousand in the first nine months of 2012 (Q1-Q3/2011: EUR -716 thousand). Overall, owing to the extraordinary IFRS effects resulting from the Aspera acquisition, the USU Group generated an unadjusted net result in the reporting period of EUR 1,490 thousand (Q1-Q3/2011: EUR 1,779 thousand), corresponding to earnings per share of EUR 0.14 (Q1-Q3/2011: EUR 0.17).

Adjusted consolidated earnings

As the USU Group's IFRS consolidated earnings have been and continue to be influenced by various extraordinary items which make it difficult to compare USU's earnings power from fiscal year to fiscal year, the company has also calculated its *adjusted consolidated earnings* for information purposes. This figure 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 *adjusted earnings per share* using the average number of shares outstanding. *Adjusted EBIT* is also calculated. *Adjusted consolidated earnings*, *adjusted EBIT* and *adjusted earnings per share* are not key indicators under IFRS.

Adjusted consolidated earnings *in EUR thousand*	**01.01.2012 - 30.09.2012**	**01.01.2011 30.09.2011**
Result of ordinary operations (EBIT)	**1,377**	**2,635**
Amortization of intangible assets capitalized as a result of business combinations	855	1,170
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	2,230	0
- stay bonus Aspera GmbH / USU Consulting GmbH	274	0
- purchase price adjustment	1,855	0
- incidental acquisition cost	101	0
Adjusted EBIT	**4,462**	**3,805**
Financial income (as per consolidateg income statement)	124	94
Financial costs (as per consolidateg income statement)	-272	-234
Income taxes (as per consolidateg income statement)	261	-716
Tex effects relating to adjustments	-1,146	-197
- amortization	-115	-197
- deferred taxation from tax loss carryforwards	-1,031	0
Minority interests (as per consolidateg income statement)	-9	-11
Adjusted consolidated earnings	**3,420**	**2,741**
Adjusted earnings per share (in EUR):	**0.32**	**0.26**
Weighted average number of outstanding shares:		
Basic and diluted	10,523,770	10,523,770

In the reporting period, the USU Group posted a 17.3% increase in *adjusted EBIT* to EUR 4,462 thousand (Q1-Q3/2011: EUR 3,805 thousand). *Adjusted consolidated earnings* rose by 24.8% as against the previous year to EUR 3,420 thousand (Q1-Q3/2011: EUR 2,741 thousand). This corresponds to *adjusted earnings per share* of EUR 0.32 (Q1-Q3/2011: EUR 0.26).

Balance sheet structure

In the reporting period, the structure of the USU Group's statement of financial position was essentially influenced by the final acquisition of Aspera GmbH, which was completed at the end of May 2012. On the assets side, the USU Group's non-current assets totaled EUR 42,097 thousand as of September 30, 2012 (December 31, 2011: EUR 42,926 thousand). The reduction in this item is mainly due to the amortization of intangible assets. As of the end of the third quarter of 2012, current assets declined to EUR 22,020 thousand (December 31, 2011: EUR 27,124 thousand) as a result of the payment in the period under review of the remaining purchase price for the final acquisition of Aspera. As a result of the settlement of the purchase price for the remaining 49% of shares in Aspera including the pro rata profit distribution totaling EUR 8,978 thousand and the payment of the dividend to USU shareholders of EUR 2,105 thousand in the reporting quarter, cash and cash equivalents including securities declined to a total of EUR 9,616 thousand as of September 30, 2012 in line with planning (December 31, 2011: EUR 17,630 thousand). On the equity and liabilities side, borrowed capital in the form of current and non-current liabilities declined to EUR 14,801 thousand as of the end of the third quarter of 2012 (December 31, 2011: EUR 20,142 thousand), primarily due to the absence of the purchase price liability (December 31, 2011: EUR 6,648 thousand) for the full acquisition of Aspera. Equity was also down on the figure as of December 31, 2011 at EUR 49,316 thousand (EUR 49,908 thousand), largely as a result of the extraordinary purchase price item for the 100% acquisition of Aspera, which affected the USU Group's IFRS consolidated earnings. With total assets of EUR 64,117 thousand (December 31, 2011: EUR 70,050 thousand), the equity ratio was 76.9% as of September 30, 2012 (December 31, 2011: 71.2%).

