

What if...?

Our first 40 years

Thank you.



Udo

» Sometimes a word is worth
a thousand pictures.«

Udo, born 1954, founder. USU would not exist without him. At the beginning, it was just him. Today, the USU Group has around 500 employees. All of them clever boys and girls. **That's good for us.**

Our first 40 years

At eye level

40 years – sometimes even we find it hard to believe. We originated in the 1970s, a time when the software industry was just experiencing the first big wave of new start-ups. Many of our competitors from the time have either disappeared or been swallowed up by even bigger companies. Others – just a few, though, like SAP, Microsoft and Oracle – have become so big that their sales outstrip ours at least 40 times over. And we are still here. Still? No: We are here, plain and simple.

Why have we survived?

Maybe because we have always kept pace with the times. We have endeavored to incorporate the most important trends into our work without giving ourselves over to them entirely. Our aim was always to remain independent.

To borrow a phrase from our founder, Udo Strehl, we were "simply different".

Maybe also because we never got carried away with our own success – and because we learned from our setbacks. After all, nobody in the IT industry gets away completely unscathed, least of all a company with a 40-year history. There are simply too many surprises around the next corner. But they can also be beneficial when it comes to living together harmoniously within our sector. Keeping up with events, employees, partners, customers and shareholders, not to mention competitors and the markets – these are the things that keep a company in shape, but they also come with their own demands.

"What if...?" – this question is absolutely central and innate to our industry as a whole. Although it cannot protect us against surprises, it can help us to prepare ourselves for them. This Annual Report illustrates 40 what-if scenarios – using responses and suggestions from our employees, to whom this Annual Report is especially dedicated. But don't worry. There will be no navel-gazing. Instead, what we will see is that our employees have both feet firmly on the ground. They are largely unflappable, yet also extremely sensitive.

I believe that our employees are the secret of our success.

What if we didn't have them to rely on, after all?



Bernhard Oberschmidt

Chairman of the Management Board of USU Software AG

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Key figures

The 2016 fiscal year for USU: IFRS figures in EUR thousand	2016	2015
Sales	72,101	66,091
Adjusted EBIT	9,614	8,789
Adjusted consolidated earnings	7,991	8,789
Adjusted earnings per share	0.76	0.84
EBITDA	10,782	9,878
EBIT	8,299	7,590
Net profit	6,784	8,382
Earnings per share	0,64	0,80
Shareholders' equity	63,623	60,791
Total assets	91,905	89,186
Equity ratio	69.2%	68.2%
Cash and cash equivalents	23,180	23,109
Net cash from operating activities	5,132	12,150
Number of employees at year-end	544	498

1977

The Apple II is launched, making the company world-famous.

Udo Strehl Unternehmensberatung GmbH is founded in Möglingen.

What if USU didn't exist?

Before 1977.

Foundation

1977 was coming to a close when a young banker from Möglingen near Stuttgart, Germany named Udo Strehl decided to become a management consultant. Udo Strehl Unternehmensberatung was born. His specialty was not banking, however - but information technology. He knew how to program. Which meant he could help to digitalize the world. Forty years ago, today's defining trend was only just beginning to establish itself. Everything was still brand new.

2016

Filipa, born 2016. The future lies ahead of her. Everything is still possible – even the impossible. At some point, she will look back on what she has achieved. Some of it will seem unbelievable – yet true. And still the game of possibilities remains. It is what keeps us going. **That's good for us.**

1978

Bob Frankston and Dan Bricklin develop VisiCalc, the first spreadsheet program and the mother of all spreadsheet software such as Excel.

By way of cooperation with IBM, USU gains access to customers such as Daimler-Benz and Louis London.

What if we could become invisible?

“See you later!” would take on a totally different meaning.

Values

Maybe it is because information technology has always primarily involved company-wide teamwork. An American term that, like many others, still defines USU's culture today. But without realizing it, we always give these terms a German connotation. In general, our behavior is strongly influenced by values that cannot be seen and that nobody talks about. Numbers are not enough to make these values visible, either. Values need to be put into practice. Then they become something you can feel within you – and sometimes quantify, too. In 40 years, for example. Or in 500 employees.

Jim

» You can't see it, but you just feel it.
German companies are, above all,
employee-friendly.«

Jim, born in 1957, is American. But he knows Germany from his youth and from his career, which began in the late 1970s. He has worked for American and German companies. Now he is managing a German company in the USA – Aspera Inc., a member of the USU Group. **That's good for us.**

1979

The Ridley Scott movie "Alien" hits the cinema screens.

USU moves to Hemmingen.

What if aliens landed on Earth?

No problem, as long as they speak Swabian.

(Wolle Kriwanek, 1979)

Language

You won't hear the Queen's English much at USU. We increasingly speak American English – and, of course, German in all its dialects, especially Swabian. French, Spanish, Italian, Czech, Korean, various African languages, all of them are in use at USU. And still we understand each other. Even if we have to use our very own 500 versions of English to do so. Our employees come from all over the world. Some of them had to move from one Germany to another, like our founder's family. Even risking their lives to do so.

Bert

» As a child of East Berlin, moving to Stuttgart ten years before the fall of the Berlin Wall was an eye-opener, to say the least. Everything was suddenly completely different.«

Bert, born in 1965, arrived in Stuttgart in 1979 as part of the trading of political refugees from the GDR. His mother had friends in the city. His world had suddenly changed, right down to the dialect he was expected to understand. He went to high school, studied electrical engineering, and ultimately joined us in 1995. That was good for him. No doubt about it. And it's certainly **good for us.**

1980

Apple goes public in December.
The initial share price is 22 dollars.

Artificial intelligence turns out to be
the hot topic of the 1980s.

USU is extremely proud of becoming
a partner of IBM Deutschland GmbH.

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What if God did play dice?

“Impossible”, Albert Einstein asserted in 1926.
But he was wrong.

Thoughts

Einstein would probably have fit in well
at USU. Listening to our experts, you can
easily believe that they would even have
understood his theories of relativity. But
the intellectual, abstract thoughts that
are exchanged over the lunch table or at
meetings mostly have a basis in concrete
fact. And when you see the results after many
hours of programming, you might think that
Einstein himself was involved.

Thomas

» You sometimes get the impression that it's the computer playing dice.«

Thomas, born in 1980, moved from Munich to Berlin in 2009 to join our subsidiary Big Social Media. He is the company's managing director. The business information systems engineer thinks in terms that go far beyond mere technology – right through to artificial intelligence. He is one of the people leading us into the mid-21st century. **That's good for us.**

1981

IBM presents the personal computer (PC) in the USA in August 1981.

USU records seven-digit sales (in Deutsche Mark) – with the help of freelance staff.

What if computers couldn't rely on other computers?

An expensive and unique object.

Software

Hardware builds hardware. Every day. Millions of times over. At huge factories. By contrast, software only has to be copied. This doesn't require production halls. Nowadays, all you need is a network for your software to be wherever it needs to be. It consists of pure thought matter. It turns every computer back into a unique object – with its own unique mix of software. But how do you keep track of companies with thousands of computers, for example? Using software, of course. Our software. And it even looks after all of the hardware. Personally.

Martin

» He swept the production hall all day long – all while singing like Pavarotti. I admired him.«

Martin, born in 1959, worked on the assembly line during his university vacations in 1981 – an occasionally monotonous environment where machines help to build new machines. Just like software today helps to develop new software. And just like USU, where Martin has worked since 1999. But not on the assembly line. Every piece of software is a unique object. In the designer's head. Just like composing a melody.
That's good for us.

1982

Software crisis in Germany: Der Spiegel magazine reports that there are too many programmers.

The software house OmegaSoft, a USU Group member since 2005, is founded in 1982.

What if there was a unified theory of everything?

It would explain everything. But who would explain it to us?

Consulting

USU took on some good advice when it was first founded – and it barely cost a thing. The company began life in 1977 as a pure consulting firm. Not an easy line of business – but it keeps you in shape, because you start from scratch every single day. You have to prove yourself to your customers day in, day out. You have to motivate yourself, something that is impossible without a permanent sense of optimism. And you have to apply the same criteria in looking for employees: people with a passion for their work. Not in theory, but in day-to-day practice. And that explains everything about USU's history.

Klaus

» We have succeeded in maintaining an incredible spirit of optimism right up to the present day.«

Klaus, born in 1957, joined USU in 1982 as a freelancer. He has been in charge of our original business, software consulting, for decades now. The market reinvents itself every single day and is always looking to break into new areas. Klaus loves the challenge this entails. **That's good for us.**

1983

The Internet gets its first dotcoms as the domain name system is born.

USU moves to Möglingen, where it remains headquartered today.

What would the punchbowl be without the steam engine?

Let us play dumb.

(Professor Bömmel, 1944)

Computers

Back then, the small computers were too small and the big computers were too big to be operated by a software house like ours. So we used our customers' computers – either down a telephone line, or by driving every day to wherever the computers were located. The Internet was something we had only heard about from others. Mainframes were our steam engines. We still own such monsters today – the difference being that they consist of a huge number of small computers. And instead of slow telephone lines, we use the high-speed Internet. But we still drive to our customers. To talk face-to-face. And there's nothing dumb about that.

Andreas

» Electricity is the lifeblood
of IT.«

Andreas, born in 1966, has been with USU since 2000. He makes sure that the IT machinery keeps working for more than 500 employees. He has been fascinated by all things electrical ever since he was a child. Which is hardly surprising considering his surname. With an H after the O. In any case, he knows his way around IT. **That's good for us.**

1984

1984 is the year in which Wernher von Braun had planned for a lunar colony to be established back in 1964.

USU's customer list extends from AEG in Ulm to BASF in Ludwigshafen, from Arburg in Lossburg to Andreas Stihl in Waiblingen, from Daimler-Benz AG in Stuttgart to Wieland in Ulm.

What if Neil Armstrong had owned a C64?

The moon landing would have been child's play.

Knowledge

In 1961, when the Americans decided to send a man to the moon, they had no idea about the challenges that would await them. Fifteen years after the moon landings, children and young people were able to sit in front of their own computer and experience the challenge of landing on the moon themselves. But they were very quick learners – quicker than their teachers, who suddenly found themselves having to give IT lessons. Today, those children are our experts and our managers. They learned how to learn quickly. And they know that knowledge is their market. That is what makes the USU Group so strong – particularly where one small step involves many giant challenges. In software development.

Bernhard

» It all began with the Commodore C64. By the end, I was building my own computer.«

Bernhard, born in 1970, joined USU in 1996 as an assistant to the Management Board. Four years later, he was a Management Board member himself. And he has been in charge of the company for 15 years now, since 2002. But it all began in 1984, when he was given his first computer. With a whole 64 kilobytes of RAM. Still enough to successfully land on the moon, though. Nowadays he thinks in more earthbound terms, but with a global focus. **That's good for us.**

1985

The computer industry takes steps to simplify communication between computers.

USU becomes a member of the renowned Gesellschaft für Informatik.

What if Sergeant Pepper had never formed his Lonely Hearts Club Band?

He would have been lonely. And the history of music would never have known an iconic album

Dream team

What makes a really good team? The answer: A bit of pepper. For instance, software development can be a very lonely business. You sit in front of a screen and build your own world. But your world is not the only world, as you know only too well. Everything you come up with has to be reconciled with God and the wider world. With the right people – our team, our customers – this can even be a lot of fun. It gives rise to dream teams: From software quartets, small but perfectly formed, through to big software orchestras. And it doesn't matter if you sometimes have to play second fiddle. Because next time you might be the conductor. At least, that's how it is at the USU Group – which is a dream team in its own right.

Harald

» A computer is like an instrument.
You just want to pick it up and
play it.«

Harald, born in 1965, joined USU in 1991. First and foremost, he is our creative thinker – exactly what every software house needs. He understands the logical rigor of computers in detail, not least because he spent half of his student days in the mid-1980s playing against machines. And this fascination has stayed with him. **That's good for us.**

1986

Standards are introduced to make it easier to transfer software from one system to another.

Two big traditional companies merge as Univac and Burroughs become Unisys.

Having previously used a business model based solely on working with freelancers, USU decides to take on salaried employees for the first time.

What if we could read people's minds?

Would we be able to understand them?

Standards

Software and people have a lot in common. No piece of software can read what another piece of software is thinking, but they can exchange information with each other. Using standards. The USU Group has lived in this world of standards ever since it was founded. They often have unusual names like ITIL and encompass a whole number of other standards in turn. The more familiar you are with these standards, sometimes right down to participating in their creation, the higher you aim your sights and the more complex your tasks become. We love challenges like this – because the future is contained in our own minds.

Hans-Peter

» Nothing multiplies quicker than software on our computers – and it doesn't even have to be watered.«

Hans-Peter, born in 1969, has been with us since 2013. He studied mechanical engineering, but he earned his first pay packet with a soldering iron in his hand, doing computer maintenance for tradesmen in the 1980s. In the process, he learned how important it is to know exactly what is running on a computer. Not least when you consider how much licenses can cost. There are a lot of savings to be made. Hans-Peter tells our biggest customers how to make those savings. That's good for them. **And good for us.**

1987

Wall Street experiences Black Monday as the stock markets crash on October 19, 1987.

From a standing start, USU creates 70 jobs, develops its own products and builds its own company headquarters.

What if there was no such word as "if"?

If only we knew...

Trust

All of a sudden, 1,000 billion dollars were wiped out. Around the world. On October 19, 1987, the stock markets experienced a crash on an unprecedented scale. And the commonly held view was that it had been triggered by software and transmitted around the world by computer networks in the blink of an eye. Computers collapsed under the sheer weight of the sell orders. But we simply kept going undaunted, moving into our own company headquarters – and continuing to place trust in ourselves, our products and our markets. USU was ten years old. A good reason to celebrate.

Bärbel

» I used to place my trust in people, now they have to place their trust in me.«

Bärbel joined USU in 1987. It was not an easy decision. She was a registrar, and she enjoyed her job. Suddenly, she was working in the private sector – but despite all the ifs and buts, she has never regretted her choice. After all – since three decades in personnel office – she still gets to deal with people.

That's good for us.

1988

IBM presents the AS/400 database computer system.

Technology assessment becomes an increasingly hot topic.

USU moves into its own building and starts offering IT controlling

What if machines become more intelligent than us?

No problem – as long as they don't know they are

Computer counting

A hundred years had passed since Herman Hollerith installed the first punched card tabulator. The year was 1888. The US government used it in its census one year later. In 1988, USU came up with the – if anything rather obvious – idea that computers could also be used to count computers. The time was right. By now, many companies had an installed base of several thousand PCs without any real overview. USU developed the corresponding inventory management software. It quickly knew more about a company's computers than its best accountants. Needless to say, this software was continuously enhanced and refined. To this day, it remains indispensable for many companies.

Inge

» Computers are the most rigorous accountants. They just have no imagination.«

Inge, born in 1956, joined us in 2001. As an office clerk, she had a job with a car dealership in the 1980s that was varied but ultimately limited in terms of prospects. She wanted to break away from the world of vehicles and devote herself to working for people in challenging projects – using computers, yes, but for people. That is exactly what she does for us in our HR office. That's good for our staff. **And good for us.**

1989

Thousands of Germans seek asylum at the embassy in Prague. Hundreds of thousands take to the streets. The Berlin Wall falls.

The concept of the World Wide Web is born, opening up a new world to millions of people.

In Leinfelden-Echterdingen near Stuttgart, Peter Scheufler renames the software company he founded in 1984 – now it is called Leutek.

What if there could be a world without walls?

Nobody intends to...

Surprises

In 1989, the two German states were the same age as USU is now: 40 years old. Two worlds divided by a wall between east and west. And then the wall came down. A huge surprise. Somehow, humans keep demonstrating their ability to overcome the greatest of evils. We often surprise ourselves, discovering that we have talents within us that we never knew were there. They just need to be awakened. Like the fall of the Berlin Wall. Like the World Wide Web. And then suddenly you realize that big things are happening. Like our subsidiary Leutek, which established itself as a limited liability company under German law (GmbH) in 1989. The idea behind the company: To protect data centers from surprises. Only unpleasant surprises, of course. After all, its aim was to make use of the greatest surprise of all: technical progress. The world of inventions is always good for a surprise or two.

Bernd

» I found myself on a train platform in Paris and couldn't even buy myself a bottle of water because I didn't speak the language.«

Bernd, born in 1966, joined us in 2016. The qualified physicist knows his way around the world, having Interrailed around Europe during his university vacations in the 1980s. Later, his career would take him to Spain and France. With every freedom to travel. The only barrier was language, as he realized in his student days. His ambitions were awakened. Today, he speaks several languages. Fluently. **That's good for us.**

1990

Germany reunifies.

USU has more than 100 employees for the first time.

What if we weren't here?

The world would be meaningless.

