



**3 – MONTH REPORT 2018**

**USU Software AG**

<b>3-Month Report 2018</b>	<b>2018</b>	<b>2017</b>
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	<b>Jan.1 -March 31</b>	<b>Jan.1 -March 31</b>
<b>REVENUES</b>	<b>21,005</b>	<b>18,887</b>
<b>ADJUSTED EBIT</b>	<b>752</b>	<b>689</b>
<b>ADJUSTED NET RESULT</b>	<b>462</b>	<b>403</b>
<b>ADJUSTED EARNINGS PER SHARE (EUR)</b>	<b>0.04</b>	<b>0.04</b>
<b>EBITDA</b>	<b>1,091</b>	<b>796</b>
<b>EBIT</b>	<b>383</b>	<b>139</b>
<b>NET RESULT</b>	<b>473</b>	<b>-115</b>
<b>EARNINGS PER SHARE (EUR)</b>	<b>0.04</b>	<b>-0.01</b>
<b>CASH-FLOW FROM ORDINARY OPERATIONS</b>	<b>6,747</b>	<b>6,310</b>
<b>NUMBER OF EMPLOYEES</b>	<b>683</b>	<b>604</b>
	<b>March 31, 2018</b>	<b>Dec. 31, 2017</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>22,221</b>	<b>15,729</b>
<b>SHAREHOLDERS EQUITY</b>	<b>63,517</b>	<b>63,006</b>
<b>BALANCE SHEET</b>	<b>100,616</b>	<b>99,386</b>
<b>EQUITY RATIO</b>	<b>63.1%</b>	<b>63.4%</b>

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Dear Shareholders and Readers,

The USU Group has enjoyed a positive start to 2018 and is back on its profitable growth path thanks in particular to the renewed strength of its international business. The strong customer preference for SaaS business means the profit margin generated from this business remains low, but the Management Board has laid the foundations for sustainable margin growth with the increased level of foreign investment since the previous year. The Management Board expects these investments to have a positive effect in the second half of the current year in particular. They will have an even more positive impact in 2019 and provide a significant boost to sales and earnings in the medium term. Accordingly, the Management Board has confirmed its forecast for 2018 of consolidated sales of EUR 93-98 million and adjusted EBIT of EUR 7.5-10 million as well as its mid-term planning to 2021, which involves consolidated sales of EUR 140 million and adjusted EBIT of EUR 20 million.

Alongside service-driven management, which encompasses the product groups of software license management and IT service management, the area of knowledge-driven digital interaction in the shape of Unymira, which was restructured at the start of 2018, will contribute to the Group's accelerated growth. Combining the four previously independent USU divisions, BIG Social Media, Business Solutions, KCenter and unitB technology, Unymira focuses on the intelligent digitization of service-related business processes. With extensive expertise in the areas of digital strategy, digital experience, IT technologies and implementation, Unymira is an international one-stop shop for digital customer-first solutions. With this move, USU has positioned itself in the major growth market of digitization in a targeted manner. Katana, which emerged from the former research division and focuses on big data analytics and solutions for artificial intelligence, will also play a significant role in the USU Group's growth in the medium to long term.

This 3-Month Report 2018 contains details of USU's business development in the first quarter of 2018 and further planning. The Management Board will also present and discuss the Group's business development in more detail at the Annual General Meeting in Ludwigsburg on June 28, 2018. Among other things, one of the agenda items is the payment of a dividend of EUR 0.40 per share for 2017. The agenda for the Annual General Meeting, to which you are cordially invited, also includes the approval of the actions of the Management Board and the Supervisory Board for the 2017 fiscal year, the election of the auditor for the current 2018 fiscal year, and amendments to the Articles of Association concerning aspects such as Supervisory Board remuneration.