Cash-Flow and investments

As of September 30, 2012, the cash and cash equivalents of the USU Group not including securities declined year-on-year to EUR 9,118 thousand (Q1-Q3/2011: EUR 11,580 thousand), despite the remaining purchase price payment for the 100% acquisition of Aspera and the dividend payment to shareholders of USU.

At EUR 1,697 thousand (Q1-Q3/2011: EUR 4,075 thousand), the USU Group's cash flow from operating activities was down on the previous year's figure. This resulted primarily from the extraordinary effect for the purchase price adjustment for the final acquisition of Aspera, which affected IFRS consolidated earnings, and changes in working capital.

The net cash flow from investing activities of EUR -483 thousand (Q1-Q3/2011: EUR -946 thousand) essentially includes total investments in property, plant and equipment and intangible assets of EUR -538 thousand (Q1-Q3/2011: EUR -616 thousand).

The net cash flow from financing activities of EUR -9,228 thousand (Q1-Q3/2011: EUR -2,105 thousand) was also influenced by the purchase price payment for the acquisition of the remaining 49% of shares in Aspera by USU Software AG. The purchase price payment for the final acquisition of Aspera is reported under this item in accordance with the latest IFRS regulations. In addition, as in the previous year, the cash flow used in financing activities includes the net expenses in connection with the dividend distribution to the shareholders of USU Software AG in the amount of EUR 2,105 thousand (Q1-Q3/2011: EUR 2,105 thousand).

Orders on hand

As of September 30, 2012, the USU Group's orders on hand increased by 10.7% as against the previous year's figure to EUR 22,253 thousand (September 30, 2011: EUR 20,103 thousand). As against the end of fiscal 2011 (December 31, 2011: EUR 21,501 thousand), USU generated 3.5% growth in orders on hand. Orders on hand as of the end of the quarter shows the USU Group's fixed future sales based on binding contracts. These primarily consist of project-related orders and maintenance agreements.

Strategic partnership with CA Technologies

In the third quarter of 2012, the Group subsidiary Aspera concluded a partnership agreement with one of the biggest global software companies, the US company CA Technologies, from which the USU Group expects to generate earnings contributions of more than EUR 1 million from 2013. For further details, please see the section entitled *Strategic partnership with CA Technologies* in the notes to the consolidated financial statements of this nine-month report for 2012.

Research and development

In the first nine months of fiscal 2012, in order to offer its customers state-of-the-art, practical products and solutions, the USU Group invested a total of EUR 5,486 thousand (Q1-Q3/2011: EUR 4,966 thousand) or 14.9% (Q1-Q3/2011: 15.5%) of consolidated sales in research and development. With 108 employees working in research and development throughout the Group as of the end of the reporting period, the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide product portfolio. This portfolio essentially consists of the software products ***Valuemation*** and ***USU KnowledgeCenter*** from USU AG, ***SmartTrack*** from Aspera, ***ZIS-System*** from LeuTek and ***myCMDB*** from OMEGA.

Within the USU AG subsidiary, the ***Valuemation*** development team focused on the development on the latest version ***Valuemation 4.4.*** In addition to defining specifications and design, its work centered on feasibility studies and implementing the first prototypes. The new features include additional improvements in the user interface, software ergonomics and usability in addition to more extensive software as a service (SaaS) ranges. In this context, an external provider was contracted and the necessary technical requirements were established so that ***Valuemation*** can be offered more as an SaaS solution in future. In addition to various function extensions, a new module for USU AG's ***USU KnowledgeCenter*** product suite was developed in the third quarter of 2012 in ***USU Lifebelt***, which acts as self-service solution for IT support users – even before phoning the user help desk. ***USU Lifebelt*** is integrated into the Windows taskbar and provides users with simple, intuitive access to solutions to their questions and problems. The self-help documents provided and information on current disruptions help users to intuitively solve their concerns. Furthermore, an interactive advice system is currently being developed for technical customer service in ***USU KnowledgeScout***.

In the reporting quarter, the Group subsidiary Aspera GmbH focused in particular on linking the license management software ***SmartTrack*** to the software from its new partner CA Technologies, CA IT Asset Manager. It also implemented extended duplication recognition for manually created licenses and developed a management module for import statistics, which shows import success or any errors that may have occurred in compact graphical form. At the same time, it can be used to show the entire import history and analyze the development of these statistics over time.