Meaning

It was the year in which the number of USU employees exceeded one hundred for the first time. We had become a real company. Self-assured. Self-sufficient. Self-confident. Everything we did had a meaning behind it. That was and remains the reason why people were happy to come to us and stay with us as employees, customers, partners. This is how life is when you have the freedom that had been denied to millions of people for decades. Now they finally had the power of self-determination. The fact that this privilege is something that should not be taken for granted, but that instead needs to be fought for every single day, is a lesson we were keen to learn for our immediate future and for all time.

Falk

» Without the reunification, I would be a chef or a waiter in the GDR today. With no high school diploma and no university education.«

Falk, born in 1973, joined us in 2000. Shortly after USU had gone public, a decision whose consequences would keep him busy from morning to evening. After all, investors specializing in high-tech stocks are always on the lookout. The industrial engineer enjoys this big wide world that was deprived to him as the son of a pastor in the GDR until 1990. The fall of the Berlin wall was good for him, and also **good for us**.

1991

The US telephone giant AT&T enters the computer industry with the acquisition of NCR.

USU makes extensive investments in software development even if sales success is slow to come. Restless times.

What if we could download hardware from the Internet?

It is only a matter of time – and the cloud.

Patience

The first automobiles looked like carriages, the first computers looked like looms, the first aircraft looked like bats, and the first cellphones looked like bulky telephone receivers. Innovations often give visual clues as to their origins. But now everything comes from the Internet. Software. Books. Images. Data. They are the Internet. They are everywhere. Digital transformation is the slightly pompous term used to describe this development. But it really is nothing more than a long, long path. And it's not a sprint, but more of a marathon. We cannot know how automobiles, computers, aircraft or cellphones will look 40 years from now. But our own 40-year history has taught us that it is worth being patient and investing. In ourselves.

Jürgen

» You shouldn't be able to look at a product and see what tools were used to make it.«

Jürgen, born in 1961, came to us – or, more accurately, to Leutek – in 1991. He had studied plastics engineering, following this up with further studies in mechanical engineering and computer science. He knows that IT is indispensable in modern-day business. He and his team help to monitor IT deployment. With the utmost discretion. Using software. Wherever IT is used. And nowadays, that means everywhere. That's good for Jürgen. **That's good for us.**

1992

The world's financial wealth increases more than sixfold, from five trillion dollars in 1980 to 32 trillion dollars in 1992.

USU establishes the IT Controlling segment, which remains one of the Group's core business areas today.

What would machines be without people?

Fairly lonely.

Controlling

One of the brightest minds ever to emerge from the world of computer science belonged to the cyberneticist Norbert Wiener, the "controller". His motto: give to the computer what is the computer's, and give to man what is man's. A strict separation with which we can only agree – hence it also being what we pursue at USU. In order for this to work, however, there has to be something in the middle. A controlling entity. One look at our company's history shows that this is precisely where we come in. 25 years ago, in 1992, we turned it into its own business segment. Since then, we have been helping companies from all around the world to retain control over their information technology – and, in the process, helping people to remain people.

Mathias

» I knew that computers were my life even when I was seven years old.«

Mathias, born in 1985, moved to USU in Munich in 2012. Originally from East Tyrol, he brings the computer science knowledge he has been gathering since his childhood to his role as a consultant. He sees himself as an interpreter between customers and developers. Both are grateful to him. Every single day. **That's good for us.**

1993

The chip manufacturer Intel presents a new generation of microprocessors, dubbed Pentium.

Thanks to massive investment in its products, USU overcomes the biggest crisis in its history to date. It also records eight-digit sales (in Deutsche Mark) for the first time.

What if our companies were managed by invisible hands?

Deep into the 21st century.

Management

It was Adam Smith who defined the concept of the "invisible hand", guiding the markets and turning self-interest into common good. The market will do its job, so the theory goes. But how are companies managed? By their actions? By the ideas they pursue? By the success they achieve? By the stock exchange? By customers? By employees? By competitors? By the government and its laws? By the people at the top? It is a mixture of all this – and much more besides. But deep down inside a company and its employees, there is that quiet pride in oneself and one's work. This pride also goes by other names, like diligence and decency. And this is precisely how USU has overcome every crisis it has faced to date. Including the period from 1991 to 1993.

Sven

» If you have ever stood in front of a furnace, you'll never forget that work always has to involve emotion.«

Sven, born in 1975, joined us in 2001. He financed his studies in administrative science by working at a foundry. He spent his early mornings seeing the moment when molten iron is turned into powerful paper rolls. His respect for other people's knowledge and skills has shaped his day-to-day work ever since. **That's good for us.**

1994

Intel launches a global recall of its Pentium processors due to a computing bug.

USU employees develop a project database that forms the basis for knowledge management.

What if time travel was possible?

All you ever see is repeats.

Experience

"Expertise through knowledge and experience" used to be one of USU's slogans. It could be repeated for any moment in the software house's history. But it is also true of any successful company. The future always depends on expertise. What is unique and cannot be repeated is personal experience, one's own fate. Everything else is knowledge. Knowledge can be managed, experience cannot. Experience can only be lived. Every single day.

Bernhard

» I began selling turkey sausages to companies in East Germany.«

Bernhard, born in 1973, founded Aspera in 2001 together with two friends. Just like that? Well, it does require a healthy portion of courage to go through with an idea when you don't have much expertise in the matter. But someone who set out to sell turkey sausages from his delivery van at the age of 21 is perfectly capable of placing a software idea on the market. And very successfully, too. Aspera has been part of the USU family since 2010. **That's good for us.**

1995

Microsoft announces Windows 95 with a great deal of fanfare.

USU sizes up the USA as internationalization becomes a serious topic.

What if Bill Gates had no Windows?

Bill Gates? Who's that, then?

Names

Products used to be named after their inventors: the Otto engine, the Hollerith machine, Diesel fuel, the Bessemer converter, the Edison light bulb. Then came the loan words that spread across language barriers, like automobile, computer, machine, transistor, chip, hardware, and software. An entire industry even named itself this way: information technology, or IT for short. Naming the industry and the things after their manufacturers was deemed too unwieldy. And so the names became increasingly flowery. Companies named themselves after fruit, products were named after everyday items such as windows – and those who really meant well satisfied themselves by combining words to their heart's content. At USU, this gave rise to the name "Valuemation", which encompassed an entire software family. It is still in use today. But no customer nowadays would ask what it means or what it stands for. In any case, the answer is software that allows companies to manage all of their information technology assets.

Stephan

» The whole world may have been waiting for Windows in 1995, but someone had to develop touch-free door openers for buses. That was my job.«

In 1995, Stephan, who has been with us since 2016, was working in Nuremberg on a door opener "based on capacitive, inductive proximity sensors". He knows the quirks of technology. And is very experienced.

That's good for us.

1996

Founder Steve Jobs returns to Apple and takes charge.

In an internal survey, employees describe USU as a "dream company".

What if there were no bosses in the world?

An unappealing thought.

Bosses

The identity of the real boss often only comes out when a project is complete. That's when you see the real creative force behind things. These employees are known as natural authorities. Looking at USU, you might easily get the impression that everyone is their own boss, with sovereignty over their own domain – and yet it still works. That is because they all have the same boss. A boss that never appears on the payroll and that no one has ever seen. It's just something you can sense. In every project. In every interaction. The boss's name is respect.

Maguy

» There's no dust behind
our furniture.«

Maguy, who has been with us since 2016, has seen the world. She is French and has been to the USA, Turkey, South Africa. And now Germany. She is extremely bright. But the only thing that would make her move now is a new apartment, not a new job. **That's good for us.**

1997

In his book "The End of Science", John Horgan claims that everything that can be invented has now been invented.

Knowledge management becomes strategically important for USU.

What if everything that could be invented had already been invented?

Maybe we should come back to this topic in 1,000 years' time ...

Ideas

If creative spirits were being completely honest with themselves and those around them, they would admit that ideas are mostly a matter of chance. And chance cannot be controlled. Sure, you can turn your company into a campus and hope that it provides a nurturing environment for new ideas to spring up. You can even dedicate an entire valley to the permanent development of new ideas – like Silicon Valley in California. But ideas are ultimately as free as our thoughts. Ideas are everywhere. We just have to recognize them. That is not a matter of chance, but hard work. And that is something we have never been scared of at USU.

Frank

» Nothing brings organizations up to speed like innovation.«

Frank, born in 1964, knows his way around the consulting business with his eyes closed. The administrative professional came to USU in 1999 as someone who had analyzed the structures of major cities like Vienna and Düsseldorf. He knows how important IT is for large organizations. **That's good for us.**

1998

General Electric is worth 272 billion dollars on the stock market, while its competitor Siemens is valued at just 35 billion.

USU decides to take on the greatest adventure by going public.

What would an economy be without businesses?

Empty business economics.

Corporate culture

The decision taken by USU's Management Board and Supervisory Board back then was a bold one: to go public. They wanted to pass the toughest test a company can set itself. Yes, the figures weren't bad. Yes, the product portfolio was coherent. Yes, the customer names were impressive. Yes, the stock market story was convincing. No, the corporate culture didn't interest anyone on the "New Market," the stock market segment that all investors were heading for. But this was USU's strongest argument for going public. USU drew all of its strength from its corporate culture. By the time this had been recognized by everyone, however, the "New Market" stock market segment was no more than an empty shell.

Roman

» Anyone who runs a company like a family knows that people are more important than all of the numbers.«

Roman, born in 1974, started working for the Czech subsidiary of a German software company in 1998 after completing his degree in computer science. In 2001, USU then acquired this branch and the IT expert became a passionate manager who is at the heart of business together with his 65 Czech colleagues. **That's good for us.**

1999

The euro becomes a banking currency in twelve countries on January 1, 1999.

LBBW is appointed as the lead manager of USU AG's IPO, which is scheduled for 2000.

What would Deutschland be without the EU?

D..tschland.

Transitions

The 1990s were the decade of transitions in IT. First Germany got five-digit sort codes for the first time, then there was the euro – and it all took place in the shadow of the year 2000, with the "Millennium bug" threatening to strike all programs using only two digits to represent the year. All of this comes down to complexity rather than progress. But we coped with it all. And if we are being perfectly honest, USU also generated plenty of sales as a result of these transitions. At the same time, we were planning a transition of our own for 2000: an IPO.

Gerta

» Every day, I have to calculate
in the world's most exotic
currencies. For 85 countries.«

Gerta, who has been with us since 2013, used to work on a temporary basis. This included five years with the Catholic relief organization "Missio" in Aachen, which supports priests, members of religious orders and laypeople in the world's poorest and most at-risk regions in their projects. She knows people. And is worldly-wise. **That's good for us.**

2000

AOL acquires the media group Time-Warner for 183 billion dollars.

USU goes public on July 4, 2000.

What if the stock exchange had no speculators?

Dependable performance.

Stock exchange

USU was a long-standing member of the old economy when it placed some of its shares on the "New Market" in 2000. By that point, we had been in existence for almost a quarter of a century. With the best will in the world, nobody would have described us as a start-up. We were an established company. And so it was no surprise when, ten years later in 2010, the founders of Aspera GmbH decided to join together with us for the future. Aspera was formed in 2000 by three people who were the same age as USU. But an IPO has its good side. You know that you can only thrive in the long term if you generate dependable performance. Even the speculators take notice eventually – and reap the rewards of our share price performance.



Christof

» No, we did not want to be a start-up. We simply believed in our idea.«

Christof, born in 1974, studied mechanical engineering and computer science. When his schoolfriend Bernhard told him about his idea for license management, he wrote the corresponding software. The third member of the gang was Keith, who helped to raise the funding from contract work. And so they made ends meet. With difficulty. Then the breakthrough arrived. The first license management customer came on board. Aspera was in business.

That's good for us.

2001

The "New Market" suffers one fiasco after another. The stock exchange portal neuermarkt.com is discontinued at the end of the year.

Openshop, which is listed on the "New Market", loses founder Thomas Egner in a plane crash on January 25, 2001.

The events of September 11, 2001 change everything.

Douglas Adams, author of the cult novel "The Hitchhiker's Guide to the Galaxy", dies. His fictional computer knew the answer to life, the universe and everything: 42.

What if we knew the answer to life, the universe and everything?

We do: It is 42. The question is why?

Fate

According to the Nobel Prize laureate Friedrich von Hayek, a price is the sum of all available information. But this is also the reason why the quoted prices on a stock exchange change all the time. Nobody is immune to surprises – or sudden realizations. Having scarcely been listed on the "New Market" for a year, USU's dependable performance is in stark contrast to the slump in its market environment in 2001, with some participants taking considerable risks. The price – as becomes clear – is a reaction to questions that no one can really answer. This manifests itself when one of the visionary entrepreneurs of the new economy dies in a plane crash. A terrible fate. Why? It is mirrored in far more serious fashion on September 11, 2001. There is no answer. At least the company affected by the loss of its founder, Openshop, has a solution. It merges with USU one year later. And this helps both companies to survive the "New Market".

Jörg

» I am incredibly happy to be part of USU's history.«

Jörg, born in 1973, is the only survivor of a plane crash near Augsburg on January 25, 2001, escaping with serious injuries. Four people die in the crash, including his boss, the founder of the start-up Openshop. Without its guiding light, Openshop finds itself staring into the abyss. But then it merges with USU in 2002. And Jörg has been with us ever since. **That's good for us.**

2002

The euro is launched as a cash currency and becomes the only legal tender in twelve countries.

USU Openshop emerges from the merger of the two companies.

What if the only players in the global economy were giants?

It would be quite small.

Giants

The idea that a handful of giant companies might one day rule the world has long been the fear of the "trustbusters", the antitrust authorities. It would be a very simple world in which all dynamism would grind to a halt. But the midmarket has survived every threat to its existence so far. Indeed, the giant companies who straddle the world often make the best customers for small and medium-sized enterprises. This is certainly the case for USU, which has always dealt with companies bigger than itself. And it is also true of the subsidiaries that have helped to create today's USU Group through mergers and participations since 2002.

Florian

» I believe the big players in the global economy only understand their true size when they cooperate with small companies.«

Florian, born in 1975, formed the digital full-service agency unitB technology in Berlin in 2002. It was spun off to form its own company in 2007. Trading as Unitb Technologies, it looks after high-profile major companies, often with a global presence. The company has been part of the USU Group since January 2017. **That's good for us.**

2003

The Frankfurt Stock Exchange closes the "Neuer Markt" segment. As many as 300 companies had been listed at one point.

Following the merger of USU and Openshop, USU Openshop AG is renamed USU Software AG.

What if there were no imagination in the world?

Sounds a bit unrealistic.

Imagination

Humans can thank their imagination, not their knowledge, for every new insight. At least according to Einstein. He also believed that the imagination serves as a preview of life's coming attractions. Somehow, the man recognized as the Person of the Century was describing precisely the world in which our employees work – whatever their location, their task or their position. We are full of people with ideas they wish to realize. They are restless, but never helpless. Because creative minds help one another. Using their imagination

Eddi

» Without creative people,
the world of computers would
be deadly dull.«

Eddi, born in 1975, has been with us since 2012. He qualified in media engineering in 2003. He advises companies on the use of information technology in their day-to-day operations. He travels a lot and finds himself in constant contact with very creative minds. Because nothing is as diverse as what humans can realize with their systems. That's good for him. It means there's plenty to do. **And that's good for us.**

2004

Mark Zuckerberg creates the social networking site Facebook on his way to becoming a billionaire.

Founder Udo Strehl remains the direct and indirect majority shareholder of USU Software AG.

What if we were all rich?

In 200 years from now, we will be.

(Nobel Prize laureate Merton Miller)

People

Being a person is the biggest adventure in a person's life. And the people around him are also his greatest asset. In this respect, all employees of USU and its subsidiaries are equally rich. Because we see ourselves as one big family. Of course, everyone has their own task and their own position. Just like at any other company. What makes us a family is the kindheartedness in our interactions with each other. Every single day. It may sound like a happy-clappy PR soundbite, but it is true. We have been our own social network for 40 years now. No props, no tricks.

Akouvi

» At first I was really homesick. Everything was so different. The people. The streets. The weather. But now I feel right at home.«

Akouvi, who has been with us since 2016, moved from French-speaking Togo to Germany in 2004. Her educational background lies in cultural studies. Ideal for social marketing. Resilient. **That's good for us.**

2005

IBM sells its PC business, established in 1981, to the Chinese company Lenovo for 1.75 billion dollars.

USU Software AG expands its IT Controlling segment with the acquisition of Omega Software GmbH.

What if Hänsel & Gretel had never encountered the Brothers Grimm?

Lost to history.

Marketing

We develop software that no end user ever gets to see. We talk to our customers about topics that are so abstract that we sometimes ask ourselves whether anyone else can be reasonably expected to understand them. We create solutions for problems whose full significance is often hard to grasp. In a way, we should market ourselves to our customers as miracle-workers. That is nonsense, of course, and would be taking things too far. But we are proud of what we achieve every single day. That's where marketing comes in. Not to exaggerate, but so that we don't get carried away. This is how we still live today.