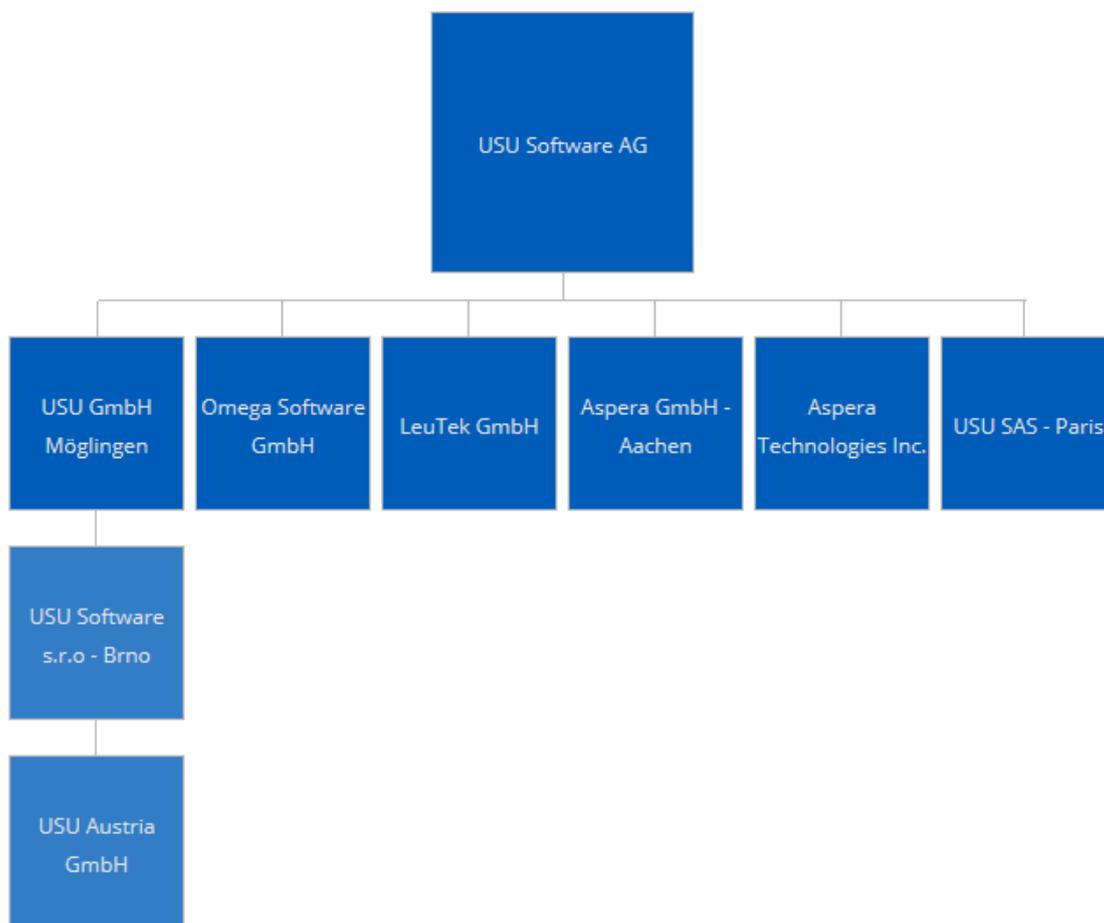
Yours,

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; LeuTek GmbH, Leinfelden-Echterdingen, Germany; Omega Software GmbH, Obersulm, Germany; USU GmbH, Möglingen, Germany; USU Austria GmbH, Vienna, Austria; USU Software s.r.o., Brno, Czech Republic. USU Software AG also has a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.



### *The USU Software AG and its subsidiaries*

With effect from January 1, 2018, USU bundled its established strategy and technology portfolio for customer and IT service in the new unymira segment. Combining the four previously independent USU divisions, BIG Social Media, Business Solutions, KCenter and unitB technology, this segment will focus on the intelligent digitization of service-related business processes. As part of this reorganization, B.I.G. Social Media GmbH and unitB technology GmbH were merged into USU AG. USU AG was also renamed USU GmbH.

In addition, USU (Schweiz) AG, Zug, Switzerland and USU Consulting GmbH, Sursee, Switzerland were dissolved and are now in liquidation as they are no longer operationally active.

## 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 the largest European 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 digitalization 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 1,000 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.

The Management Board is forecasting an increase in consolidated sales to between EUR 93 million and EUR 98 million in the current fiscal year, accompanied by an increase in adjusted earnings before interest and taxes (Adjusted EBIT) to EUR 7.5-10 million. The current medium-term forecast to 2021 involves sales growth 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 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 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

USU Software AG has been investing heavily in research and development (R&D) for many years. Its R&D activities were recently recognized with the award of the “Innovation through Research” quality seal by the Association for the Promotion of German Sciences (Stifterverband für die deutsche Wissenschaft). R&D expenditure in the first three months of 2018 totaled EUR 3,512 thousand (Q1 2017: EUR 3,031 thousand) or 16.7% (Q1 2017: 15.9%) of consolidated sales.

With 191 employees working in research and development as of March 31, 2018 (March 31, 2017: 168), 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.

Activities in USU’s Valuation segment focused on work on the new release version, Valuation 5.1, which is scheduled for late September 2018. Various functions have been expanded or improved in response to requests from numerous customers, including bookmarks and the news area. Another notable feature is the new Kanban board, which allows ticket processing tasks to be allocated and scheduled flexibly. An alert function delivers push notifications of key events directly to the user’s screen, e.g. when a service is down. Development work also continued on version 3.1 of the Valuation Mobile Manager.

In the Business Service Monitoring and Alarm Management segment, the new version of ZIS was released in March 2018. Major functional improvements include service level monitoring and an improved search function for event messages. However, development work focused on expanding the alarm function (alarm app, Skype for Business) and updating the dashboard interface (self-service cockpit).

Version 4.3 of the Aspera software SmartTrack is now available in license management. Among other things, this allows users to configure multiple dashboards for each profile in order to automate more individual evaluations. The release also offers new connectors for smooth data transfer, including for Oracle Review Lite and ServiceNow. New versions for the Aspera solutions SAM Intelligence and License Control for SAP® Software have also been released.