Following the launch of version 5.4 of ***ZIS***, the subsidiary LeuTek GmbH began development work on the follow-up version ***ZIS 5.5*** in the reporting quarter. In addition to a revised ***ZISGUI*** designer with a new dialog technology and extended interfaces for third-party products, this is also intended to allow long-term archiving with staggered compression of performance data. Furthermore, this version of ***ZIS*** is set to include a new module for full maintenance planning for required servicing work.

In the period under review, the subsidiary Omega Software GmbH continued to developed the SaaS solution for its SME product suite ***myCMDB*** that was initially launched in the previous quarter. In doing so it expanded various functionalities in the software sold as ***myCMBD Business***, such as budget planning, activity allocation, cable management and rack assignment. ***myCMBD Business*** is available immediately on being ordered and is preconfigured to best practices. The administrator functions are limited to activation of services and adding or removing other users.

Employees

As of September 30, 2012, the USU Group raised its headcount by 13.4% as against the previous year to 355 (Q1-Q3/2011: 313), essentially as a result of the planned expansion of its consultant team. In addition, in response to the long-term shortage of specialists and managers on the entire IT market, USU's Group-wide recruiting team was extended for targeted staff acquisition. Broken down by functional unit, USU employed a total of 163 people in consulting and services as of the end of the third quarter of 2012 (Q1-Q3/2011: 143), 112 in research and development (Q1-Q3/2011: 104), 41 in sales and marketing (Q1-Q3/2011: 37) and 39 in administration (Q1-Q3/2011: 29). Broken down by segment, there were 250 employees in the Product Business segment (Q1-Q3/2011: 224), 70 in the Service Business segment (Q1-Q3/2011: 67) and 35 in central administration at the USU Group (Q1-Q3/2011: 22).

USU shares (ISIN DE000A0BVU28).

The shares of USU Software AG are listed in the Prime Standard of the Frankfurt stock exchange under 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 2012, USU's shares again rose significantly in the wake of the positive business performance of the company and the amicable trend in the stock market environment. After the price of USU shares had been EUR 5.00 on the electronic exchange XETRA as of the end of the second quarter of 2012, it climbed over the course of the third quarter to a new five-year high of EUR 6.18 on XETRA. As of the end of the reporting quarter, the price of USU's shares rose by 11.4% as against the reference date of the previous quarter and closed on XETRA at EUR 5.54 (June 30, 2012: EUR 5.00). Over the same period, the DAX improved by 12.5% to 7,215.95 points (June 30, 2012: 6,416.28), as did the Technology All Share by 8.5% to 994.59 (June 30, 2012: 916.67 points).

USU's shares rose by 22.4% as against December 31, 2011 (EUR 4.55) in the first nine months of fiscal 2012, thereby outperforming the DAX, which increased by 22.3% (December 31, 2011: 5,898.35 points), and the Technology All Share, which rose by 16.6% (December 31, 2011: 852.65 points).

USU shares continued their positive trend over the fourth quarter of 2012 and were again approaching the EUR 6 mark at the time of this report on the first nine months of 2012 going to press.

Supplementary report

There were no transactions of particular significance with a material effect on the development of business of the USU Group after September 30, 2012. Thus, there were no other significant 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 or the Group as a whole since December 31, 2011. Therefore, please refer to the risk report in the 2011 Annual Report.

Forecast report

General economy

In their recently published joint economic forecast for fall 2012, the leading German economic research institutes forecast that overall economic expansion will continue to slow in Germany towards the end of the year. Until recently, incoming orders in the manufacturing industry were tending negatively and equipment and commercial construction investments were also somewhat on the decline due to the unfavorable corporate forecasts in light of the lingering euro crisis and the ailing global economy. The institutions are therefore forecasting a rise in real GDP of only 0.8% for 2012 after growth of 3.0% in 2011. However, the economy in Germany is expected to pick up over the course of the coming year, which will be due to a gradual easing of the situation in the euro zone and a rallying global economy. Nonetheless, the institutions are forecasting average GDP growth for 2013 of only 1.0%. The economic research institutes also predict that overall economic production will continue to decline for the rest of the year for the entire euro zone. Accordingly, they are forecasting a decline in GDP of 0.5% for 2012 as a whole after expansion in the previous year of 1.4%. For the coming year of 2013, the institutes feel there is the potential for the economy in the euro zone to gather pace again over the course of the year, provided that the reform work by the countries hit hard by the euro crisis – such as Greece, Portugal, Spain and Italy – does not let up and provided that the uncertainty concerning the continuation of the European Monetary Union recedes for an extended period.