Christina

» You feel the people of USU are constantly on the move – to new ideas, tasks and targets. As personalities. And as team.«

Christina, born in 1980, lived in China between 2005 and 2007. All by herself. Qualified in business administration, she has been responsible for Group marketing at USU since 2016. An area where you have to assert yourself. With plenty of charm and good arguments. That's the way to get your colleagues on board. With pleasure. That's good for USU.
And good for us.

2006

50 years have passed since General Motors forecast the Electronic Highway of Tomorrow with self-driving vehicles in 1956.

USU acquires the software house LeuTek GmbH, turning the Group into an all-round provider for business service management.

What if cars could drive themselves?

Automatic automobiles.

Fears

What gave the IT managers of forty years ago sleepless nights? Fears of computer downtime – meaning that essential computational tasks for the next day's production would not have been performed overnight. A failure during the day was even worse. Then the entire company would come to a standstill. The desire to fully automate and monitor data center operations was already overwhelming even back then. Today, we have the tools that allow IT operations to be managed precisely. Through our subsidiary LeuTek, for example, which uses the products and skills at its disposal to help globally operating companies to control and manage their IT. 24 hour a day. All around the world.

Claus

» You have to be able to control something before you can automate it.«

Claus, born in 1963, has been with LeuTek since 1990. The company became part of the USU Group in 2006. He initially trained as a mechanic. Then he studied precision engineering. This might be why he is only too aware that you need to pay special attention to systems that rely on seamless interaction down to the finest detail. Like a company's IT systems. He thinks systematically. He thinks in terms of reliability. He thinks of everything. **That's good for us.**

2007

Apple presents the iPhone, which quickly revolutionizes the mobile communications industry.

USU celebrates its 30th anniversary with a special dividend.

Unitb Technologies is spun off in Berlin. Ten years later, it will become part of the USU Group.

What if cellphones had no Internet?

They would just be telephones.

Digital transformation

When USU was founded in 1977, many long-standing companies around the world were in the middle of a truly radical transformation. Mechanical and electronic engineering were combining to form mechatronics, which revolutionized the world of products and production. This all had to be mastered by people with no high school diploma, no university studies, no academic qualifications. Now that the telephone has become the cellphone and, in turn, the cellphone has become the smartphone, we find ourselves faced with a similar revolution. Everything we do is packaged as software. And software is now everywhere. As consumers, we can deal with this transformation easily enough. In our daily work, we sometimes feel like those employees 40 years ago. But we have the Internet and our cellphones. They help us when we are stuck – and for really difficult tasks, we have USU and its consultants

Norbert

» We are the jugglers
in the digital circus.«

Norbert, born in 1971, is a media professional. He knows that word-of-mouth is the best form of advertising even in the digital age. It didn't take long for the good reputation of unitB technology GmbH, the digital full-service agency founded in 2002, to make its way around the Internet. Today, it is one of the top names in Berlin – and a member of the USU Group since January 2017. **That's good for us.**

2008

Analysts warn companies that their IT is home too much dead capital and not enough funds for new products.

USU's software is praised by analysts as being particularly innovative.

What would capital be without work?

Out of work.

Innovationen

Money looks for ideas – ideas look for money. Which is the right way round? You could easily believe that the world looks in one direction while coming from the other. There is so much to do, and the future is everywhere. We are in the process of reinventing everything we have invented in the past 250 years. As software. In software. Using software. Software is an innovation that requires a great deal of care and attention in its own right. And that is precisely the core business of a company that is called USU Software AG for a reason.

Katja

» You have no choice in the matter.
Your subject comes to you – not
vice versa.«

Katja, who came to us in 2008, had found her subject three years previously. License management landed on her desk – and refused to let her go. Particularly after she discovered our software as a client. Then she had the choice. She opted to join us. As an employee. **That's good for us.**

2009

The global economy is surprised and overwhelmed by the financial crisis.

WhatsApp is founded; it will later be sold to Facebook in 2014.

USU's annual report presents an opposing view – and proves to be an award-winner.

What would night be without day?

Eternal.

Crisis

Since its IPO in 2001, USU's strategy has included growth through mergers with other companies. We take great care to ensure that potential candidates are a good fit. But it is even more important for us to establish how much importance they place on the reconciliation of corporate cultures. One of the key questions is: How have you overcome the crises you have encountered? It is easy to perform well in good times. Coming through the bad times is what really separates the men from the boys. Maybe this is why we feel like one big family despite our very individual traits. We know we can rely on each other. Day and night.

Guido

» Sometimes it takes a crisis for you to realize your true strength.«

Guido, born in 1967, formed the consulting firm SecurIntegration in 2001. It has been a member of the USU Group since 2015. In 2008/2009, his small but globally active company was forced to fight for its life as a result of the financial crisis. Everything was up in the air. But Guido achieved the necessary turnaround by completely changing his company's business model. Success proved him right. First and foremost, **that's good for us.**

2010

Apple presents software on a tablet as the iPad is launched.

USU Software AG acquires a majority interest in Aspera GmbH, Aachen.

Where would software be without hardware?

Nowhere.

Masterpieces

When USU was founded 40 years ago, analog radio and television signals were more or less the only data floating through the air. And now? We may not be able to see it, but digital data is everywhere – even if it only shows itself to us when it lands. On our cellphones, our computers and our televisions. And the volume of data just keeps increasing. The fact that we can see it at all is thanks not only to hardware, but also to billions and billions of lines of code. Big and small masterpieces. The work of millions of people. They expect to be rewarded for their creations. And they have some reason to be grateful to us for the fact that they are. Our software allows companies to determine which software they are using with great precision – across all locations and devices. But we also make sure that companies are not paying too much for the software that is running on their hardware. It turns out that software products are far more than numbers floating through the air.

Keith

» After 36 semesters, I finally qualified as an electrical engineer in 2010.«

Keith, who has been with us since 2000, is a co-founder of Aspera GmbH, Aachen, a member of the USU Group since 2010. Software development and project management tasks meant he never got around to writing his dissertation. But his software products also turned out to be masterpieces. **That's good for us.**

2011

Apple founder Steve Jobs dies.

Hewlett-Packard acquires the British software firm Autonomy for 10 billion dollars.

SAP acquires the cloud provider SuccessFactor for 3.4 billion dollars and the software firm Ariba for 4.2 billion dollars.

USU achieves new record levels of sales and earnings. The term "Industry 4.0" is born.

What if there were no Earth orbiting the sun?

A star with no name.

Software products

Software is everything in the world of IT – and everywhere else too, for that matter. In almost all products, from development and manufacturing through to distribution, servicing and maintenance. Software itself is also a product that has to be developed, manufactured, distributed and maintained. And it now forms part of a vast number of products, monitoring them, controlling them, looking after them. A highly complex world, and a challenge that we have embraced every single day for the past 40 years. Especially when it comes to our own software products. They are like the fixed stars we use to guide us on our way – with our services, our market presence, and all our knowledge and expertise. As well as keeping everything moving, these stars are also changing all the time. It would be easy to come to the conclusion that the only constant is the name – like "Valuemation", which has been guiding our actions for almost thirty years now.

Peter

» Every software product has an entire world that revolves around it.«

Peter, born in 1969, has been with us since 2006. His first task was to analyze and structure USU from top to bottom. He soon found himself in the middle of the action, helping to shape the company, manage projects and develop product strategies. An all-round talent who found his fixed star in Valuation. **That's good for us.**

2012

Back in 2002, scientists had predicted that everyone would be able to have their own personal genome sequenced for 1,000 dollars by 2012. But it was not to be.

Facebook goes public.

The USU Group is one of Germany's 20 biggest software firms.

Big Social Media joins the USU Group.

What if everyone had their own personal genome?

Please ask your doctor for more information about the risks and side-effects. Online, of course.

Consulting

Almost half of USU's employees are involved in service and consulting. Close to the customer. Close to the heart of the action. Close to expertise on problems and solutions, especially in the area of IT. The expectations of these around 250 employees are correspondingly high. Our customers and their employees approach them every day with new topics and new, often very specific and extremely urgent, challenges. They have every confidence in our employees. Not only in their abilities, but in the way they cooperate with their colleagues. Ensuring that this cooperation is organized in such a way that the relevant knowledge and expertise is available at all times is the central aim of knowledge management. This is our employees' trump card – but it also benefits our customers, who use our solutions to organize their own knowledge management. There can be no greater sign of their trust in us.

Bernd

» Control is all well and good.
But trust is essential«

Bernd, born in 1968, joined us in 2000 as a consultant. The industrial engineer had learned in many projects what he always knew instinctively: Trust is essential. At USU, he conquered the new field of knowledge management. A trust-based endeavor. In all respects. Across all projects. Just the way Bernd likes it. **That's good for us.**

2013

The American futurist Raymond Kurzweil claims that, twenty years from now, we will be implanting nanobots in our bloodstream to connect us to the cloud.

Aspera, a member of the USU Group since 2010, takes the leap across the pond and enters the US market.

What if we could connect our brain directly to a computer?

Staying human.

Research and development

Artificial intelligence is the phrase on everyone's lips. At USU, we prefer to improve the natural intelligence of our software products – by investing in research and development. We typically spend more than 15 percent of our annual sales on improving our existing products and developing new products. There is a lot of brainpower behind our products. Everything our software can do is essentially the result of our ideas, our skills and our knowledge. And our customers are no different. They contribute their own knowledge, skills and ideas. Together, we remain committed to the principle of natural intelligence – in our software.

Olaf

» People without computers?
Maybe once upon a time.
Computers without people?
Never!«

Olaf, born in 1971, came to us in 2010 – the year in which USU acquired an interest in Aspera, Aachen. Born in Hesse state, he now found himself straddling the Rhinelandic and Swabian dialects – progressing to English and German three years later and some French. Perhaps Japanese soon. All without computers but because of computers, the unifying topic above and beyond all languages and national borders. Computers connect. **That's good for us.**

2014

The number of active websites worldwide rises above a billion for the first time.

Aspera wins its first major US customers from Silicon Valley with the growth area of software license management.

What would the USA be without us?

Many friendships the poorer.

The United States

To paraphrase Frank Sinatra, if you make it in the USA, you can make it anywhere. So it was always clear to us that we needed to venture across the pond. After a few preparatory exercises, we then took the plunge with the establishment of Aspera Inc. in Boston and San Diego. We are fully represented – including with the biggest companies in the country, the Fortune 500. We are proud that our customers see us as their friends. Thanks to people like Shawn. In Germany, we learn from him that there is more to the world of sales than just PowerPoint presentations. Without the USA, we would also be many friendships the poorer.

Shawn

» My grandfather was a salesman, and so was my father. And I am a salesman, too. I learned it at the flea market.«

Shawn, born in 1966, joined us in 2012 as our first US sales employee. In other words, he was at the heart of the action when we fully developed Aspera Inc. two years later. Today he is Vice President of Sales. Selling is in his blood. When he was 14 years old, his father wanted to buy a washbasin at the flea market one morning. For 25 dollars instead of 75. He tried in vain. At lunchtime, he sent his son: "Offer them 50 dollars." But Shawn started by offering 25 dollars. In the end, he got the washbasin, which was still there, for 35 dollars. He sold it to his father for 50 dollars. The first double success, which set the course for his life. **That's good for us.**

2015

Google becomes Alphabet, the name of a new holding company for all of its activities.

USU acquires the SAP license management specialist SecurIntegration. The research area of industrial big data wins major projects.

What would the post-fact era be without the truth?

It would certainly be a fact.

Public relations

It is a secret that should really be kept quiet: A company's image is reflected in the eyes of its employees. Lies have a narrow gaze. Openness, honesty, humor, intelligence – they all radiate from a person. This is why we have remained one big family even after 40 years of growth and transformation. And we include our environment in this: with our annual customer event, USU World; with our Annual General Meeting for shareholders; with our societal and cultural commitment – and with our families and social gatherings. We like people who like people. Whatever their age. That is our golden rule. Both internally and externally. Look us in the eyes and you will see it's true!

Thomas

» People are the lifeblood of every company. It's as simple as that.«

Thomas, born in 1961, has been with USU Software AG since 1998. The doctor of philology originally wanted to be a high school teacher. But at a time when Latin and Ancient Greek were out of fashion. So he moved to the world of media. Public relations is his area of expertise at USU. His studies taught him that people in this field need to dominate their arena (and he has passed this insight on to us). **That's good for us.**

2016

Google's supercomputer, DeepMind, wins a Go tournament against a grand master 5-0.

Apple remains the most profitable company in the history of the world in nominal terms. Facebook's market value exceeds 300 billion dollars for the first time.

What would the future be without young people?

It would be history.

Outlook

When USU celebrated ten years since its foundation, it took the global IT industry almost as long to generate a trillion dollars in sales. Nowadays, it takes less than ten months. Growth on a gigantic scale. And despite the occasional bump in the road, the trend remains unbroken. The 21st century will continue to belong to information technology. And we are all being dragged along by its momentum. It acts as a fountain of youth for every industry. And gives us good reason for optimism as 2017 proceeds.

Benny

- » The future of IT is so wide-ranging that we have nothing to worry about – but plenty to think about. That is the real challenge«

Benny, born in 1984, joined USU in 2014 – but he had been familiar with the company since he was born. He is a member of the founding family. And one thing has always been clear to him: the future of a company relies on its ability to model its own realities in a world of infinite possibilities. This is more than just a fact check. It is active dynamism. In the second generation. **That's good for us.**



Intelligent GEO services @ GEISER

Smart services forms part of the German Federal Government's Digital Agenda. The technology program of the German Federal Ministry for Economic Affairs and Energy (BMWi) is making an important contribution to the advancement of Industry 4.0 as a project for the future. Thanks to its innovative concept, USU has been selected as the lead manager and technology partner for various research projects, including the GEISER project that was launched in spring 2016.

Connected systems, like production machinery and cars, have a wide range of sensors that produce large volumes of data. As part of the GEISER project (From Sensor Data to Internet-based Geo Services), USU is developing a cloud-based platform to integrate and process this data and combine it with geodata for spatial positioning. This will open up significant opportunities for mobility, production and other areas of application.

One such area realized in the research project relates to the dynamic deployment planning of service technicians. GEISER is combining intelligent sensors and data analysis with the service business. A data-driven service technician and spare parts logistics planning system is

being used to reduce journey and waiting times, improve service deployment quality and minimize maintenance-related downtime for customers.

A further application is intelligent parking space searching in major cities – the dream of many drivers. GEISER is combining data on local car parking facilities with information on how many drivers frequent an area and how long they stay. The result: a parking space search service driven by geodata.

Alongside USU as the lead manager, the project participants include the University of Leipzig, the Fraunhofer Institute for Intelligent Analysis and Information Systems (IAIS), metaphacts GmbH and the navigation system manufacturer TomTom.

"Our research activities allow us to develop new, intelligent technology components to optimally support knowledge-intensive business processes. Projects in the area of industrial smart service are also of great strategic importance to us. New data-driven service products are the value drivers of the future – and USU is delivering the technical solutions."

*Henrik Oppermann, Head of Research,
USU Software AG*

Patrick

» Openness, honesty, warmth – these are an everyday reality at USU.«

Patrick, born in 1983, joined us in 2016 as an assistant to the Management Board. He had previously followed his doctoral thesis on sustainability in small and medium-sized enterprises with a role as a consultant at a major consulting firm. Above all, it was the interviewers themselves, the founders and business partners, who left a lasting impression on him. All we can say is: **That's good for us.**

otto group

Central IT monitoring @ Otto Group

Founded in Germany in 1949, today's Otto Group is a global retail and services group with almost 50,000 employees. E-commerce, catalog business and in-store sales are the three pillars of the Otto Group's multi-channel retail activities. A strategic project in the fall of 2013 required a change in the organization and its responsibilities, including in the area of IT monitoring. The previous solution was unable to meet the more stringent requirements for the controlling and supervision of IT services (monitoring and event management).

The group needed a centralized complete solution to provide a secure base for essential improvements in terms of efficiency, performance transparency, stability control and data analysis. Following an intensive and detailed selection process comprising the request for information and request for proposal phases and a proof of concept lasting several weeks, LeuTek and its ZIS-System got the nod in late 2015.

The objectives of the "MARS" (Monitoring Analysis Reporting System) project initiated as a result included:

- Implementation of central event management to record and handle events from all IT monitoring systems in use and arrange for their processing.
- Ensuring a high degree of standardization, automation and user acceptance
- Central provision of historical and summarized IT monitoring data for analysis and reporting
- Preparation of the organization for business service management (technically and organizationally)

A large number of the milestones were achieved in 2016 and the project is scheduled to be completed in summer 2017.

"LeuTek and the ZIS-System won us over right from the start. As early as the proof of concept phase, the LeuTek team demonstrated how reliable the cooperation between them and us would be. The implementation of the ZIS-System means we now have an all-round view of our IT."