In USU’s Unymira division, which was formed in January 2018 from the previously independent divisions BIG Social Media, Business Solutions, KCenter and unitb technology, work continued on the new version 6.9 of KnowledgeCenter. For example, this intelligent knowledge database features a new service platform, KnowledgeCloud, that uses the motto “customers help customers” to consolidate industry-related knowledge and make it available to customers. The enhancement of CONNECT in the area of social media management focused on improvements to skill-based routing, which controls communication automatically on the basis of employee skills.

The Katana division published the new product Katana Flow in the first quarter. This comprehensive tool for data scientists is characterized by its graphical programming options, among other things. It enables data evaluation on the basis of known algorithms. This allows inexperienced data analysts in particular to generate complex, customized evaluations extremely quickly.

In the area of research, an invention for the identification and detection of event chains was registered and the property right was granted. This algorithm allows relationships to be learned automatically from collections of log data and subsequently used to determine the causes of problems or losses.

## Economic report

### Overall economic development

According to initial estimates by the German Federal Statistical Office (Destatis)<sup>1</sup> published in mid-May 2018, the growth in the German economy slowed slightly in the first quarter of 2018. Adjusted for inflation, seasonal and calendar effects, the Destatis figures show that gross domestic product (GDP) for the first quarter of 2018 was just 0.3% higher than in the previous quarter. By comparison, economic output rose by 0.6% in the fourth quarter of 2017. According to preliminary calculations, domestic demand provided positive momentum compared with the previous quarter after adjustment for inflation, seasonal and calendar effects. Capital expenditure saw considerable growth; construction investment in particular rose significantly as against the fourth quarter of 2017, as well while investment in equipment also increased. Private consumer spending picked up slightly at the start of the year. However, government spending decreased for the first time in almost five years, thereby curbing economic growth. External economic development also lost momentum according to preliminary calculations, with both exports and imports declining compared with the previous quarter. According to Destatis, GDP increased by 1.6% year-on-year. According to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat)<sup>2</sup>, seasonally adjusted GDP in the euro area rose by 0.4% quarter-on-quarter in the first quarter of 2018 compared with an increase of 0.7% in the fourth quarter of 2017. According to Eurostat, seasonally adjusted GDP was up 2.5% year-on-year in the first quarter of 2018.

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<sup>1</sup> cf. destatis press release 168 dated May 15, 2018, published at <https://www.destatis.de>

<sup>2</sup> cf. Eurostat press release dated May 15, 2018 – 82/2018, published at <http://ec.europa.eu/eurostat>

## Sector development

According to surveys conducted by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM)<sup>3</sup>, the midmarket in particular enjoyed extremely positive development within the German high-tech industry. 85% of the small and medium-sized IT companies surveyed expected to record higher sales in the first half of 2018 than in the same period of the previous year, while only 3% expected sales to decline. As a result, the BITKOM SME index climbed to 82 points, 3 points higher than in the second half of 2017 and up 14 points on the figure of 68 points recorded one year previously. “The IT midmarket is the growth driver of the digital economy. Small and medium-sized enterprises in particular are driving the economy with considerable agility and dynamism, creating new jobs and strengthening Germany’s position as an economic location,” commented Bitkom Executive Board member Dirk Röhrborn.

## Business performance in the first three months of fiscal 2018

### Development of sales and costs

#### Consolidated sales

In the first quarter of 2018, USU Software AG increased its consolidated sales (IFRS) by 11.2% year-on-year to EUR 21,005 thousand (Q1 2017: EUR 18,887 thousand).

The main growth driver in the first quarter of 2018 was SaaS and maintenance business, which rose by 14.7% year-on-year to EUR 5,873 thousand (Q1 2017: EUR 5,120 thousand). Consulting sales increased by 11.9% to EUR 12,167 thousand in the same period (Q1 2017: EUR 10,877 thousand). Irrespective of the strong growth in SaaS business, USU also increased its license income by 6.5%, from EUR 2,634 thousand in Q1 2017 to EUR 2,804 thousand in the period under review. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 161 thousand (Q1 2017: EUR 256 thousand).

In regional terms, the sales growth in Q1 2018 resulted from the renewed strength of international business in particular, which increased by 37.6% to EUR 6,914 thousand (Q1 2017: EUR 5,026 thousand). Accordingly, the proportion of sales generated outside Germany rose from 26.6% in the previous year to 32.9% in the period under review, thereby exceeding 30% as forecast.

<sup>3</sup> cf. BITKOM press release dated March 26, 2018, published at <http://www.bitkom.de>

## Sales by segment

The product range of the Product Business segment includes all activities relating to USU's product portfolio in the market for IT management solutions and the knowledge management market. 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 15,748 thousand in the first quarter of 2018 (Q1 2017: EUR 13,879 thousand), up 13.5% on the previous year. This was primarily attributable to the USU Group's strong international business. In the same period, USU increased consulting-related sales in the Service Business segment by 4.9% to EUR 5,227 thousand (Q1 2017: EUR 4,983 thousand). Sales not allocated to the segments totaled EUR 30 thousand in the period under review (Q1 2017: EUR 25 thousand).

## Operating costs

The operating cost base of the USU Group increased by 9.2% year-on-year to EUR 20,249 thousand in the first quarter of 2018 (Q1 2017: EUR 18,535 thousand). Above all, this reflects the increased level of international investment for continued market penetration in Western Europe and the USA in particular.