Sector

According to information from BITKOM, the ICT sector will act as a stabilizing factor for the German economy in the current year of 2012 with a 2.8% increase in market volumes (2011: 2.0%). Growth is also expected to significantly exceed that of the economy as a whole in 2013 at 1.8%. German software providers who benefit from continuing strong economic demand for new IT solutions are expected to perform very well. Accordingly, BITKOM is forecasting growth rates of 4.4% (2011: 4.9%) for the German software market in 2012 and 5.1% in the subsequent year. BITKOM expects that IT services will experience only below-average growth potential in the current year of 2.1% (2011: 3.4%). By contrast, 2013 is set to see higher rates of expansion for IT services again of 3.0%. The European Information Technology Observatory (EITO) is forecasting growth rates for the ICT market in Western Europe of only more than one percent for 2012 as a whole and the subsequent year.

Outlook

Following the positive performance of USU Software AG and its subsidiaries in the first nine months of 2012 with a clear rise in sales, the Management Board is also anticipating significant growth potential for the year as a whole. This is based on the three main growth drivers of *strategy*, *internationalization* and *acquisitions*.

With its Product Business portfolio geared towards knowledge-based service management, the USU Group has focused on a promising future market offering the prospect of high rates of expansion in the medium term as well. Here, USU is offering its modern Valuemation product suite, a rapidly amortizing software solution for the optimization of entire IT resources aimed at large and larger medium-sized companies. Valuemation operates as an integrated, comprehensive product suite and incorporates the Group products USU KnowledgeCenter, ZIS-System and SmartTrack. The global ITIL certification of Valuemation at the beginning of the fiscal year and positive reviews from leading market analysts such as Gartner, Forrester and ECP are expected to raise awareness of the product internationally, accompanied by increasing market penetration. Accordingly, the high-margin and high-growth Product Business with which USU generates license, maintenance and consulting income for products will serve as the operative growth driver for the USU Group. For consulting-intensive Service Business, which began fiscal 2012 very successfully, the Management Board is anticipating a return to sales growth from 2013 following the expiry of major projects and the gradual placement of new follow-up orders in line with planning.

In terms of the USU Group's internationalization, following the highly successful development in the first nine months of 2012 with a share of sales generated outside Germany of over 16%, the Management Board expects to generate high growth contributions in future also. These should ensue from the established international partner business, which in future will also include Computer Associates Inc., one of the biggest global software groups in the United States. From 2013, USU expects the global partner agreement with CA to contribute annual earnings of more than EUR 1 million from license and maintenance income alone. USU will further advance its international growth as a result of this strategic partnership and the creation of the US subsidiary Aspera Technologies Inc. in March 2012.

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, Aspera was acquired in full as planned in the current year by exercising the call option for the remaining 49% of its shares. The extraordinary effect of the acquisition in the first quarter of 2012 will affect IFRS earnings accordingly for the whole of 2012. In order to improve the comparability of the USU Group's long-term earnings power, the Management Board is focusing corporate communications on EBIT adjusted for extraordinary acquisition and other effects (adjusted EBIT).

The Management Board is confirming its forecast of consolidated sales of at least EUR 48 million for 2012 as a whole and adjusted EBIT in the range of between EUR 6.5 million and EUR 7.0 million. As previously disclosed, it also intends to allow the shareholders to participate largely in the company's success in the form of a dividend. Thanks to the growth drivers described above, the Management Board is optimistic for the following year as well, and anticipates that the company will break through the EUR 50 million marker for consolidated sales while continuing to improve adjusted EBIT.