Reinhold Segert, Team Leader, Data Center Management (Control Center/Monitoring) at the Otto Group

Sarah

» This is somewhere where tradition is still cultivated and togetherness is valued.«

Sarah, born in 1982, joined us in 2015. Qualified in business administration, she had worked at a big company for eight years before taking the step into a much smaller, but far less anonymous, team. Things never get boring around here, she says. Being responsible for marketing means being an all-rounder, all in the spirit of togetherness. **That's good for us.**



IT service management @ Swiss Post

"Simple yet systematic" – this is the vision of Swiss Post. In an increasingly complex, digitally connected world, it seeks to offer products and services that work simply and uniformly. As part of this, a major project for the development and realization of a state-of-the-art, future-proof IT service management solution was initiated in 2015 under the name "Replacement of HP Service Desk". Among other things, Swiss Post selected USU as its project partner of choice following a five-day proof of concept workshop at which USU demonstrated that its Valuation suite meets all of the technical and functional requirements in extensive testing.

In addition to the legacy HP software, the project involves the replacement of an existing IT knowledge database, an external system for customer satisfaction surveys and a share point solution in problem management in favor of USU's integrated solution, as well as the implementation of a CTI connection. Due to the highly complex nature of the service structure, the modeling and fulfillment of service level agreements (SLAs) is also an extremely important element of the project. USU developed a customer-specific solution based

on its Valuation software suite that is now comfortably controlling and documenting more than 5,000 services and 400 SLAs. The integrated configuration management database (CMDDB) allows the IT support team to access all of the relevant technical and organizational information directly via Valuation and quickly and permanently solve any problems with the help of the knowledge database.

The successful implementation of the project was followed by the go-live in September 2016. Swiss Post's IT department now provides comprehensive and efficient support services for over 40,000 users and 10,000 organizational units throughout the group.

"Together with USU, we have successfully replaced the ITSM tool that had been in use for many years. USU's Valuation solution does everything we would want from a state-of-the-art ITSM tool. Implementation was straightforward and the solution is running smoothly. The project was a great success."

Markus Bacher, Head of IT Operations, Post CH AG

Roland

» Then there are those moments
when a contact becomes a customer,
and a customer becomes a friend.«

Roland, born in 1963, joined USU in 1999. He is a salesman through and through. Every single day. That may be precisely because he wants to win over people, not customers. People he has persuaded. People who trust him. People who like people, just like he does. And his technical knowledge is as good as any expert's.
That's good for us.



Active transfer of knowledge @ MADSACK

Digitalization has permanently changed the media landscape in recent years. Restructuring, cooperation and mergers with digital providers like advertising agents and online platforms are the order of the day. This is opening up the market to infrastructure providers and distributors. In light of these developments, the nationwide media group MADSACK decided that a reorganization was called for. The group includes 15 daily newspapers, more than 30 advertising papers, as well as postal service providers and full-service agencies.

In 2014, Madsack Market Solutions GmbH was founded for the centralization of non-regional activities. The main aims were greater transparency, the realization of synergy effects and the optimization of largely automated processes. The customer service department opted to implement knowledge management in order to provide high-quality, cost-efficient support to the group's 800,000 subscribers from three service centers. USU's knowledge database, KnowledgeCenter, was introduced with the aim of ensuring the quick and uniform provision of the relevant information on an individual and quality-assured basis. This required

an elaborate user concept with different interfaces for the individual publishers, connected information sources and document processing. The successful implementation focused on the use of "ACTIVE" technologies, in which intelligent assistance systems provide the service agents with effective support in their knowledge-intensive daily work. This led to the MADSACK Media Group receiving the Knowledge Award 2016 at the USU World user and trade conference.

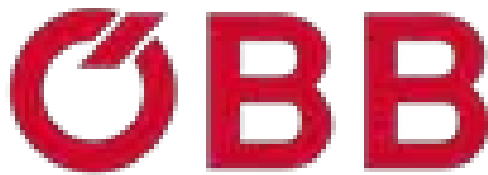
"We are delighted to have won this award. The ACTIVE documents were a key factor for us when it came to selecting a knowledge management solutions. This was one of the main reasons we opted for USU's KnowledgeCenter. More than 60% of all documents in our knowledge database are now ACTIVE documents – allowing us to achieve substantial efficiency gains."

Tanja Bertram, B2C Marketing Sales Manager at the MADSACK Media Group.

Danni

» When you have children, you are only too aware of how important birthdays are.«

Danni, born in 1970, joined USU in 2001. At the time, she also had an offer from one of the biggest companies in Stuttgart. But the Frankfurt girl chose us. Since then, her job has been to ensure that everyone who joins us is in good hands. This requires a good memory, a strong sense of empathy and an ability to gain people's trust. All we can say is: **That's good for us.**



Software license management @ ÖBB

The Austrian Federal Railways (ÖBB) are the epitome of mobility in the Alpine republic. Every year, almost 460 million passengers take advantage of ÖBB's extensive services to help them reach their destination safely and in an environmentally-friendly manner. The complex, decentralized corporate structure that had evolved over the years presented ÖBB with considerable challenges when it came to establishing and implementing group-wide software license management. The individual companies use hundreds of software products across different locations. Over the years, collecting this data had become extremely resource-intensive, not to mention error-prone on account of the manual work involved. Accordingly, the main objective was to establish a centrally managed, tool-based license management system to ensure compliance at all times on the basis of a transparent data pool. Following an extensive market evaluation, the management decided to go with the technology and expertise of Aspera.

ÖBB has now made significant progress when it comes to the challenge of implementing end-to-end software license management. Despite a complex, heterogeneous IT landscape and the difficulties of data acquisition, the organizational and technical foundations were laid as part of an extended process. License management is now broadly accepted within the company – which is also an important factor for success.

Aspera's SmartTrack software now enables access to up-to-date, transparent license data. This allows information to be provided quickly in response to audit inquiries and lets the company negotiate on an equal footing with software manufacturers like Microsoft, Adobe and Oracle. As well as reducing internal audit costs, this means significantly improved master agreements can be concluded based on actual usage.

"The success of this project is our reward for tackling a large-scale transformation process of this nature. As well as significant time and cost savings, we have succeeded in creating a high degree of awareness for the subject of software license management within the group."

Hirsa Navid, License Manager, Business Development, ÖBB BCC IT GmbH.

Robert

» German software companies are capable of competing with the rest of the world. Not least because we don't have to answer to anyone.«

Robert, born in 1966, joined us in 2005. He didn't want to work for a company managed by outsiders, where a dedication to the quarterly figures often comes at the expense of everything else. As a salesman, he loves winning new customers. He sees them as the true start-ups. **That's good for us.**



Digitalization @ Konrad Adenauer Foundation

As a political foundation, Konrad Adenauer Stiftung e.V. (KAS) is active beyond German borders – it also supports more than 200 projects in over 120 countries around the world. KAS maintains multifaceted relationships with stakeholders from politics, business, the church, society and the scientific community. The Konrad Adenauer Foundation evaluated the market for the use of new digital infrastructures and customer-oriented communications platforms in 2016 and invited tenders for a master agreement for the development, maintenance and operation of a grantholder portal. The legacy system was no longer able to meet the foundation's requirements in terms of stability and performance. Following a detailed and intensive selection process, KAS's management selected USU as its expert technology partner. USU won the tender thanks to its status as a Liferay platinum service partner, making it a one-stop shop for the full range of services, including analysis, design, technology and, in particular, application management, as well as its successful track record of realizing similarly complex projects.

The aim was to support all participants in the next grant application phase in late 2016/early 2017 with a professional, user-friendly service portal, thereby ensuring smooth, error-free application and processing. The design phase with analysis and planning began in May, followed by the establishment of the infrastructure and technical development based on the Liferay Enterprise Edition from July. Data was migrated by the end of November. Following performance tests and the connection of the new portal to the central transaction processing and document management system, the complete system went live in early December as scheduled. And it came through the intensive application period with flying colors.

"USU realized this challenging project on time, on quality and on budget, thereby enabling a smooth application phase. The grantholder portal gives us a platform that we can use to realize additional digitalization projects."

*Dr. Frank Müller, Head of Student Sponsorship,
Konrad Adenauer Foundation*

Uli

» The best thing about cooperation
is the cooperating.«

Uli, born in 1967, joined USU in 1999. The computer scientist with a background in business administration is a member of "Generation Golf" – referring to the car, not the sport. And indeed, his first car was a Golf. 54 hp. 156,000 kilometers. Cassette radio. Uli has a good eye for detail. He knows what goes well together. This is why he can always find the right people for our customers' major projects. Needless to say, **that's good for us.**



Social customer service @ ING-DiBa

With more than eight million customers, ING-DiBa is Germany's third-largest retail bank. It offers a wide range of products and services across the core business areas of savings, home loans, securities, consumer loans, and checking accounts for retail customers. By focusing on Internet-based business processes, ING DiBa ensures considerable cost efficiency accompanied by pronounced customer loyalty and a high degree of customer satisfaction.

Social media management plays a key role in achieving this. ING DiBa's management wanted to find a complete solution for this area in order to make various social media platforms available centrally via a web interface. It also wanted the new system to be usable in various markets and to enable collaboration via these channels. The aim was to achieve the targeted, effective and efficient processing and categorization of several thousand service requests every month on the basis of a social customer service solution.

Following a comprehensive market evaluation, BIG Social Media won the contract thanks to its long-standing expertise in the field of social media management and the functional scope of the BIG CONNECT engagement tool.

Following a successful project, BIG CONNECT now bundles multiple social media platforms in a central system that can be accessed globally. As the simple and intuitive operation of the tool takes into account the requirements of different user groups, extensive reporting functions mean that service processes involving all stakeholders can be controlled and optimized measurably. Central administration also serves to reduce administrative expenses. In this way, ING-DiBa can offer its customers efficient and effective social customer service based on standardized service processes.

"BIG CONNECT allows our company to manage social media dialogs with customers and interested parties across a wide range of platforms efficiently and with a high degree of quality using professional software."

*Rodger Schröder, Head of Business Development,
ING-DiBa*

Alexander

» The spirit of friendly cooperation between us, our customers and our partners is something truly special.«

Alexander, born in 1967, joined USU in 1996. As a media communications expert born in Switzerland and with a German-Italian background, he has a particular affinity for interpersonal communications. This is where he feels at home. And it means the expertise you always need as a salesman in the capital goods market evolves all by itself. For the good of the customer. **That's good for us.**

The Advisory Board of the USU Group

The trust-based cooperation with stakeholders is of central importance for the future potential and long-term business success of growth companies such as USU Software AG and its subsidiaries. This means offering customers high-quality services and demonstrable added value in the interests of a successful long-term business partnership.

With its customer-oriented product portfolio, USU Software AG pursues the Group-wide objective of achieving not only a marked improvement in service but also significant potential for savings for its customers, meaning that investments in the USU Group's software solutions pay off in a short space of time and therefore result in a win-win situation for both USU and its customers. Accordingly, the USU Group's international customer base now comprises more than 800 companies from all sectors of the economy.

All our efforts are founded on the strict customer focus that the USU Group has practiced as the fundamental principle of its business strategy for almost 40 years now. The Advisory Board provides extensive support to USU Software AG. The members of the Advisory Board deploy their excellent technical skills and many years of management experience to provide assistance to the entire USU Group. The members of the Advisory Board are renowned businessmen with a wealth of experience and expertise in the field of information technology. Most of the members of the Advisory Board are direct customers of USU Software AG and its subsidiaries.

At the regular meetings of the Advisory Board with the Management Board and the management team of USU, discussions cover current topics and developments on the market and within the USU Group as well as future trends. The primary aim of such discussions is to meet customer needs sustainably and thereby strengthen and develop customer relationships on the basis of a trusting partnership. To ensure continuity in terms of the composition of the USU Group's Advisory Board, members are appointed for a period of two years and may be reappointed on expiry of a period in office.

The list of members of the USU Group Advisory Board when the 2016 Management Report went to press was as follows:

Andreas Dümmler

Head of Information Systems,
ARBURG GmbH & Co. KG

Oliver Hoffmann

Management spokesperson, gkv informatik

Frank Karsten

Chairman of the Management Board,
Stuttgarter Versicherungsgruppe

Joachim Langmack

Management consultant

Stefan Leser

CEO, Jumeirah Group

Heike Niederau-Buck

Head of IT Strategy (CIO), Salzgitter AG

Carsten Pfläging

Member of the Management Board,
FIDUCIA & GAD IT AG

Dr. Hans-Joachim Popp

CIO, German Aerospace Center (DLR)

Dr. Dieter Pütz

Senior Vice President IT Shared Services,
Deutsche Post IT Services GmbH

Werner Schmidt

Member of the Management Board,
LVM-Versicherung

Ralf Stankat

Member of the Management Board IT/Operations,
Basler Versicherungen

Werner Strohmayer

Management consultant

The Management Board would like to thank all members of the USU Advisory Board for their helpful suggestions and dedicated support, and looks forward to continuing this partnership in the 2017 fiscal year.

Thank you very much!

Bettina

» I feel at home here.
It's like being part of a family.«

Bettina, born in 1965, joined USU in 1998. And became the heart and soul of the company. As an experienced assistant to the Management Board, it goes without saying that she knows what is a matter for the boss and what isn't. She also knows how to deal with all the topics and issues that people understandably want to pass on up the chain. She ensures that everything ends up in the right place. Certainly not an easy job. But she is always ready to serve the cause. **That's good for us.**

Report of the Supervisory Board of USU Software AG

Dear shareholders,

USU Software AG enjoyed another successful fiscal year in 2016 with new record figures for sales and adjusted EBIT. And as an individual company, USU Software AG again recorded a net profit in 2016. Like in the previous years, the shareholders of USU Software AG should also participate in the Company's success in accordance with the dividend policy. The Supervisory Board therefore supports the Management Board's proposal on the appropriation of net profit for the 2016 fiscal year, which provides for a 14.3% increase in the profit distribution as against the previous year and therefore ensures that the dividend also reflects USU's 40th anniversary celebrations. The Management Board and Supervisory Board of USU Software AG will propose a dividend distribution of EUR 0.40 per share to the Annual General Meeting of the Company on June 4, 2017.

Performance of Supervisory Board duties

In the 2016 fiscal year, the Supervisory Board again performed all of the tasks and duties prescribed by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code, including continuously monitoring and advising the Management Board in its activities. The Management Board regularly, promptly and comprehensively informed the Supervisory Board of the development and position of USU Software AG and the Group, corporate planning, any deviations of business performance from the original planning, risk management and compliance as well as key business transactions. The Supervisory Board oversaw the business development of USU Software AG and the Group, meaning that it remained in close contact with the Management Board during the year. The Supervisory Board was directly involved at an early stage in decisions of major importance to the Company. The Supervisory Board was comprehensively informed in advance of, and carefully examined and unanimously approved, all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board in the 2016 fiscal year.

Similarly, there were no changes in the composition of the Supervisory Board of USU Software AG in the 2016 fiscal year. The Annual General Meeting of

the Company on June 17, 2016, re-elected the three members of the Supervisory Board for another term of office.

Since the Supervisory Board comprises three members, no committees were set up in the 2016 fiscal year, as in the previous year. Independently of this, the Supervisory Board of the Company jointly assumes the tasks of these committees.

Meetings of the Supervisory Board and main points of discussion

Five ordinary Supervisory Board meetings were held in the 2016 fiscal year. All the members of the Supervisory Board attended these meetings in person, meaning that the average meeting attendance rate of the Supervisory Board members was 100%.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Chairman of the Management Board and by the divisional managers of the subsidiaries as necessary, focused on the business development, the net assets, financial position, results of operations and the strategic planning of USU Software AG and the Group. The Supervisory Board received information on the course of business at USU Software AG and its subsidiaries and current innovation projects within the Group. The Management Board of the Company reported to the Supervisory Board meetings on the revenue, earnings and profitability and the liquidity development of the Company and the Group. The Supervisory Board, together with the Management Board, also discussed risk management for USU Software AG and the Group as a whole, and defined in detail the prevailing risks and planned strategies and measures to control and manage risk. The Management Board also addressed the future corporate planning for USU Software AG and the Group and presented the key elements of its financial, investment and human resources planning. Another central topic in the year under review was the development of the Company's share price and the Management Board's investor relations activities.

At the accounts meeting of the Supervisory Board on March 17, 2016, the auditors reported on the key findings of their audit, the single-entity and consolidated financial statements and the management report and Group management report were approved following in-depth discussion with the Management Board and the auditors, and the single-entity financial

statements were adopted. The Supervisory Board approved the recommendation of the Management Board to propose to the Company's Annual General Meeting a dividend of EUR 0.35 per share. This Supervisory Board meeting also addressed the status reports of the Management Board on individual areas and the Group as a whole, the planned merger of SecurIntegration GmbH into Aspera GmbH and the proposed agenda for the Annual General Meeting, which included the re-election of the Supervisory Board.

The two-day Supervisory Board meeting on May 9 and 10, 2016, which was attended by the Management Board members and managing directors of the USU companies, discussed current business development as well as the future strategy of the USU Group with the two core areas of service-driven IT management and knowledge-driven digital interaction, including the new CI/CD structure and the revised medium-term planning.