The cost of sales was up by 9.0% as against the previous year at EUR 10,099 thousand in the period under review (Q1 2017: EUR 9,261 thousand). Among other things, this reflects the expansion of the consultant team by 12.5% year-on-year to 314 employees as of March 31, 2018 (March 31, 2017: 279). The above-average sales growth meant that the cost of sales as a proportion of consolidated sales declined slightly, from 49% in the first quarter of 2017 to 48.1%. Gross income increased to EUR 10,906 thousand in the same period (Q1 2017: EUR 9,626 thousand). Accordingly, USU's gross margin rose from 51.0% in the first quarter of 2017 to 51.9%.

In the first quarter of 2018, USU increased its marketing and sales expenses by 11.5% year-on-year to EUR 4,178 thousand in connection with the targeted intensification of its activities outside Germany (Q1 2017: EUR 3,746 thousand). Marketing and sales expenses as a share of consolidated sales remained essentially unchanged in the same period at 19.9% (Q1 2017: 19.8%).

USU reduced its general administrative expenses slightly, from EUR 2,497 thousand in the first quarter of 2017 to EUR 2,460 thousand in the period under review. This 1.5% decrease reflects the elimination of the acquisition-related administrative expenses recorded in the

previous year, among other things. The ratio of administrative expenses to consolidated sales therefore declined from 13.2% in Q1 2017 to 11.7% in the period under review.

Research and development expenses increased by 15.9% year-on-year to EUR 3,512 thousand (Q1 2017: EUR 3,031 thousand). This was primarily attributable to the acquisition of the new Group subsidiary USU SAS (“EASYTRUST”) in mid-2017 and the accompanying expansion in the R&D workforce to 191 (March 31, 2017: 168) employees. The ratio of research and development expenses to consolidated sales increased slightly as a result, from 16.0% in the first quarter of 2017 to 16.7%. USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please see the separate research and development report in this Group management report.

Net other operating income and expenses totaled EUR -14 thousand in the first three months of 2018 (Q1 2017: EUR 99 thousand).

## Results of operations

Thanks to its substantial sales growth, the USU Group increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 37.1% year-on-year to EUR 1,091 thousand (Q1 2017: EUR 796 thousand). Adjusted for depreciation and amortization of EUR 708 thousand (Q1 2017: EUR 657 thousand), USU generated earnings before interest and taxes (EBIT) of EUR 383 thousand in the same period (Q1 2017: EUR 139 thousand). This represents an increase of 175.5%. At the same time, consolidated net profit improved from EUR -115 thousand in the previous year to EUR 473 thousand. Accordingly, earnings per share amounted to EUR 0.04 (Q1 2017: EUR -0.01).

## 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.

<b>Adjusted consolidated net profit</b> <i>EUR thousand</i>	<b>Jan. 1, 2018 - March. 31, 2018</b>	<b>Jan. 1, 2017 - March. 31, 2017</b>
<b>Profit from ordinary activities (EBIT)</b>	<b>383</b>	<b>139</b>
Amortization of intangible assets recognized in with company acquisitions	359	312
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	10	238
- from stay bonus for BIG GmbH / unitB technology GmbH	0	75
- from Consulting fees for acquisition of unitB technology	10	140
- from purchase price adjustments	0	0
- from incidental acquisition costs	0	23
<b>Adjusted EBIT</b>	<b>752</b>	<b>689</b>
Finance income (as per consolidated income statement)	4	7
Finance costs (as per consolidated income statement)	-60	-45
Income taxes (as per consolidated income statement)	146	-216
Tax effects relating to adjustments	-380	-32
- from amortization	-32	-32
- from deferred taxes on tax loss carryforwards	-352	0
<b>Adjusted consolidated net profit</b>	<b>462</b>	<b>403</b>
<b>Adjusted earnings per share (in EUR):</b>	<b>0.04</b>	<b>0.04</b>
Weighted average shares outstanding:		
Basic and diluted	10,523,770	10,523,770

Adjusted EBIT increased by 9.1% year-on-year to EUR 752 thousand in the first quarter of 2018 (Q1 2017: EUR 689 thousand). Adjusted consolidated net profit rose by 14.6% to EUR 462 thousand in the same period (Q1 2017: EUR 403 thousand). This corresponds to adjusted earnings per share of EUR 0.04 (Q1 2017: EUR 0.04).

### Net assets and financial position

On the asset side of the statement of financial position, the USU Group's non-current assets decreased slightly to EUR 58,377 thousand as of March 31, 2018 due to the scheduled amortization of intangible assets (December 31, 2017: EUR 58,828 thousand). In the same period, current assets rose from EUR 40,558 thousand as of December 31, 2017 to EUR 42,239 thousand. This was largely due to the increase in Group liquidity, while trade receivables declined significantly. Cash and cash equivalents (cash on hand and bank balances plus securities) rose to EUR 22,221 thousand as of March 31, 2018 (December 31, 2017: EUR 15,729 thousand), while trade receivables decreased from EUR 17,443 thousand as of December 31, 2017 to EUR 12,426 thousand as of March 31, 2018.