USU Software AG
The Management Board

ASSETS *(Thsd. EUR)*	**9-month report 30.09.2012**	**Annual report 31.12.2011**
Non current assets		
Intangible assets	5,901	6,783
Goodwill	32,395	32,395
Property, plant and equipment	1,112	1,007
Other financial assets	33	85
Deferred tax assets	1,843	1,843
Other assets	813	813
Total non current assets	42,097	42,926
Current assets		
Inventories	891	863
Work in process	2,212	1,330
Trade receivables	7,069	6,050
Income tax receivables	728	130
Other financial assets	653	544
Other assets	74	74
Prepaid expenses	777	503
Securities	498	485
Cash on hand and bank balances	9,118	17,145
Total non current assets	22,020	27,124
Total assets	**64,117**	**70,050**

LIABILITIES AND SHAREHOLDERS' EQUITY *(Thsd. EUR)*	**9-month report 30.09.2012**	**Annual Report 31.12.2011**
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	386	386
Other comprehensive income	0	-23
Accumulated losses	-14,379	-13,773
Shareholders' equity not including minority interests	49,323	49,906
Minority interests	-7	2
Total shareholders' equity	49,316	49,908
Non-current liabilities		
Deferred tax liabilities	0	1,146
Pension provisions	545	482
Total non-current liabilities	545	1,628
Current liabilities		
Provisions for income taxes	741	529
Purchase price liabilities	0	6,648
Personnel-related provisions and liabilities	3,902	4,239
Other provisions and liabilities	1,456	1,949
Liabilities from received payments	2,825	1,860
Trade payables	1,355	1,303
Deferred income	3,977	1,986
Total current liabilities	14,256	18,514
Total liabilities and shareholders' equity	**64,117**	**70,050**

CONSOLIDATED INCOME STATEMENT *(Thsd. EUR)*	Quarterly Report III / 2012 01.07.2012 - 30.09.2012	Quarterly Report III / 2011 01.07.2011 - 30.09.2011	9-Month Report 2012 01.01.2012 - 30.09.2012	9-Month Report 2011 01.01.2011 - 30.09.2011
Sales revenue	11,969	11,208	36,925	32,011
Cost of sales	-6,144	-5,693	-19,206	-15,729
Gross profit	5,825	5,515	17,719	16,282
Sales and marketing expenses	-1,372	-1,272	-4,919	-4,587
General administrative expenses	-1,221	-1,037	-3,317	-2,902
Research and development expenses	-1,823	-1,625	-5,486	-4,966
Other operating income	22	25	206	122
Other operating expenses	-39	-46	-1,971	-144
Amortization of intangible assets recognized in the course of company acquisitions	-285	-390	-855	-1,170
Result of ordinary operations (EBIT)	1,107	1,170	1,377	2,635
Interest income	13	49	124	94
Interest expenses	-22	-78	-272	-234
Result before tax (EBT)	1,098	1,141	1,229	2,495
Income taxes	1,183	-178	261	-716
Net profit / loss	2,281	963	1,490	1,779
of which:				
- shareholders of USU Software AG	2,282	974	1,499	1,790
- minority interests	-1	-11	-9	-11
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG				
(basic and diluted)	0.22	0.09	0.14	0.17
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 III / 2012 01.07.2012 - 30.09.2012	Quarterly Report III / 2011 01.07.2011 - 30.09.2011	9-Month Report 2012 01.01.2012 - 30.09.2012	9-Month Report 2011 01.01.2011 - 30.09.2011
Group result	**2,281**	**963**	**1,490**	**1,779**
Available-for-sale financial instruments (securities)				
Fair value changes taken directly to equity	3	0	13	-2
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	7	0	10	-5
Other comprehensive income	**10**	**0**	**23**	**-7**
Overall result	**2,291**	**963**	**1,513**	**1,772**
of which:				
- shareholders of USU Software AG	2,292	974	1,522	1,783
- minority interests	-1	-11	-9	-11

CONSOLIDATED STATEMENT OF CASH FLOW *(Thsd. EUR)*	9-month report 01.01.2012 - 30.09.2012	9-month report 01.01.2011 - 30.09.2011
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result bevor taxes (EBT)	1,229	2,495
Adjustments for:		
Financial income / financial expenditure	148	141
Depreciation and amortization	1,290	1,525
Income taxes paid	-1,211	-687
Income taxes refunded	12	37
Interest paid	-206	-217
Interest received	118	84
Other non-cash income and expenses	-21	-189
Change in working capital:		
Inventories	-29	-803
Work in process	-882	-1,631
Trade receivables	-1,019	1,803
Prepaid expenses and other assets	-526	104
Trade payables	53	-156
Personnel-related provisions and liabilities and pension provisions	-275	1,055
Other provisions and liabilities	3,016	514
Net cash flow form ordinary activities	**1,697**	**4,075**
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	0	-389
Capital expenditure in property, plant and equipment	-491	-423
Capital expenditure in other intangible assets	-47	-193
Repayment of short-term loans	52	32
Sales of non-current assets	3	27
Investments in available-for-sale securities	0	0
Net cash flow from investing activities	**-483**	**-945**
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend payment	-2,105	-2,105
Repayment of purchase price liabilities in connection with the acquisition of subsidiaries	-7,123	0
Net cash flow from financing activities	**-9,228**	**-2,105**
Net effect of currency translation in cash and cash equivalents	-13	-16
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	**-8,027**	**1,008**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**17,145**	**10,572**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**9,118**	**11,580**