At the Supervisory Board meeting on June 16, 2016, which took place after the Company's Annual General Meeting, the Management Board reported on the current course of business of USU Software AG and the Group as a whole and its planning for the subsequent quarters. The meeting also focused in particular on USU Software AG's acquisition strategy, including the presentation of potential takeover candidates.

The Supervisory Board meeting on September 16, 2016, mainly included reporting on current business development and projections for the full 2016 fiscal year.

The Supervisory Board meeting on December 13, 2016, focused on the business development of USU Software AG and the Group as a whole, including projections for the full 2016 fiscal year and planning for the following year as well as medium-term planning. The Supervisory Board discussed these plans in detail with the Management Board and unanimously approved the planning for the 2017 fiscal year. Other topics covered at this Supervisory Board meeting included the planned acquisition of unitB Technology GmbH and the implementation of the provisions of the German Corporate Governance Code, including the adoption of the corresponding declaration of conformity. This included the performance of an efficiency audit by the Supervisory Board, which was concluded with a positive outcome.

Corporate governance and declaration of conformity

Responsible management and control of USU Software AG and the Group with the aim of sustained value creation are, and will remain in the future, the focus of the activities of the Management Board and Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On December 13, 2015, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Company's website. This declaration of conformity is included in the combined management report in this annual report, as part of the Statement on Corporate Management of USU Software AG in accordance with section 289a of the German Commercial Code (HGB).

Audit of the single-entity and consolidated financial statements

Based on a resolution by the Annual General Meeting on June 17, 2016, the Supervisory Board commissioned Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, as the auditor of the financial statements and agreed the focal points of the audit for the 2016 fiscal year.

The objects of the audit were the accounting, the 2016 financial statements, prepared in accordance with the HGB, the 2016 consolidated financial statements, prepared under section 315a HGB in accordance with the provisions of the International Financial Reporting Standards (IFRS), as applicable within the European Union, and the additional requirements of German law under section 315a (1) HGB as well as the accompanying combined management report for the 2016 fiscal year.

The financial statements of USU Software AG, the consolidated financial statements and the combined management report for the 2012 fiscal year were each issued with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned year-end closing documents, including the Management Board's proposal on the appropriation of net profit and the auditor's reports, for examination

in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 15, 2017. Following its own examination and an extensive discussion with the Management Board and the auditors, the Supervisory Board concurred with the findings of the audit and raised no objections. The Supervisory Board approved the financial statements and consolidated financial statements presented to it by the Management Board as well as the combined management report for the 2016 fiscal year. The annual financial statements have therefore been adopted.

At the same time, the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, under which the HGB unappropriated surplus of USU Software AG as of December 31, 2016 in the amount of EUR 7,594 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.40 per share for 10,523,770 shares, amounting to a total of EUR 4,210 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 3,384 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with sections 289 (4) and 315 (4) HGB and the corresponding report. Further information can be found in the disclosures and explanations in the combined management report for the 2016 fiscal year. The Supervisory Board has examined the report and the disclosures and explanations contained therein and is satisfied that these are complete. Accordingly, the Supervisory Board has adopted the report.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with section 312 AktG for the fiscal year from January 1, 2016 to December 31, 2016 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

"We hereby declare that USU Software AG received appropriate compensation for all transactions in accordance with the circumstances known to us when the transactions were conducted. No measures detrimental to the Company were undertaken."

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, examined the report on related parties and issued the following audit opinion:

"On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct, and
2. the Company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Management Board's report on related parties and the audit report prepared by the auditors were both made available to the Supervisory Board. The examination by the Supervisory Board in accordance with section 314 AktG did not give rise to any objections to the closing statement by the Management Board.

Concluding remarks and thanks

I would like to express my gratitude to all of the employees of USU Software AG and its subsidiaries for their extraordinary commitment on behalf of our USU Group, now almost 40 years old, which helped us to achieve record results in 2016. I also wish to thank the management teams of the subsidiaries for their loyalty and professional commitment for the benefit of USU. I would like to extend my particular gratitude to the Management Board of USU Software AG for their tireless work and the extremely positive and successful cooperation we enjoy in a spirit of mutual trust.

Thank you very much!

Möglingen, March 15, 2017

For the Supervisory Board

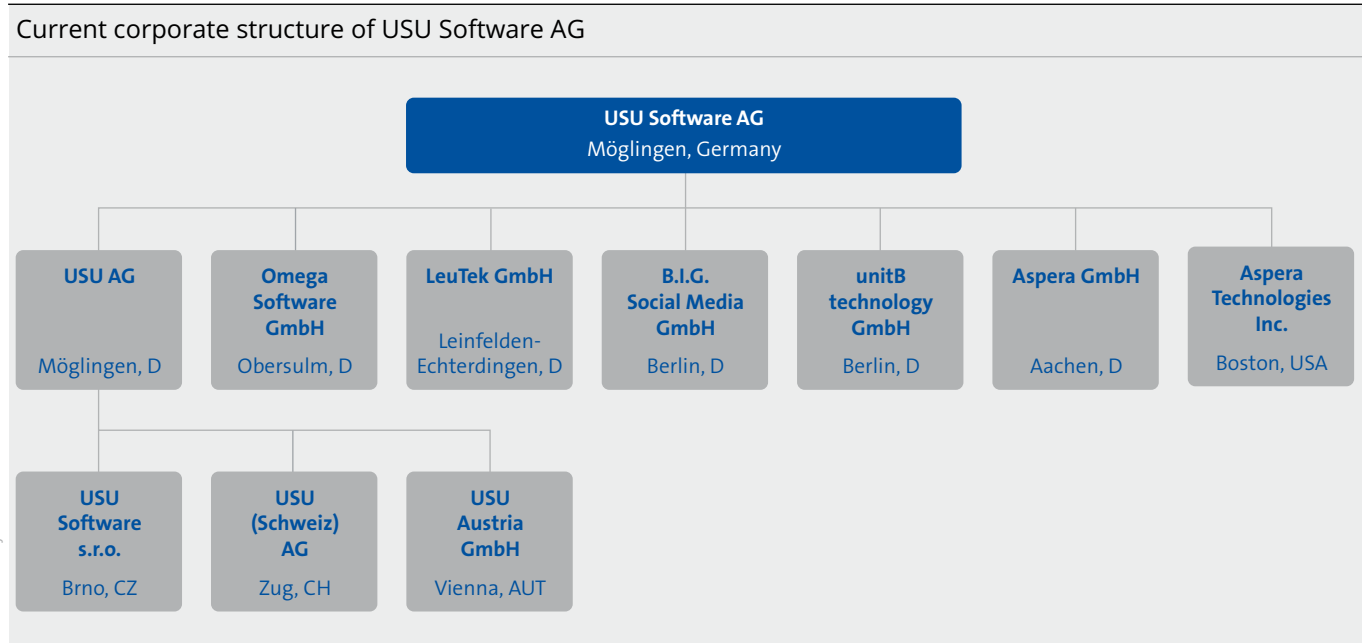
Udo Strehl

Chairman of the Supervisory Board
of USU Software AG

Management Report on the Company and the Group for the 2016 Fiscal Year

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BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP



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

In the 2016 fiscal year, the USU subsidiary SecurIntegration GmbH, Cologne ("SecurIntegration"), was merged into the USU subsidiary Aspera GmbH, Aachen ("Aspera") with effect from January 1, 2016. The legal merger by way of entry in the commercial register represented the logical conclusion of the operational merger of the two subsidiaries that had begun in 2015.

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

USU Software AG has made it its goal to achieve growth in consolidated sales above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group's international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy. The current medium-term forecast to 2020 is projecting sales growth to EUR 140 million accompanied by an increase in adjusted EBIT to over 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

In order to offer its customers practice-driven products and solutions based on state-of-the-art technology, the USU Group invested a total of EUR 11,276 thousand (2015: EUR 10,530 thousand), or 15.6% (2015: 16.0%) of consolidated sales in research and development (R&D) in the 2016 fiscal year. With 158 employees working in research and development throughout the Group as of December 31, 2016 (2015: 134), the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide product portfolio.

In Business Service Management, the new version 4.6 of the IT management product suite Valuation was completed in the year under review. However, activities focused on the design and development of the new release version, Valuation 5.0, which is scheduled for 2017. It will have an improved architecture, various changes to the interface, e.g. on the start page, and more extensive technical functions. In addition to developing a new visualizer for the clear graphical presentation of IT objects and their relationships, the new features will include an intelligent global search concept. The functions of the Valuation Mobile Manager have also been enhanced and published as version 2.2.

In summer 2016, the US research firm Pink Elephant again certified that USU's Valuation product suite met the highest standards of process reliability and conformity in 16 ITIL® processes. ITIL® is the internationally recognized de facto standard for IT service management. The analysts attested that USU's software is more powerful than the software offered by most international providers. There are currently only two software providers in the world with this accolade, including USU AG as the first and, to date, only manufacturer in the German-speaking region. This certification plays an important role in the procurement and tool selection phase for many companies.

Another priority was the enhancement of USU's IT analytics tool, Service Intelligence. Pre-defined key figures and ad hoc analyses allow this solution to quickly identify trends and weaknesses in order to optimize IT service management processes in a targeted manner. Versions 3.0 and 3.1 were published in the course of 2016, offering functional improvements, a user-friendly web interface and improved performance. Starting from summer 2016, R&D activities also concentrated on work on version 4.0, which was published on January 31, 2017. Among other things, it includes a simplified architecture model and wizards to provide support and assistance for complex tasks and functions.

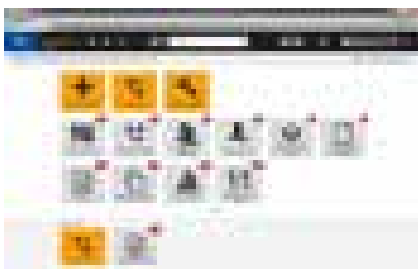
In the Business Service Monitoring and Alarm Management segment, new versions of the monitoring software ZIS 5.8 were released by the subsidiary LeuTek. Significant functional expansions for the improved monitoring and control of IT services relate to the introduction of clearly arranged categories and enhancements to the self-service cockpit, as well as service level management. A central tool for high-performance queries of database content is now available in the form of the Enterprise Database Connector.

In the area of Software Asset Management, the subsidiary Aspera completed various versions of the license management software SmartTrack in 2016. Version 4.1.3 is currently available. Among other things, this includes the new SmartTrack Integration App, whose features encompass automated data import from third-party systems including information on CMDB, software usage, users, cost centers and location data. Another new feature is the option of using simulation components to create and amend

various IT infrastructure scenarios in order to find the ideal combination of hardware and license conditions. Further improvements include the password reset function that was requested by many customers and the revision of the central compliance report, whose functions have been significantly expanded and automated. For example, users can now define their most frequently used compliance parameters when they log in, meaning that the results can be viewed immediately after login without any additional configuration steps being required. New license metrics have also been added, such as the "Microsoft Windows Server Processor" metrics engine. SmartTrack 4.2.0 is currently in development. The new version 2.3.2 of SAM Intelligence has also been available since summer 2016. The application delivers clear diagrams and informative reports on all relevant issues relating to software asset management.

The Aspera technology also won various awards in 2016. For example, the Austrian Federal Railways (ÖBB) received the SAMS Europe Award for the best implementation of software license management. Aspera also received the ITAM Review Excellence Award for "Tool Provider of the Year 2016".

USU's KCenter segment has provided customers with version 6.6 of the active knowledge database USU KnowledgeCenter since the first quarter of 2016. Highlights of this release include an integrated chat function and an "active search" feature, which significantly increases the information content of search results. Work on version 6.7 continued and was completed by the end of 2016 as scheduled. It focused on the provision of graphically modeled decision trees, which offer considerable benefits in the technical service environment in particular. Version



The intuitive user interface of the new product generation Valuemation 5.0



Multi-channel communications with Knowledge Center



Chat bots are replacing service apps

3.2 of the self-service product Smartlink was published and presented for the first time at the USU World customer event in April 2016. In particular, it features comprehensive multi-language coverage and the integration of service request management. A mobile version was also completed.

Starting from summer 2016, development activities focused on a new self-service product that was launched in late 2016: Knowledge First is an intelligent web self-service that provides needs-oriented mobile support for customers' requirements 24 hours a day.

According to an investigation by the renowned US journal CIOReview in summer 2016, USU's KCenter segment and its knowledge management solutions are among the 20 most promising portfolio providers in the world.

Development work at BIG Social media concentrated on further improvements in terms of user-friendliness and accessibility, and changes to BIG CONNECT in response to customer feedback. Thanks to the newly integrated web technologies, even occasional users can now create posts and campaigns easily. BIG also published a new version of its social publishing module enabling social media content marketing that can be scaled but also managed centrally, whether for five to 500 channels. Another focal point of development work was the BIG Bot Library. This allows all BIG CONNECT users to automate dialog processes in social media and messenger channels like Facebook Messenger and WhatsApp. The library, which was completed in late 2016, contains ready-made, configurable bots for day-to-day dialogs such as customer satisfaction surveys. The closer integration of USU Knowledge Center as the knowledge base for controlling bots was also prepared.

In 2016, BIG Social Media's social media suite was recognized as one of the ten best solutions worldwide in the annual report by the Swiss digital agency Goldbach.

In order to remain successful on the market in future thanks to innovative products, USU supplements the aforementioned development activities with targeted research focusing on the digitalization and automation of mechanical and plant engineering services. In the period under review, the research department optimized the operation of the industrial big data installation at the customer Heidelberger Druckmaschinen AG. Since April 2016, the new web-based remote monitoring system has been permanently analyzing around 1,000 printing presses for imminent maintenance issues such as wear and tear, impending failures or servicing. This has resulted in average availability of 99.96%. In addition, two major projects funded by the German Federal Ministry for Economic Affairs and Energy (BMWi) were initiated. The STEP project involves developing technologies and techniques for defining service processes in the age of Industry 4.0 and allowing the economically optimal deployment of service technicians. The first prototype of the automatic root cause analysis and the accompanying visualization concept was completed. The interactive technique allows service technicians and machine operators to identify the causes of a problem more quickly. The participants in the STEP project include TRUMPF GmbH + Co. KG and Heidelberger Druckmaschinen AG. The GEISER project involves the definition of new applications and services on the basis of geodata analysis. For example, an intelligent parking space finder in Berlin has been realized with the navigation system manufacturer TomTom based on the analysis of navigation data and the recognition of movement patterns.

In the course of the 2016 fiscal year, the research department pressed ahead with the software-as-a-service (SaaS) range for industrial big data. This included an initial approach to the graphical programming of data analyses, which allows users to perform individual big data analyses themselves. Together with the Business Service Management segment, work is currently in progress on various development topics, including the implementation of a concept for automatic ticket ordering on the basis of content analysis.

ECONOMIC REPORT

Summary

In the 2016 fiscal year, USU Software AG and its subsidiaries increased their IFRS consolidated sales by 9.1% to EUR 72,101 thousand (2015: EUR 66,091 thousand). This was primarily due to SaaS and maintenance business in the product segment. However, sales in the consulting-related service business also enjoyed substantial growth once again.

At the same time, USU improved its operating performance significantly, with earnings before interest, taxes, depreciation and amortization (EBITDA) rising by 9.2% year-on-year to EUR 10,782 thousand (2015: EUR 9,878 thousand) and earnings before interest and taxes (EBIT) increasing by 9.3% in the same period to EUR 8,299 thousand (2015: EUR 7,590 thousand). Due to non-recurring tax effects in the previous year, the USU Group's IFRS consolidated net profit declined by 19.1% year-on-year to EUR 6,784 thousand (2015: EUR 8,382 thousand). Earnings per share therefore amounted to EUR 0.64 (2015: EUR 0.80).

Adjusted for acquisition-related non-recurring effects, the USU Group's adjusted EBIT improved by 9.4% year-on-year to EUR 9,614 thousand (2015: EUR 8,789 thousand). At the same time, adjusted consolidated net profit declined to EUR 7,991 thousand (2015: EUR 8,789 thousand). Adjusted earnings per share therefore amounted to EUR 0.76 in the year under review (2015: EUR 0.84).

The net profit of USU Software AG calculated in accordance with the German Commercial Code (HGB) decreased by 39.4% year-on-year to EUR 2,963 thousand in the 2016 fiscal year (2015: EUR 4,890 thousand). This was due to lower investment income from subsidiaries. In line with the dividend policy communicated by the Company and in the interests of continuity, the Management Board therefore proposes, subject to the approval of the Supervisory Board, that a dividend of EUR 0.40 per share be distributed for the 2016 fiscal year, corresponding to a 14.3% year-on-year increase in the profit distribution.

The Management Board expects the growth trend recorded in recent years to continue in 2017. Impetus from the core market of Germany will be accompanied by further growth in Product Business outside Germany. The consulting-related service business is also expected to continue to grow in 2017. In light of the current outlook, the Management Board is confirming its forecasts for the USU Group, which involve an increase in consolidated sales to between EUR 83 million and EUR 88 million in the 2017 fiscal year accompanied by above-average growth in adjusted EBIT to EUR 10–11.5 million. The new medium-term forecast to 2020 is projecting sales growth to EUR 140 million accompanied by an increase in adjusted EBIT to over 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.