On the equity and liabilities side of the statement of financial position, positive earnings performance meant that equity increased from EUR 63,006 as of December 31, 2017 to EUR

63,517 thousand at the end of Q1 2018. In the same period, debt in the form of the USU Group's current and non-current liabilities also increased slightly to EUR 37,099 thousand (December 31, 2017: EUR 36,380 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. With total assets of EUR 100,616 thousand (December 31, 2017: EUR 99,386 thousand), the equity ratio was 63.1% as at March 31, 2018 (December 31, 2017: 63.4%).

## Cash flows and capital expenditure

The USU Group had cash and cash equivalents of EUR 19,207 thousand as of March 31, 2018 (Q1 2017: EUR 24,283 thousand).

In the first quarter of 2018, the USU Group's net cash from operating activities increased by 6.9% year-on-year to EUR 6,747 thousand (Q1 2017: EUR 6,310 thousand). This was due to the earnings growth as well as the reduction in trade receivables. Net cash used in investing activities of EUR -209 thousand (Q1 2017: EUR -2,167 thousand) primarily reflects payments for investments in property, plant and equipment, which amounted to EUR 198 thousand (Q1 2017: EUR 251 thousand), while the prior-year figure mainly contained payments for the acquisition of subsidiaries.

As in the previous year, there were no changes in cash flow from financing activities in the first quarter of 2018.

## Orders on hand

The USU Group's orders on hand totaled EUR 46,103 thousand at the end of the first quarter of 2018, up 7.8% on the previous year (March 31, 2017: EUR 42,775 thousand).

At the same time, orders on hand increased by 4.6% as against the end of the previous year (December 31, 2017: EUR 44,055 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 increased its workforce by 13.1% or 79 employees year-on-year to 683 employees as of March 31, 2018 (March 31, 2017: 604 employees). Among other things, this reflects the targeted expansion of the sales and consulting team in Germany and abroad. Broken down by functional unit, USU employed a total of 314 people in consulting and services

as of the end of the first quarter of 2018 (March 31, 2017: 279), 191 in research and development (March 31, 2017: 168), 96 in sales and marketing (March 31, 2017: 85) and 82 in administration (March 31, 2017: 72). Broken down by segment, USU had 491 (March 31, 2017: 435) employees in the Product Business segment, 110 (March 31, 2017: 97) in the Service Business segment, and 82 (March 31, 2017: 72) in USU Group central functions.

## Supplementary report

The supplementary report can be found in the notes to the consolidated financial statements in this 3-Month Report 2018.

## Forecast, opportunity and risk report

### Forecast

#### *General economy*

According to a survey by the Joint Economic Forecast Project Group<sup>4</sup> conducted with the participation of the leading German economic research institutes, the German economy is currently enjoying a boom phase. The pace of growth is set to pick up again following a dip at the start of the year, meaning that the boom will continue in the current year as a whole providing there is no escalation in the international trade conflict. According to the joint economic forecast, gross domestic product (GDP) is expected to increase by 2.2% in the current year (2017: 2.2%).

According to the joint economic forecast, the global economy will achieve growth in overall economic output of 3.4% this year after 3.3% in the previous year. However, global economic momentum will slow gradually as the year progresses. This is due in part to the more turbulent trade policy environment, which is having an adverse effect on the global investment climate.

#### *Sector*

According to information published by the industry association BITKOM<sup>5</sup>, growth in the German high-tech sector is expected to be boosted by digitization in the 2018 fiscal year. The German IT market alone is expected to grow by 3.1% to EUR 88.8 billion in 2018 (2017: EUR 86.2 billion). The software segment is expected to enjoy the strongest development by some distance, with BITKOM forecasting above-average growth of 6.3% to EUR 24.4 billion in

<sup>4</sup> cf. Joint Economic Forecast "Gemeinschaftsdiagnose" Spring 2018, dated April 19, 2018

<sup>5</sup> cf. BITKOM press release dated February 14, 2018, published at [www.bitkom.de](http://www.bitkom.de)

this segment (2017: EUR 23.0 billion). However, IT service providers are also set to experience above-average growth of 2.6% to EUR 40.0 billion (2017: EUR 39.0 billion). According to BITKOM, the sustained high level of demand for software and IT services shows that digitization has reached all areas of the economy. While cloud computing has established itself as the basis for the next phase of digitization at the majority of companies, BITKOM still sees considerable growth potential on the market for big data and the Internet of Things (IoT). In terms of the global IT market, the Worldwide IT Spending Forecast<sup>6</sup> published by the market research company Gartner on April 9, 2018, forecasts a year-on-year increase in global IT expenditure of 6.2% to USD 3.7 trillion in 2018 (2017: USD 3.5 trillion). According to Gartner, the key global growth areas are also expected to be corporate software and IT services, with forecast growth of 11.1% to EUR 391 billion (2017: EUR 352 billion) and 4.4% to EUR 1,003 billion (2017: EUR 933 billion) respectively as a result of digitization.