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Accumulated losses	Other comprehensive income: Currency Translation	Other comprehensive income: Securities measured at fair value	Share-holder´s equity not 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, 2011	**10,523,770**	**10,524**	**52,792**	**294**	**-15,125**	**9**	**-9**	**48,485**	**0**	**48,485**
Group result	0	0	0	0	1,790	0	0	1,790	-11	1,779
Other comprehensive income	0	0	0	0	0	-5	-2	-7	0	-7
Overall result	**0**	**0**	**0**	**0**	**1,790**	**-5**	**-2**	**1,783**	**-11**	**1,772**
Change in the basis of consolidation	0	0	0	0	0	0	0	0	32	32
Dividend payment	0	0	0	0	-2,104	0	0	-2,104	0	-2,104
Consolidated equity as of September 30, 2011	**10,523,770**	**10,524**	**52,792**	**294**	**-15,439**	**4**	**-11**	**48,164**	**21**	**48,185**
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	1,499	0	0	1,499	-9	1,490
Other comprehensive income	0	0	0	0	0	10	13	23	0	23
Overall result	**0**	**0**	**0**	**0**	**1,499**	**10**	**13**	**1,522**	**-9**	**1,513**
Dividend payment	0	0	0	0	-2,105	0	0	-2,105	0	-2,105
Consolidated equity as of September 30, 2012	**10,523,770**	**10,524**	**52,792**	**386**	**-14,379**	**-6**	**6**	**49,323**	**-7**	**49,316**

Principles of Accounting

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

This nine-month report for 2012 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, 2011. This unaudited nine-month report for 2012 should therefore be read in conjunction with the audited consolidated financial statements for 2011. The provisions of section 37x (3) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) were complied with. Furthermore, the company used the German Accounting Standard 16 (Interim Financial Reporting) as a guideline in preparing this report.

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

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

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

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

Acquisition of non-controlling interests in Aspera GmbH

As of July 1, 2010, USU Software AG acquired 51% of shares in Aspera GmbH, Aachen, ("Aspera"), a highly specialized solution provider for software license management, which has been included in consolidation since this date using the purchase method in accordance with IFRS 3. To enable the advised full takeover of Aspera GmbH by USU Software AG, the parties agreed corresponding reciprocal options resulting in the full consolidation of Aspera GmbH from July 1, 2010. In particular, the purchase price for the remaining 49% was dependent on the earnings generated by Aspera in the fiscal years 2010/11 and 2011/12. As of December 31, 2011, the anticipated purchase price for the non-controlling interests including the shares of earnings attributable to Aspera's shareholders for fiscal 2011/12 had been recognized as a purchase price liability totaling EUR 6,648 thousand based on Aspera's forecast business performance.

At the end of May 2012, USU Software AG exercised its call option and acquired the remaining shares in Aspera. As the business performance of Aspera GmbH greatly exceeded expectations in the period from January 1, 2012 to March 31, 2012, the final purchase price including the profit distribution for fiscal 2011/12 was EUR 1,855 thousand higher than the amount forecast and recognized as of December 31, 2011. In accordance with IFRS, the resulting difference must be recognized in full in profit or loss under other operating expenses. The calculation of this expense item is shown in the table below:

Calculation of the purchase price for Aspera GmbH *in EUR thousand*	
Fixed purchase price minority interests	7,693
Pro rata profit distribution to non-controlling interests of Aspera for fiscal 2011/12	1,285
Deferred stay bonus from Aspera acquisition	-163
Total purchase price incl. pro rata profit distribution	**8,815**
Stay bonus expense recognized in H1/2012	-109
Interest expense of purchase price liability recognized in H1/2012	-203
Forecast purchase price liability for non-controlling interests as of Dec. 31, 2011	-6,648
	1,855