Overall economic development

The German economy regained momentum in 2016. According to information from the German Federal Statistical Office¹ (Destatis), it grew by an average of 1.9% in 2016 (2015: 1.7%). Positive impetus for overall growth was provided by the rise in both private and public consumer spending. Growth was curbed by external developments, with price-adjusted imports increasing to a greater extent than exports.

According to figures published by Statista², the global economy again recorded substantial GDP growth of 3.1% in 2016 (2015: 3.2%).

Sector development

According to forecasts by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), strong software business meant that the German high-tech market reflected the positive development of the economy as a whole in the period under review, growing by

¹ Press release 062/17 of the German Federal Statistical Office dated February 23, 2017

² See: <https://de.statista.com/statistik/daten/studie/197039/umfrage/veraenderung-des-weltweiten-bruttoinlandsprodukts/>

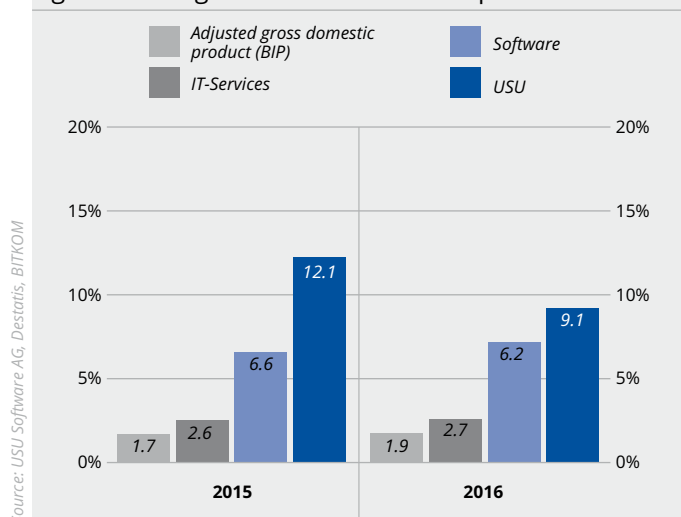
1.7% to a total volume of EUR 160.5 billion³, while the IT market enjoyed above-average growth of 3.6% compared with the previous year. The software market saw a particularly strong upturn of 6.2%, while the market for IT services expanded by 2.7%. By contrast, a forecast by the US market research company Gartner⁴ indicates that the volume of the overall global IT market declined by 0.6% in 2016, although the software and IT services markets again enjoyed substantial growth of 5.9% and 3.9% respectively.

Business development

USU Software AG and its subsidiaries achieved new records in terms of their consolidated sales and operating result in the 2016 fiscal year, thereby successfully concluding the year under review as previously forecast.

This positive development was primarily driven by high-margin SaaS business, with USU benefiting from the upturn in domestic business. A comparatively moderate increase in the cost base meant that USU was also able to improve its operating result substantially.

Comparison of German economic and market growth against sales growth of the USU Group in %



Development of sales and costs

Consolidated sales

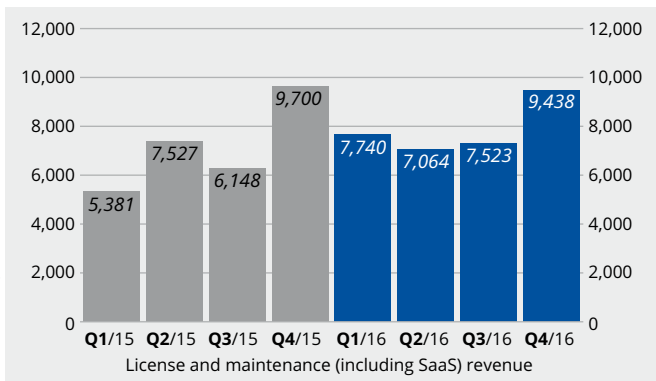
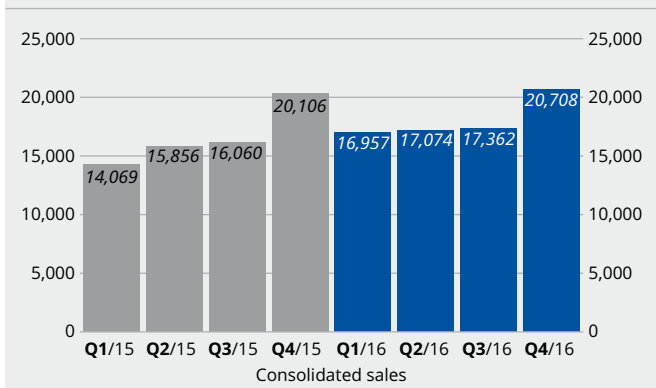
In the 2016 fiscal year, USU Software AG increased its IFRS consolidated sales by 9.1% year-on-year to a total of EUR 72,101 thousand (2015: EUR 66,091 thousand). The main growth driver in the period under review was the high-margin SaaS and maintenance business. In 2016, maintenance including SaaS income contributed a total of EUR 19,515 thousand to consolidated sales, an increase of 19.6% as against the previous year (2015: EUR 16,323 thousand). SaaS business made a particularly strong contribution to this growth, with some major customers preferring the SaaS model to license purchases in the final quarter in particular. Accordingly, license income declined slightly by 1.5% year-on-year to EUR 12,250 thousand in the period under review (2015: EUR 12,433 thousand). Consulting sales increased by 8.6% year-on-year to EUR 39,254 thousand (2015: EUR 36,150 thousand). Other income, which primarily relates to merchandise sales of third-party hardware and software, totaled EUR 1,082 thousand (2015: EUR 1,185 thousand).

In regional terms, the sales growth was primarily due to the upturn in domestic business. At the same time, revenue generated outside Germany also increased by 1.5% to EUR 20,429 thousand in the 2016 fiscal year (2015: EUR 20,122 thousand). This comparatively moderate rise was due in particular to some major European customers preferring the SaaS model over license purchases. Accordingly, sales outside Germany accounted for 28.3% of consolidated sales, down slightly on the previous year (2015: 30.5%).

³ BITKOM press release dated October 18, 2016, published at www.bitkom.org

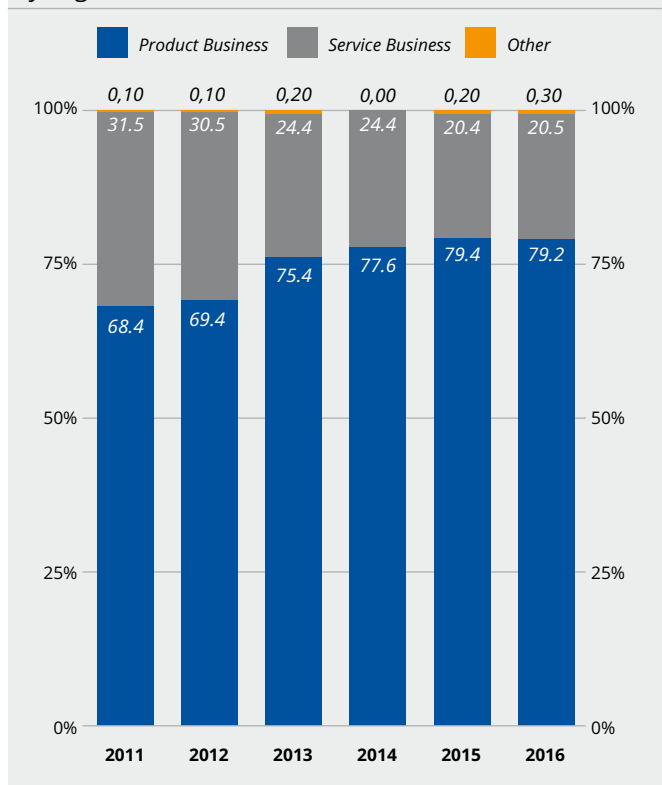
⁴ Gartner press release, Gartner Worldwide IT Spending Forecast, dated January 12, 2017

Sales development of the USU Group by quarter in EUR thousand



Source: USU Software AG

Sales development of the USU Group by segment in %



Source: USU Software AG

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, portals and mobile solutions as well as individual application development.

In 2016, the Product Business segment contributed a total of EUR 57,141 thousand to consolidated sales, representing year-on-year organic sales growth of 8.8% (2015: EUR 52,508 thousand). At the same time, USU increased consulting-related sales in the Service Business segment by 8.9% to EUR 14,787 thousand (2015: EUR 13,583 thousand). Sales not allocated to the segments totaled EUR 173 thousand in the period under review (2015: EUR 0). At 79.2%, the share of sales attributable to the Product Business segment remained essentially unchanged as against the previous year (2015: 79.4%).

Operating costs

The operating cost base of the USU Group increased by 9.8% year-on-year to EUR 63,598 thousand in the 2016 fiscal year (2015: EUR 57,922 thousand). This was primarily due to higher staff costs as a result of the targeted expansion in the Group's workforce in order to successfully achieve the medium-term growth target.

The cost of sales increased by 4.1% year-on-year to EUR 32,281 thousand in the period under review (2015: EUR 31,003 thousand). Among other things, this reflects the expansion of the consultant team to 246 employees as of December 31, 2016 (December 31, 2015: 243) and the increased use of freelance staff. The cost of sales as a proportion of consolidated sales fell to 44.8% in the 2016 fiscal year as a result of the above-average sales growth (2015: 46.9%). Gross income increased accordingly to EUR 39,820 thousand (2015: EUR 35,088 thousand), corresponding to a gross margin of 55.2% (2015: 53.1%).

In 2016, marketing and sales expenses increased significantly by 43.9% year-on-year to EUR 13,348 thousand (2015: EUR 9,279 thousand). This was mainly due to increased marketing activities in connection with the Group-wide internationalization and the workforce expansion to 77 employees at the end of the reporting period (2015: 66). Marketing and sales expenses as a proportion of consolidated sales therefore increased from 14.0% in the previous year to 18.5% in the year under review.

By contrast, general administrative expenses declined by 5.9% year-on-year to EUR 6,693 thousand (2015: EUR 7,110 thousand) due to the lower level of non-staff operating costs. The ratio of administrative expenses to consolidated sales therefore fell to 9.3% (2015: 10.8%).

Research and development expenses increased by 7.1% year-on-year to EUR 11,276 thousand in the period under review (2015: EUR 10,530 thousand), largely as a result of the expansion of the development team to 158 employees (December 31, 2015: 134). The ratio of research and development expenses to consolidated sales remained essentially unchanged year-on-year at 15.6% in 2016 (2015: 15.9%). USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please see the separate research and development report in this Group management report. Net other operating income and expenses in the period from January to December 2016 totaled EUR 1,012 thousand (2015: EUR 710 thousand) and primarily related to grants received in connection with research projects.

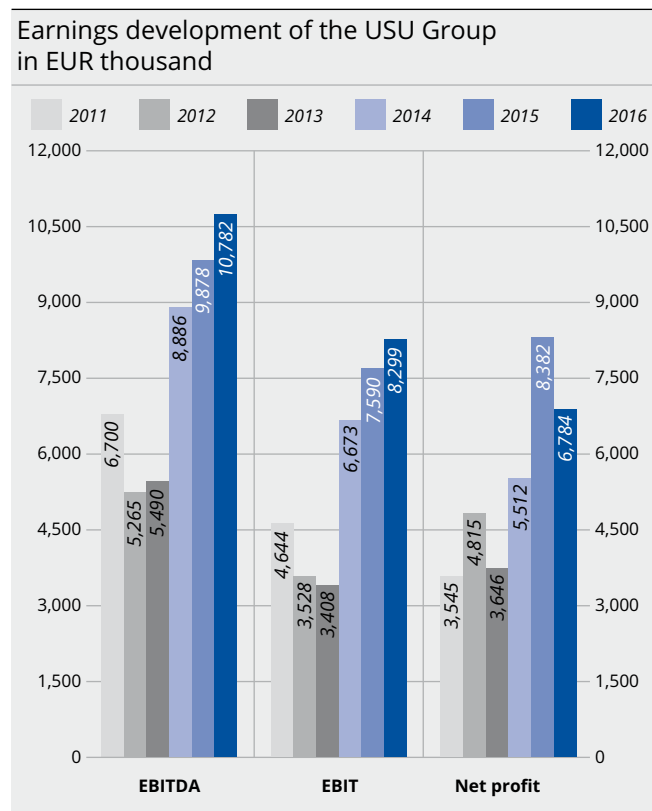
Results of operations

Thanks to its substantial sales growth accompanied by a moderate expansion in the cost base, the USU Group increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 9.2% year-on-year to EUR 10,782 thousand in the 2016 fiscal year (2015: EUR 9,878 thousand). After depreciation and amortization expense totaling EUR 2,484 thousand (2015: EUR 2,288 thousand), USU generated earnings before interest and taxes (EBIT) of EUR 8,299 thousand in the same period, an increase of 9.3% on the previous year (2015: EUR 7,590 thousand).

Net financial income amounted to EUR 11 thousand in 2016 (2015: EUR 291 thousand). Accordingly, USU reported earnings before taxes (EBT) of EUR 8,310 thousand in the 2016 fiscal year (2015: EUR 7,881 thousand). This represents an increase of 5.4% on the previous year.

Income tax expense amounted to EUR -1,526 thousand in 2016 after tax income of EUR 501 thousand in the previous year. This was due to a positive non-recurring tax effect in 2015 resulting from the conclusion of a profit transfer agreement in connection with the acquisition of BIG Social Media GmbH, which is reported in deferred taxes.

Accordingly, the USU Group's IFRS consolidated net profit declined by 19.1% year-on-year to EUR 6,784 thousand (2015: EUR 8,382 thousand). At the same time, earnings per share amounted to EUR 0.64 (2015: EUR 0.80).



Adjusted consolidated earnings

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

Adjusted consolidated earnings in EUR thousand	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Result of ordinary operations (EBIT)	8,299	7,590
Amortization of intangible assets recognized in the course of company acquisitions	1,216	1,289
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	99	-90
- from stay bonus for BIG GmbH	100	100
- from purchase price adjustments	-140	-223
- from incidental acquisition costs	139	33
Adjusted EBIT	9,614	8,789
Interest income (as per consolidated statement of profit or loss)	272	346
Interest expenses (as per consolidated statement of profit or loss)	-261	-55
Income taxes (as per consolidated statement of profit or loss)	-1,526	501
Tax effects relating to adjustments	-108	-792
- from amortization	-108	-792
Adjusted consolidated earnings	7,991	8,789
Adjusted earnings per share (in EUR):	0.76	0.84
Weighted average shares:		
Basic and diluted	10,523,770	10,523,770

USU's adjusted EBIT increased by 9.4% year-on-year to EUR 9,614 thousand in the 2016 fiscal year (2015: EUR 8,789 thousand). By contrast, adjusted consolidated net profit declined to EUR 7,991 thousand (2015: EUR 8,789 thousand). Adjusted earnings per share therefore amounted to EUR 0.76 in the year under review (2015: EUR 0.84).

Net assets and financial position

On the asset side of the statement of financial position, the USU Group's non-current assets amounted to EUR 47,608 thousand as of December 31, 2016 (December 31, 2015: EUR 49,321 thousand). This slight reduction as against the previous year was primarily due to the amortization of intangible assets, which therefore declined to EUR 5,428 thousand at year-end 2016 (December 31, 2015: EUR 6,702 thousand). By contrast, current assets increased from EUR 39,865 thousand at December 31, 2015 to EUR 44,297 thousand at the end of the reporting period; this was

due among other things to the rise in trade receivables to EUR 14,190 thousand at the reporting date (December 31, 2015: EUR 11,498 thousand). Despite the dividend payment to shareholders totaling EUR 3,683 thousand, cash and cash equivalents increased slightly to EUR 23,180 thousand as of December 31, 2016 (December 31, 2015: EUR 23,109 thousand).

On the equity and liabilities side, the USU Group's positive earnings performance led to an increase in shareholders' equity to EUR 63,623 thousand as of the reporting date (December 31, 2015: EUR 60,791 thousand). At the same time, USU reduced its current and non-current liabilities slightly to EUR 28,282 thousand as of December 31, 2016 (December 31, 2015: EUR 28,395 thousand) on the back of the decrease in liabilities from advance payments, among other things. With total assets of EUR 91,905 thousand (December 31, 2015: EUR 89,186 thousand), the equity ratio was 69.2% as of December 31, 2016 (December 31, 2015: 68.2%). This means that, at the end of the 2016 fiscal year, the USU Group continues to enjoy extremely solid financing with no liabilities to banks.