### *Outlook*

With a view to the full 2018 fiscal year, the Management Board expects USU Software AG to continue on the positive growth path recorded in recent years, although this growth will be curbed slightly by the trend towards SaaS business. The Management Board expects to see the first positive effects from investments outside Germany starting from the second half of 2018, although the full impact will only be felt with some delay. By contrast, the positive effect of the portfolio expansion in the area of knowledge management in the markets outside Germany, and particularly in the USA, is set to be felt in full. Domestic business is also expected to continue to develop successfully, leading to a further expansion in the product business, while service business is set to enjoy further growth. As announced, the Management Board expects to significantly outperform the IT market in terms of growth once again in the full 2018 fiscal year. One key indicator supporting this forecast is Group-wide orders on hand, which increased by 7.8% year-on-year to EUR 46,103 thousand as of March 31, 2018 (March 31, 2017: EUR 42,775 thousand). Accordingly, the forecast for 2018 involves an increase in consolidated sales to between EUR 93 million and EUR 98 million accompanied by an above-average rise in adjusted EBIT to EUR 7.5-10 million. The Management Board is also confirming its medium-term forecast to 2021, with consolidated sales set to rise to EUR 140 million and adjusted EBIT increasing to EUR 20 million. Strategic planning focuses on the three established growth pillars of the USU Group: increased internationalization, the development and launch of new product innovations, and inorganic growth through acquisitions.

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<sup>6</sup> cf. Gartner press release dated April 9, 2018, published at [www.gartner.com](http://www.gartner.com)

Based on the above assumptions, the Management Board is planning to enable the shareholders of USU Software AG to participate significantly in the Company's operating success in the current 2018 fiscal year as in the previous years, and to continue the shareholder-friendly dividend policy with the distribution of a dividend that is never lower than the previous year and that corresponds to around half of the profit generated.

## 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, 2017. For more information please see the report on risks and opportunities in the 2017 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.

The stock markets saw increasingly negative development in the first quarter of the 2018 fiscal year as a result of rising interest rates in the USA and the threat of an international trade war. While the Technology All Share closed at 2,866.09 points on the XETRA electronic trading platform on March 31, 2018, down a relatively moderate 0.5% on the end of the previous quarter (December 31, 2017: 2,880.31 points), the DAX fell by 6.4% to 12,096.73 points in the same period (December 31, 2017: 12,917.64 points).

USU Software AG's share price also saw muted development on the back of the general market weakness, closing the quarter at EUR 22.0 on March 31, 2018 (December 31, 2017: EUR 26.20); this corresponds to negative quarter-on-quarter price performance of 16.0%. Compared with one year previously, USU's share price increased by 3.3% (March 31, 2017: EUR 21.30), while the DAX fell by 1.8% in the same period (March 31, 2017: EUR 12,312.87 points) and the Technology All Share gained 20.8% (March 31, 2017: 2,373.25 points).

Möglingen, May 24, 2018

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management  
Board

Bernhard Böhrer  
Management Board

Dr. Benjamin Strehl  
Management Board

<b>ASSETS</b> <i>in TEUR</i>	<b>3-month report</b> <b>March 31, 2018</b>	<b>Annual report</b> <b>Dec. 31, 2017</b>
<b>Non-current assets</b>		
Intangible assets	8,075	8,487
Goodwill	41,183	41,183
Property, plant and equipment	2,141	2,230
Financial assets	725	687
Prepaid expenses	354	342
Deferred taxes	5,899	5,899
Non-current assets	58,377	58,828
<b>Current assets</b>		
Inventories	539	511
Unbilled work in progress	2,392	3,468
Trade receivables	12,426	17,443
Income tax receivables	1,509	1,012
Financial assets	1,468	1,279
Other assets	338	205
Prepaid expenses	1,346	911
Securities	3,014	3,014
Cash on hand and bank balances	19,207	12,715
Current assets	42,239	40,558
<b>Total assets</b>	<b>100,616</b>	<b>99,386</b>

<b>EQUITY AND LIABILITIES</b> <i>EUR thousand</i>	<b>3-month report</b> <b>March 31, 2018</b>	<b>Annual report</b> <b>Dec. 31, 2017</b>
<b>Equity</b>		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Legal reserve	0	574
Other comprehensive income	161	-105
Accumulated losses/unappropriated surplus	40	-779
Equity	63,517	63,006
<b>Non-current liabilities</b>		
Financial liabilities	250	250
Pension provisions	2,224	2,203
Deferred income	967	2,443
Deferred taxes	2,077	2,457
Non-current liabilities	5,518	7,353
<b>Current liabilities</b>		
Income tax liabilities	1,265	1,266
Financial liabilities	917	7,421
Personnel-related liabilities	5,504	6,208
Other provisions and liabilities	2,174	3,363
Liabilities from advance payments	5,700	7,457
Trade payables	1,862	3,567
Deferred income	14,159	5,035
Current liabilities	31,581	29,027
<b>Total equity and liabilities</b>	<b>100,616</b>	<b>99,386</b>