On the basis of the profit transfer agreement between Aspera GmbH and USU Software AG that was approved by the Annual General Meeting on July 18, 2012 and the addition of Aspera to the consolidated group of USU Software AG thereby effected, the tax loss carryforwards of USU Software AG became effective in the amount of the deferred tax liabilities recognized at Aspera. Therefore, deferred tax assets were recognized on the loss carryforwards of USU Software AG in the amount of the remaining deferred tax liabilities resulting from the purchase price allocation of Aspera as of September 30, 2012 and offset against the deferred tax liabilities. This resulted in tax income for the first nine months of fiscal 2012 of EUR 1,031 thousand.

Strategic Partnership with CA Technologies

In the quarter under review, the Group subsidiary Aspera GmbH concluded a multi-year agreement on a global sales partnership with the US software company CA Technologies. CA Technologies will integrate and sell Aspera's license management software SmartTrack with its own IT Asset Manager software product. The sales under this agreement will be recognized over its term from 2013. USU expects this partnership to generate an annual earnings contribution of more than EUR 1 million from license and maintenance income. Through this strategic partnership, USU will continue to make strong progress in its international growth and reach out to new markets.

Sales revenues

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

	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2011 Thsd. EUR
Consulting	21,567	18,998
Licences / products	5,187	4,058
Service and maintenance	8,661	7,819
Other	1,510	1,136
	36,925	**32,011**

Segment reporting

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

	Product Business		Service Business		Total Segments		Unallocated		Group	
	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2011 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2011 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2011 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2011 Thsd. EUR	1.1.-30.9.2012 Thsd. EUR	1.1.-30.9.2011 Thsd. EUR
Revenues	25,147	21,500	11,754	10,480	36,901	31,980	24	31	36,925	32,011
EBITDA	5,198	3,896	1,460	1,981	6,658	5,877	-3,991	-1,716	2,667	4,161
EBIT	4,056	2,461	1,373	1,906	5,429	4,367	-4,051	-1,732	1,377	2,635
Net financial income	-	-	-	-	-	-	-148	-140	-148	-140
Taxes	-	-	-	-	-	-	261	-716	261	-716
Net profit / loss	4,056	2,461	1,373	1,906	5,429	4,367	-3,939	-2,588	1,490	1,779
Employees (as of Sept. 30, 2012/11)	250	224	70	67	320	291	35	22	355	313

The USU Software Group generated a total of 16.2% (Q1-Q3/2011: 9.9%) or EUR 5,990 thousand (Q1-Q3/2011: EUR 3,172 thousand) of its consolidated sales outside Germany in the first nine months of the 2012 financial year. In contrast, less than 10% of the consolidated assets held are outside Germany. At the same time, the investments made outside Germany came to less than 10% of the consolidated total investments. Further details of the geographical data have thus not been provided.

Shares held by members of corporate bodies at USU Software AG

The following shares in USU Software AG were held by members of corporate bodies of the company as at September 30, 2012:

Holdings of members of corporate bodies	shares 30.09.2012	shares 30.09.2011
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 (2011: 3,473,868) shares of USU Software AG can be allocated to Udo Strehl via AUSUM GmbH (formerly: Udo Strehl Private Equity GmbH) as the majority shareholder of the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. A further 32,000 (2011: 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 2011. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2011.

Möglingen, November 9, 2012

Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

NOVEMBER 14, 2012 9.45 a.m.	**ANALYSTS AND INVESTORS CONFERENCE** **OF USU SOFTWARE AG** **as part of the** ***- GERMAN EQUITY FORUM 2012-*** **at Congress Center of Frankfurt Fair,** **Room “Zürich”** **Ludwig-Erhard-Anlage 1** **60327 Frankfurt am Main, Germany**

MARCH 26, 2013	**ANNUAL REPORT 2012**

MAY 16, 2013	**3-MONTH REPORT 2013**

JUNE 6, 2013	**ANNUAL GENERAL MEETING**

AUGUST 15, 2013	**6-MONTH REPORT 2013**

NOVEMBER 14, 2013	**9-MONTH REPORT 2013**