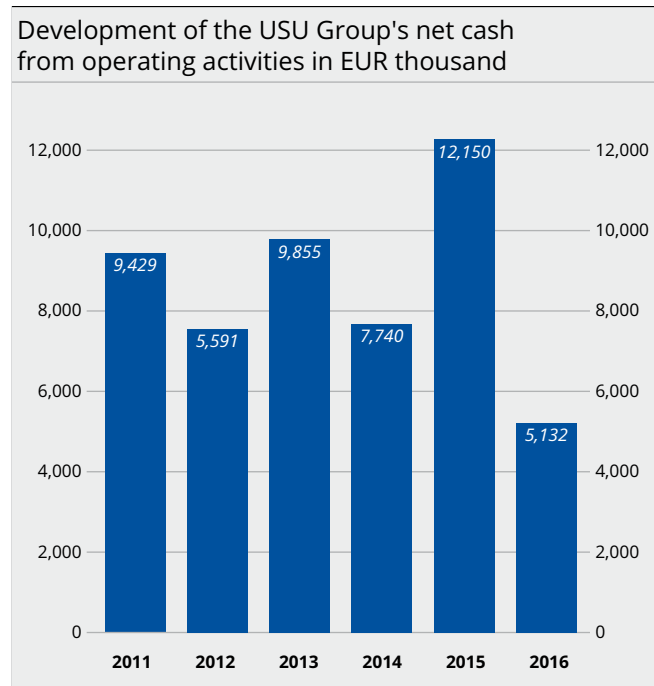
Cash flow and capital expenditure

The USU Group's liquidity increased slightly year-on-year to EUR 23,180 thousand as of December 31, 2016 (December 31, 2015: EUR 23,109 thousand). This includes cash and cash equivalents of EUR 20,166 thousand (2015: EUR 20,095 thousand) and securities of EUR 3,014 thousand that can be terminated at any time (2015: EUR 3,014 thousand).

In the 2016 fiscal year, the USU Group's net cash from operating activities declined by 57.8% year-on-year to EUR 5,132 thousand (2015: EUR 12,150 thousand). This was primarily due to isolated cash flow effects such as work in progress, trade receivables and bonus payments to employees.

Net cash used in investing activities of EUR -1,181 thousand (2015: EUR -4,897 thousand) included investments in property, plant and equipment and intangible assets totaling EUR -1,211 thousand (2015: EUR -1,011 thousand), which was offset by income from the disposal of non-current assets in the amount of EUR 30 thousand (2015: EUR 17 thousand). In the previous year, the purchase of securities increased net cash used in investing activities to the tune of EUR 3,014 thousand.

Net cash used in financing activities totaled EUR -3,883 thousand in the period under review (2015: EUR -6,382 thousand). This includes the dividend payment to the shareholders of USU Software AG on June 20, 2016 in the amount of EUR 3,683 thousand (2015: EUR 3,157) or EUR 0.35 per share (2015: EUR 0.30) and the repayment of purchase price liabilities of EUR 200 thousand (2015: EUR 2,591 thousand).



Current situation of the Group

The USU Group remains on a profitable growth path. After achieving new sales and earnings records in 2016, the USU Group continues to enjoy an excellent economic situation. With the new product innovations and the considerable further potential offered by internationalization, as well as the acquisition of

UnitB Technology GmbH in early 2017, the Management Board of USU Software AG believes that the Group as a whole is well positioned overall to successfully implement the targets for the years ahead, particularly in terms of its medium-term planning to 2020. One important indicator in this respect is the level of orders on hand, which the USU Group again increased significantly in the 2016 fiscal year. The Management Board still sees the highest growth potential in the expansion of international business, particularly in the USA and Europe outside Germany. However, the Management Board is also anticipating growth rates in Germany that are slightly above the level of the market. In addition, USU has a high level of readily available Group liquidity, allowing it to invest in further acquisition-based growth in line with its growth strategy.

Development and situation of USU Software AG

All of the following figures relate to the single-entity financial statements of USU Software AG in accordance with the German Commercial Code (HGB).

USU Software AG primarily focuses on acquiring and holding participations in other companies and on research. USU Software AG's main earnings derive from its operating subsidiaries. This includes Aspera GmbH ("Aspera"), LeuTek GmbH ("LeuTek"), Omega Software GmbH ("Omega") and B.I.G. Social Media GmbH ("BIG"), with which the Company has concluded profit transfer agreements.

In the 2016 fiscal year, USU Software AG generated net income from the profit transfer agreements of EUR 6,171 thousand (2015: EUR 7,758 thousand) with the corresponding expenses. As a result of the extension of the definition of sales following the first-time application of the provisions of the German Accounting Directive Implementation Act (BilRUG), sales of EUR 1,323 thousand containing services to Group companies and third parties were reported in 2016.

The Company's other operating income of EUR 1,728 thousand (2015: EUR 1,899 thousand) derives mainly from the settlement of intragroup services and grants received in connection with research projects. Other operating expenses totaling EUR 2,644 thousand (2015: EUR 1,877 thousand) primarily include costs for services provided by Group subsidiaries, legal and consulting costs, stock exchange and investor relations costs, and Supervisory Board compensation.

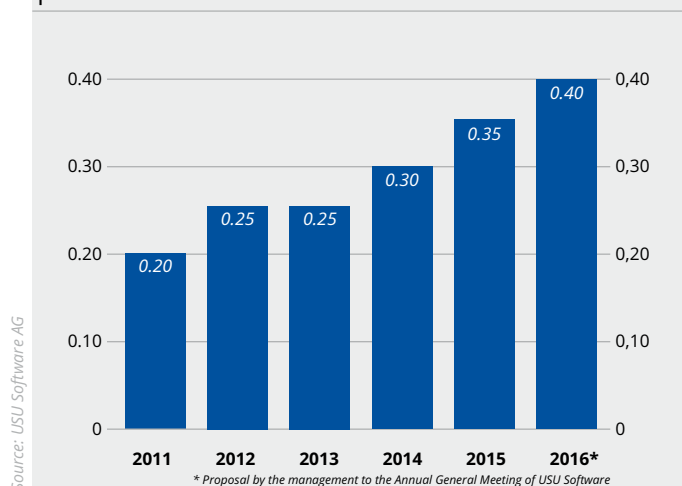
The cost of materials amounted to EUR 50 thousand in the 2016 fiscal year (2015: EUR 0). In connection with the increase in the Company's workforce to an average of 19 employees (2015: 10), staff costs at USU Software AG rose to EUR 2,515 thousand in the same period (2015: EUR 1,898 thousand).

Amortization of intangible assets and depreciation of property, plant and equipment totaled EUR 95 thousand in 2016 (2015: EUR 84 thousand). Write-downs of long-term financial assets amounted to EUR 400 thousand in the same period (2015: EUR 0).

Net interest amounted to EUR -260 thousand (2015: EUR -369 thousand) and mainly consisted of interest payments to subsidiaries.

The net profit of USU Software AG amounted to EUR 2,963 thousand in the 2016 fiscal year (2015: EUR 4,890). Including the profit carried forward from the previous year of EUR 4,631 thousand (2015: EUR 3,424 thousand), the Company generated an unappropriated surplus of EUR 7,594 thousand (2015: EUR 8,314 thousand). As in previous years, part of this is to be used to pay a dividend to all shareholders of USU Software AG. In line with the dividend policy communicated by the Company and in the interests of continuity, the Management Board is proposing, subject to the approval of the Supervisory Board, that a dividend of EUR 0.40 per share be distributed for the 2016 fiscal year. This decision for a targeted increase in the profit distribution of around 15% as against the previous year was taken in view of the successful development of the USU Group as a whole and the continued positive business prospects for the Company, as well as helping to mark the Company's 40th anniversary in 2017.

Development of the dividend distribution per share of USU Software AG in EUR



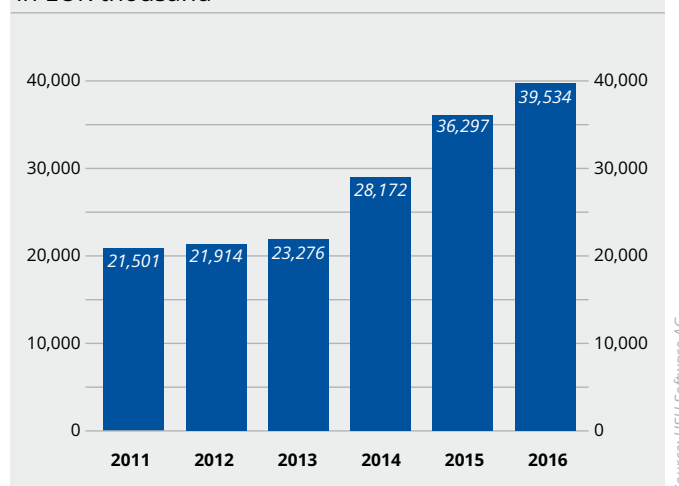
On the asset side of the statement of financial position, non-current assets declined to a total of EUR 39,837 thousand at the end of the year under review (2015: EUR 41,186 thousand). Among other things, this was due to the settlement of a loan to a subsidiary and the resulting derecognition of loans to affiliated companies. At the same time, current assets increased to EUR 14,942 thousand (2015: EUR 14,504 thousand), which was due in particular to the higher level of receivables and assets. On the equity and liabilities side, shareholders' equity decreased to EUR 31,763 thousand (2015: EUR 32,483 thousand) despite the net profit for the year under review; this was primarily attributable to the dividend distribution of EUR 3,683 thousand. However, USU also reduced its total liabilities from EUR 23,263 thousand as of December 31, 2015 to EUR 23,072 thousand at the end of the 2016 fiscal year, largely thanks to the decrease in tax provisions. With total assets of EUR 54,835 thousand (2015: EUR 55,746 thousand), the equity ratio of USU Software AG amounted to 57.9% at the end of the 2016 fiscal year (2015: 58.3%).

USU Software AG's focus on participation transactions means that the Company will remain highly dependent in subsequent years on the performance of its subsidiaries, particularly Aspera, LeuTek and USU AG. Information on the resulting risks and opportunities can be found in the Group risk report.

Orders on hand

The USU Group increased its orders on hand by 8.9% year-on-year to EUR 39,534 thousand as of December 31, 2016 (December 31, 2015: EUR 36,297 thousand) due to the growth in SaaS orders and maintenance contracts, among other things. The year-end order book at the reporting date shows the USU Group's fixed future sales for the following year based on binding contracts. These primarily consist of project-related orders and maintenance and SaaS agreements.

Development of the USU Group's orders on hand in EUR thousand



Employees

In 2016, the USU Group achieved a targeted increase in its workforce of 9.2% to 544 employees at the end of the fiscal year (2015: 498).

Group employee figures do not include the three members of the Management Board of USU Software AG and the other member of the Management Board of the subsidiary USU AG, around 100 freelance staff who can be employed for project work as required, 13 temporary workers, six trainees and four interns.

Broken down by functional unit, a total of 246 (2015: 243) people were employed in consulting and services at the end of the 2016 fiscal year, 158 (2015: 134) in research and development, 77 (2015: 66) in sales and marketing, and 63 (2015: 55) in administration. Broken down by segment, USU had 418 (2015: 379) employees in the Product Business segment, 63 (2015: 64) in the Service Business segment, and 63 (2015: 55) in USU Group central functions.

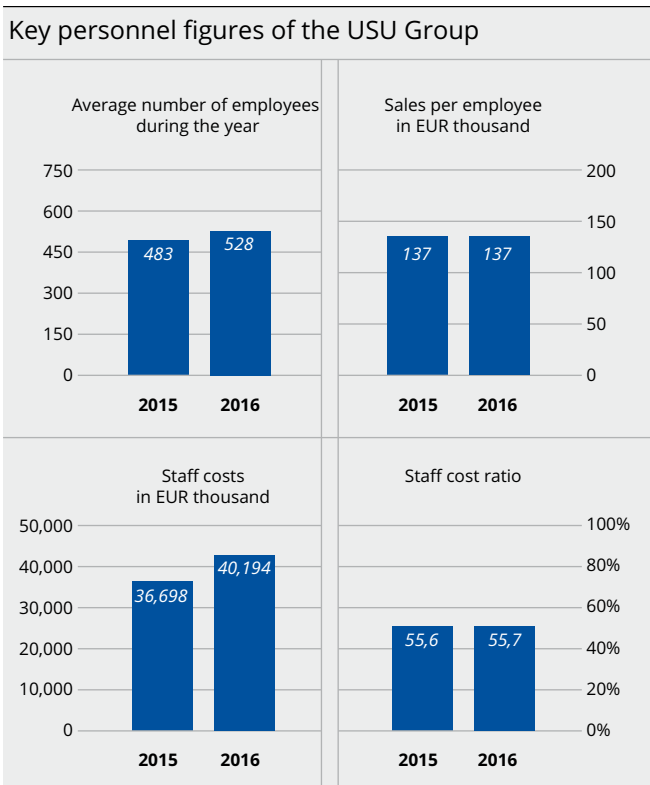
The average total workforce of the USU Group increased to 528 employees in the 2016 fiscal year (2015: 483). With consolidated sales of EUR 72,101 thousand (2015: EUR 66,091 thousand), the average sales contribution per employee remained unchanged year-on-year at EUR 137 thousand (2015: EUR 137 thousand). Staff costs totaled EUR 40,194 thousand in the 2016 fiscal year (2015: EUR 36,698 thousand). Accordingly, staff costs as a proportion of consolidated sales amounted to 55.7% (2015: 55.6%).

The Management Board intends to further increase the Group's workforce in the 2017 fiscal year and beyond in order to achieve its medium-term growth targets, particularly with respect to growth outside Germany. In addition to the acquisition of highly qualified technical and management employees, personnel-related measures will also focus on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the Company, and the Group as a whole. In addition, the Group also offers an extensive and flexible employee company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of the "USU – U Step Up" career model. Through this program, USU offers its employees and managers personal development opportunities in the form of ongoing refresher and consolidation courses as well as specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures aimed at developing and motivating the USU Group's workforce over the long term.

The proportion of women in the USU Group's workforce remained essentially unchanged at 24% at the end of the 2016 fiscal year (2015: 25%).

Stipulations in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector:

In 2015, the Management Board of USU Software AG resolved that in the recruitment for management functions at all levels below the Management Board of USU Software AG and their affiliated companies, diversity must be respected and giving due consideration to women must therefore be targeted. At the USU Group, the proportion of women at the first management level below the Management Board amounts to zero. At the second level below the Management Board, this figure is 15%, which is in excess of the target defined by the Management Board. The Management Board established a target figure of zero for the



Source: USU Software AG

proportion of women at the first management level and 7% and at the second management level, with June 30, 2017 as a deadline to achieve these targets.

The Supervisory Board and Management Board of USU Software AG are currently made up of three male members respectively. The Management Board was expanded from one to three members as at October 1, 2014. The Supervisory Board was newly elected by the Annual General meeting in 2016. At its meeting on September 22, 2015, the Supervisory Board therefore established a target figure of zero for the proportion of women in the Management Board and the Supervisory Board by June 30, 2017

EVENTS AFTER THE REPORTING DATE

With regard to significant events after December 31, 2016, please refer to the information on the acquisition of the shares of UnitB technology GmbH, Berlin in the notes to the consolidated financial statements.

FORECAST, OPPORTUNITY AND RISK REPORT

Forecast

General economy

According to the leading German economic research institutes, the German economy is continuing to enjoy a moderate upturn. The joint economic forecast prepared by the institutes⁵ notes that this upturn is being driven by the construction industry and the service sectors in particular. The associated increase in employment and stable wage development are considered to be the reasons for the lively growth in private consumer spending in particular. Accordingly, the institutes expect German GDP to increase by 1.4% in 2017 (2016: 1.9%).

According to the joint economic forecast, the global economy will record growth in overall economic output of 2.7% in 2017 (2016: 2.3%); this is also attributable to rising private demand for consumer goods.

Sector

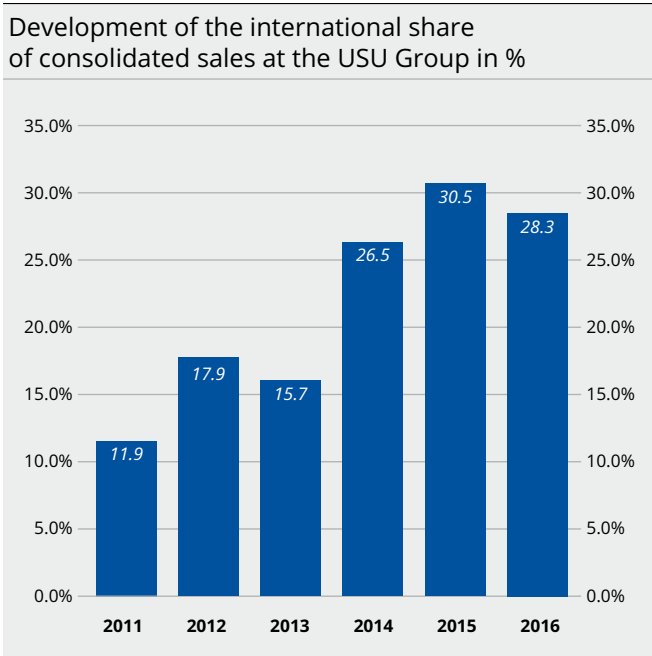
The industry association BITKOM⁶ is forecasting growth in the German ITC market of 1.2% to EUR 162.4 billion in 2017, citing the digital transformation of companies as the main growth driver. As such, information technology (IT) will remain the most important pillar of this growth. In terms of the global IT market, the update published by the market research company Gartner⁷ on January 12, 2017, forecasts an increase in global IT expenditure to USD 3.5 billion in 2017, up 2.7% on the previous year (2016(e): -0.6%). This positive development is primarily attributable to software and IT services business. Gartner expects global spending on IT services to rise by 4.2% in 2017, while the global software market is set to expand by as much as 6.8%.