<b>CONSOLIDATED INCOME</b> <i>EUR thousand</i>	<b>Quarterly Report</b> <b>I / 2017</b> <b>Jan 1, 2017 -</b> <b>March 31, 2017</b>	<b>Quarterly Report</b> <b>I / 2017</b> <b>Jan 1, 2017 -</b> <b>March 31, 2017</b>	<b>3-month</b> <b>report</b> <b>Jan 1, 2018 -</b> <b>March 31, 2018</b>	<b>3-month</b> <b>report</b> <b>Jan 1, 2017 -</b> <b>March 31, 2017</b>
Sales	21,005	18,887	21,005	18,887
Cost of sales	-10,099	-9,261	-10,099	-9,261
Gross profit	10,906	9,626	10,906	9,626
Selling and marketing expenses	-4,178	-3,746	-4,178	-3,746
General and administrative exp.	-2,460	-2,497	-2,460	-2,497
Research and development exp.	-3,512	-3,031	-3,512	-3,031
Other operating income	247	229	247	229
Other operating expenses	-261	-130	-261	-130
Amortization of intangible assets recognized in connection with company acquisitions	-359	-312	-359	-312
Profit from ordinary activities (EBIT)	383	139	383	139
Finance income	4	7	4	7
Finance expenses	-60	-45	-60	-45
Earnings before taxes (EBT)	327	101	327	101
Income taxes	146	-216	146	-216
Net profit	473	-115	473	-115
Earnings per share (EUR):				
Basic and diluted	0.04	-0.01	0.04	-0.01
Number of underlying shares	10,523,770	10,523,770	10,523,770	10,523,770

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>Quarterly report 1 / 2018 Jan 1, 2018 - March 31, 2018</b>	<b>Quarterly report 1 / 2017 Jan 1, 2017 - March 31,2017</b>	<b>3-month report Jan 1, 2018 - March 31, 2018</b>	<b>3-month report Jan 1, 2017 - March 31,2017</b>
<b>Consolidated net profit</b>	<b>473</b>	<b>-115</b>	<b>473</b>	<b>-115</b>
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	37	28	37	28
<b>Other comprehensive income after taxes</b>	<b>37</b>	<b>28</b>	<b>37</b>	<b>28</b>
<b>Total comprehensive income</b>	<b>510</b>	<b>-87</b>	<b>510</b>	<b>-87</b>

<b>Consolidated Statement of Cash Flows</b>	<b>3-month report</b>	<b>3-month report</b>
	<b>2018</b>	<b>2017</b>
	<b>Jan. 1, - March 31,</b>	<b>Jan. 1, - March 31,</b>
<i>EUR thousand</i>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Consolidated net profit	473	-115
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	708	657
+/- Other non-cash expenses/income	12	-25
+/- Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	5,258	3,877
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	1,100	1,667
+/- Interest expenses/income	56	38
+/- Income taxes paid/received	-717	-10
+/- interest paid/received	3	5
+/- Income tax expenses/income	-146	216
<b>Net cash from operating activities</b>	<b>6,747</b>	<b>6,310</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
- Acquisition of subsidiaries less cash and cash equivalents acquired	0	-1,874
- Purchase of intangible assets	-11	-42
+ Proceeds from disposals of property, plant and equipment	0	0
- Purchase of property, plant and equipment	-198	-251
+ Payments received from items not related to operating or financing activities	0	0
<b>Net cash used in investing activities</b>	<b>-209</b>	<b>-2,167</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
- Dividends paid to shareholders	0	0
- Repayment of purchase price liabilities in connection with the acquisition of subsidiaries	0	0
<b>Net cash used in financing activities</b>	<b>0</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	<b>6,538</b>	<b>4,143</b>
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement	-46	-26
<b>Cash and cash equivalents at the start of the period</b>	<b>12,715</b>	<b>20,166</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,207</b>	<b>24,283</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	19,207	24,283
	<b>19,207</b>	<b>24,283</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)



Changes in consolidated equity	Issued capital		Capital re-serves	Legal reserve	Unappropriated Surplus / accumulated losses	Other comprehensive income		Equity
	Number	EUR thousand				EUR thousand	EUR thousand	
Consolidated equity as of January 1, 2017	10,523,770	10,524	52,792	574	63	-186	-144	63,623
Consolidated net profit					473			473
Transfer to the legal reserve				0				0
Other comprehensive income after taxes							28	28
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>473</b>	<b>0</b>	<b>28</b>	<b>501</b>
Dividend payment					0			0
Consolidated equity as of March 31, 2017	10,523,770	10,524	52,792	574	536	-186	-116	64,124
Consolidated equity as of January 1, 2018	10,523,770	10,524	52,792	574	-779	-228	123	63,006
Consolidated net profit					473			473
Transfer to the legal reserve				-574	574			0
Other comprehensive income after taxes							38	38
<b>Total comprehensive</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-574</b>	<b>1,047</b>	<b>0</b>	<b>38</b>	<b>511</b>
Dividend payment					0			0
Consolidated equity as of March 31, 2018	10,523,770	10,524	52,792	0	268	-228	161	63,517

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## **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, 2017. This unaudited three-month report for 2018 should therefore be read in conjunction with the audited consolidated financial statements for 2017.

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 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 deduce the annual net profit from the profit of the interim periods.

## Financial instruments

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

<i>EUR thousand</i>	March 31, 2018		Dec. 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Work in progress	2,392	2,392	3,468	3,468
Trade receivables	12,426	12,426	17,443	17,443
Other current financial assets	1,468	1,468	1,279	1,279
Securities held as current assets	3,014	3,014	3,014	3,014
Cash on hand and bank balances	19,207	19,207	12,715	12,715
	<b>38,507</b>	<b>38,507</b>	<b>37,919</b>	<b>37,919</b>

<i>EUR thousand</i>	March 31, 2018		Dec. 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	1,167	1,167	1,168	1,168
Trade payables	1,862	1,862	3,567	3,567
Liabilities from advance payments	5,700	5,700	7,457	7,457
	<b>8,729</b>	<b>8,729</b>	<b>12,192</b>	<b>12,192</b>

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

## Revenue

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

	Jan. 1 – March 31, 2018 EUR thousand	Jan. 1 – March 31, 2017 EUR thousand
<b>Consulting</b>	12,167	10,877
<b>Licenses/products</b>	2,804	2,634
<b>Maintenance/SaaS</b>	5,873	5,120
<b>Other</b>	161	256
	<b>21,005</b>	<b>18,887</b>

## 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 – March 31, 2018	Jan. 1 – March 31, 2017	Jan. 1 – March 31, 2018	Jan. 1 – March 31, 2017	Jan. 1 – March 31, 2018	Jan. 1 – March 31, 2017	Jan. 1 – March 31, 2018	Jan. 1 – March 31, 2017	Jan. 1 – March 31, 2018	Jan. 1 – March 31, 2017
	EUR thousand									
<b>Revenue</b>	<b>15,748</b>	<b>13,879</b>	<b>5,227</b>	<b>4,983</b>	<b>20,975</b>	<b>18,862</b>	<b>30</b>	<b>25</b>	<b>21,005</b>	<b>18,887</b>
<b>EBITDA</b>	<b>1,904</b>	<b>1,517</b>	<b>733</b>	<b>833</b>	<b>2,637</b>	<b>2,350</b>	<b>-1,546</b>	<b>-1,554</b>	<b>1,091</b>	<b>796</b>
<b>EBIT</b>	<b>1,388</b>	<b>1,057</b>	<b>581</b>	<b>667</b>	<b>1,969</b>	<b>1,724</b>	<b>-1,586</b>	<b>-1,585</b>	<b>383</b>	<b>139</b>
<b>Net finance</b>	-	-	-	-	-	-	<b>-56</b>	<b>-38</b>	<b>-38</b>	<b>-38</b>
<b>Taxes</b>	-	-	-	-	-	-	<b>146</b>	<b>-216</b>	<b>146</b>	<b>-216</b>
<b>Consolidated net</b>	<b>1,388</b>	<b>1,057</b>	<b>581</b>	<b>667</b>	<b>1,969</b>	<b>1,724</b>	<b>-1,496</b>	<b>-1,839</b>	<b>473</b>	<b>-115</b>
<b>No. of employees</b>	<b>491</b>	<b>435</b>	<b>110</b>	<b>97</b>	<b>601</b>	<b>532</b>	<b>82</b>	<b>72</b>	<b>683</b>	<b>604</b>

The USU Group generated a total of 32.9% (Q1/2017: 26.6%) or EUR 6,914 thousand (Q1/2017: EUR 5,026 thousand) of its consolidated revenue outside Germany in the first three 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.

## Events after the reporting date

No significant events occurred after March 31, 2018 that had a material effect on the business performance of the USU Group. Thus, there were no significant changes to the Group’s net assets, financial position or results of operations.

**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 March 31, 2018:

Stock declarations by members of executive bodies	Shares	Shares
	March 31, 2018	March 31, 2017
<b>Management Board</b>		
Bernhard Oberschmidt	156,518	156,518
Bernhard Böhler	167,572	167,572
Dr. Benjamin Strehl	0	0
<b>Supervisory Board</b>		
Udo Strehl*	5,000	2,000,176
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500
<p><i>* An additional 5,338,044 (2017: 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).</i></p> <p><i>A further 32,000 (2017: 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.</i></p>		

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

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## 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 2017. For more information, please see the consolidated financial statements of USU Software AG for the fiscal year ended December 31, 2017.

Möglingen, May 24, 2018

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management Board

Bernhard Böhler  
Management Board

Dr. Benjamin Strehl  
Management Board

**May 30, 2018**

**LBBW Roadshow, Dusseldorf/Cologne/Frankfurt**

**June 28, 2018**

**Annual General Meeting, Ludwigsburg**

**August 30, 2017**

**Publication of six months' statement 2018**

**September 07 - 09, 2018**

**14. IR-Fahrt 2018, Rüttbauer Research**

**November 22, 2018**

**Publication of nine months' statement 2018**

**November 26, - 28, 2018**

**Analyst and investor  
conference at  
*German Equity Forum 2018,  
Frankfurt / Main***