Outlook

The Management Board expects the growth trend recorded in recent years to continue in 2017. Impetus from the core market of Germany will be accompanied by further growth in Product Business outside Germany. Outside Germany, the growth path will be shaped by the continued penetration of the US market and the expansion of activities in Central Europe. The expansion of product business, from which the USU Group generates license, maintenance and product-related consulting income, will continue to have a positive effect on margins and earnings, while the service business, from which USU generates product-independent consulting income from individual projects, is also set to enjoy further growth. In light of the current outlook, the Management Board is confirming its forecasts for the USU Group, which involve organic growth in consolidated sales to between EUR 83 million and EUR 88 million in the 2017 fiscal year accompanied by an above-average increase in adjusted EBIT to over EUR 10–11.5 million. The new medium-term forecast to 2020 is projecting sales growth to EUR 140 million accompanied by an increase in adjusted EBIT to over 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.

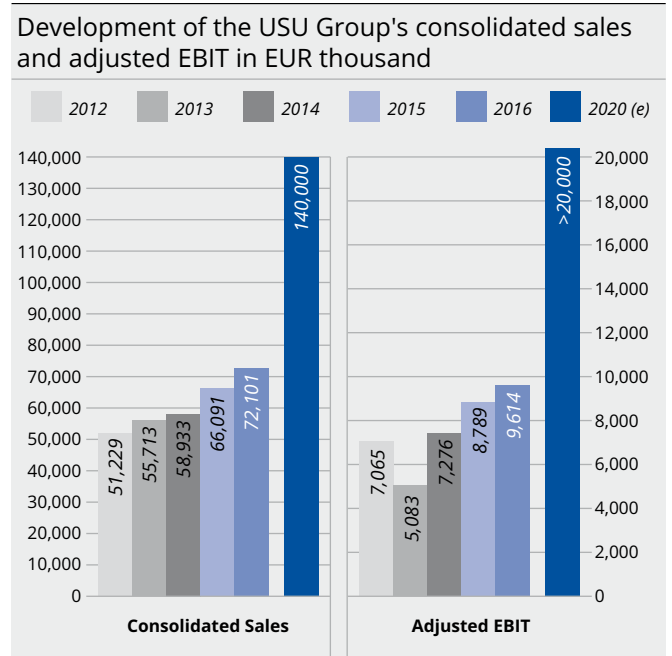
⁵ *Gemeinschaftsdiagnose Herbst 2016 der Projektgruppe Gemeinschaftsdiagnose, vom 27.09.2016*

⁶ *BITKOM-Pressinformation vom 18.10. 2016, veröffentlicht unter www.bitkom.org*
⁷ *Pressemitteilung Gartner, Gartner Worldwide IT Spending Forecast, vom 12.01.2017*



The Group subsidiaries USU AG and Aspera GmbH will be the main sales drivers in the 2017 fiscal year. At the same time, the subsidiaries acquired or established in the past will contribute positive sales and earnings effects to the Group as a whole. As a separate company, the Group's parent company, USU Software AG, will continue to focus on research projects, the development of industrial big data products in the environment of Industry 4.0 and the performance of services for the Group companies as well as the acquisition and holding of investments in IT companies, and thus participate in the business performance of the Company's subsidiaries.

Based on the above assumptions, the Management Board is planning to enable the shareholders of USU Software AG to participate substantially in the Company's operating success again in 2017 as in the previous years, thereby continuing the shareholder-friendly dividend policy in the interests of sustained continuity.



Risikobericht

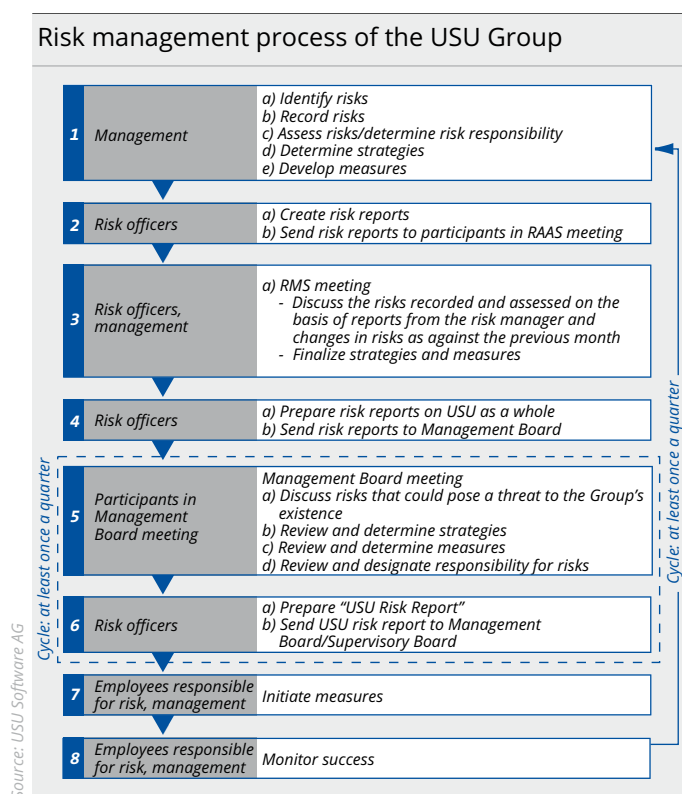
During the course of their operations, USU Software AG and its subsidiaries are exposed to a range of opportunities and risks that are intrinsically linked to their business activities. These business activities include accessing and leveraging opportunities that serve to safeguard and expand the USU Group's competitive ability. Business opportunities are considered as part of both the annual planning process and corporate strategy, which is subject to ongoing development. The opportunities are explained in more detail in the section of this risk report entitled Overview of Risks and Opportunities as well as in the forecast report under Outlook.

Risk management system

Dealing with risks in a responsible manner forms the basis of sustainable business success. The management of USU Software AG and its subsidiaries therefore operates a central risk management system for the early identification, analysis, evaluation, control and management of risks to the USU Group. The aim of this system is to ensure a Group-wide awareness of risk within USU's organizational structure and workflows. The Group uses the internally developed Valuation Risk Manager software to map its risks on an individual basis.

Risk management process

The established risk management process of the USU Group, which has been tried and tested over many years, is based on the concept of a control loop. The individual steps take account of the key elements of risk identification, evaluation and control through appropriate measures. The following diagram depicts the risk management process of the USU Group:



The process of risk management begins with the identification and recording of relevant risks by the Management Board, the top management and the relevant departmental managers of the respective Group subsidiaries. Risks are analyzed, documented and assessed in terms of the potential loss they may cause and the likelihood of their occurrence. A risk matrix is used to visualize and classify the results. Depending on the resulting risk classification, specific strategies and measures are then implemented in order to control and manage the risk.

All activities are summarized in a risk report by the Risk Management Officer of the Company and the Group. On the basis of this report, the Management Board of USU Software AG and the management of the subsidiaries monitor risks on an ongoing basis and advise the Supervisory Board regularly on major risks and changes to the risk situation.

Overview of risks

It is clear from the current risk report of USU Software AG and its subsidiaries that no risks have been identified that could pose a threat to the Company as a going concern, either currently or in the foreseeable future, and whose occurrence has been rated very likely. Nevertheless, the Management Board of USU Software AG cannot rule out the possibility that multiple risks whose cumulative impact could pose a threat to the Company's existence might have an adverse effect on the net assets, financial position and results of operations of the Company. The risks classified during the course of risk management as serious or which could have a material effect on the Company's net assets, financial position and results of operations are listed below:

Market, competitive and service risk

In view of the unstable global economic development in the past years, analysis of the market and competitive situation remains an essential component of risk management at USU Software AG and its subsidiaries, particularly with regard to the forecast and planning security of the Company and its subsidiaries. One key focus here is market diversification in order to make the Group's business performance less dependent on the core German market while also tapping new growth markets. Further penetration of the US market through the growth in business at the Group subsidiary Aspera Technologies and the partnership with the US group CA Technologies, together with the expansion of European business in 2016, meant that the international share of consolidated sales stabilized at around 30% despite the continued growth in domestic business. At the same time, the Management Board sees a major opportunity in the further expansion of international business with

regard to the future operating performance of the Company and of the Group as a whole. However, it cannot rule out the possibility that diminishing economic momentum in the regions where USU operates could have a negative impact on the IT sector and thus restrict the development of USU Software AG and its subsidiaries.

As a software and IT company, USU Software AG operates in a very competitive high-tech market that is subject to continuous changes. Both large and medium-sized software companies expand their own product ranges through diversification and acquisition, thereby opening up new sales potential. In this context, the possibility that in future there may be considerable price erosion and cut-throat competition in individual market segments in which USU operates cannot be ruled out. In particular, highly dynamic markets such as social media could be affected by this.

USU Software AG has recently expanded its product portfolio through the acquisition of unitB Technology GmbH. In addition, the product range has been enhanced with several innovative new developments. With its expanded product range, USU has strategically positioned itself in the growth market for knowledge-based service management solutions and is also focusing on promising future areas in the field of information technology, for instance, on industrial big data. USU also selectively involves employees of the Czech subsidiary USU Software s.r.o. in consultancy projects and can deploy around 100 external consultants if required to ensure positive yields from projects.

Product, project and legal risk

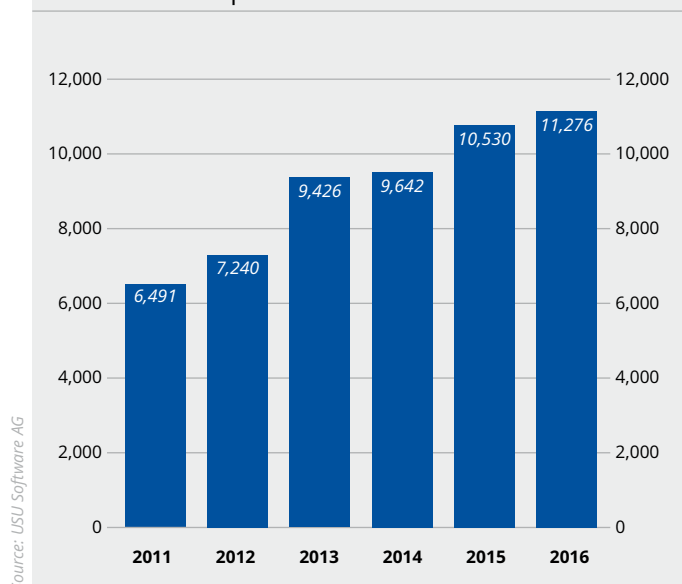
As with virtually any software, the software developed and marketed by USU Software AG and its subsidiaries may contain programming errors, which can occur despite thorough checks and careful testing. The resulting operational defects could lead to liability and warranty claims to the detriment of

the USU Group. The Company's internally developed software is primarily used within the context of larger projects, where the Company makes fixed, contractual commitments with regard to functionalities, completion schedules and project costs. Accordingly, there is a risk that the planned schedules and cost estimates may not be met due to project defects or faults in performance, which may in turn lead to claims for damages by the client or losses being may on the project in question. To minimize such product and project risks, the USU Group applies extensive quality management in its development activities. In addition, USU has an effective project monitoring system for identifying errors at an early stage and taking suitable countermeasures. The Group is also covered by a third-party liability insurance policy aimed at minimizing risk, which provides cover in particular against damage to data, data media and implementations as well as losses arising from material defects caused by the lack of agreed functionalities from EUR 40 thousand up to a maximum of EUR 5 million per claim.

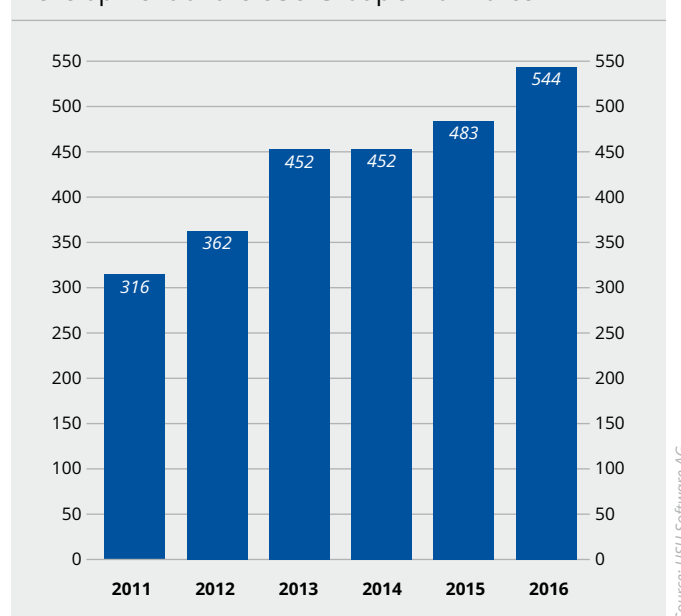
Research and development risk

Intense competition and specific customer attitudes require extremely short development cycles for new product versions and releases. At the same time, demands are constantly increasing as a result of rapid technological change. In order to take account of this development, the USU Group maintains its research and development activities at a consistently high level, using the resources of its own development company USU Software s.r.o. in the Czech Republic in particular. Around 130 employees work on continuously refining the Group's internally developed software products to reflect market developments and the demands of product management. The development process is rounded off with tests and quality management measures. Close contact with leading market analysts ensures that any technical changes can be addressed rapidly. As a technology pioneer, the USU Group also devises its own innovations with the aim of permanently improving and extending its product portfolio.

Development of research and development expenses of the USU Group in EUR thousand



Development of the USU Group's workforce



Personnel and management risk

The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries depend to a significant extent on the performance of its professional staff and managers. The Company is therefore particularly reliant on highly qualified personnel in order to satisfy future market demands and customer requirements. The loss of management staff or employees in key positions can be just as detrimental to the Company as the failure to attract new knowledge carriers. Consequently, USU has implemented a wide range of measures in order to recruit additional highly qualified employees despite competition on the employment market and retain existing staff at the USU Group.

The professional development of employees in accordance with their various needs is equally important within the Group as a whole. Specific training and development opportunities, an extensive talent development, career and progression model and numerous employee events help to improve the retention of professional staff and managers. A positive corporate culture also helps us to improve our success rate in attracting and retaining qualified employees.

IT risk

As software and IT companies, USU Software AG and its subsidiaries are dependent on the long-term functionality and security of their Group-wide data centers, networks and IT systems. Due to the growing share of inhouse SaaS products, dependency on IT infrastructure is also increasing. A complete or partial failure of the IT systems, as well as unauthorized access to the source code of internally developed software products, customer and project documentation or other critical data, could therefore have an adverse effect on the Group's business development.

To avoid risks of this kind, a specific risk prevention concept for the area of IT has been in place for a number of years and is integrated into the Group's risk management system.

Participation risk

USU Software AG is indirectly exposed to the risk environment of its various subsidiaries. The Company's relationships with its subsidiaries mean that risks may arise from its legal and contractual liabilities. Another potential risk in this respect relates to the write-down of the carrying amount of the participations in USU AG, Omega, LeuTek, Aspera and BIG in the single-entity financial statements of USU Software AG.

However, the risk relating to these subsidiaries only exists in the event of a permanent deterioration in their net assets, financial position and results of operations. The Company operates an effective reporting and controlling system throughout the entire Group in order to minimize risks of this type.

Goodwill risk

Instead of scheduled amortization, the goodwill reported in the consolidated statement of financial position is now subject to impairment testing at least once a year in accordance with IFRS 3. Impairment testing can result in either the confirmation of the reported goodwill or in a write-down that serves to reduce net profit for the period, which could have a negative impact on the net assets, financial position and results of operations of USU Software AG.

As in the previous years, the impairment tests conducted in the 2016 fiscal year did not identify any evidence of impairment of the assets assigned to this item of the statement of financial position. Owing to its positive operating business development, USU Software AG does not expect to have to recognize any impairment losses with an adverse effect on net profit within the Group as a whole in the following year.

Default risk

Potential default risks relating to trade receivables are minimized by means of active receivables management. The Company also recognizes adequate provisions for such losses. Overall, therefore, the default risk remains limited. In the light of recent history, with regard to the potential negative effects of the economic and financial market crisis on companies considered fundamentally solvent to date, it cannot be ruled out that the level of insolvency-driven default risk could increase in future, even allowing for the fact that the typical customer structure of USU Software AG is characterized by companies with strong market positions.

Exchange rate risk

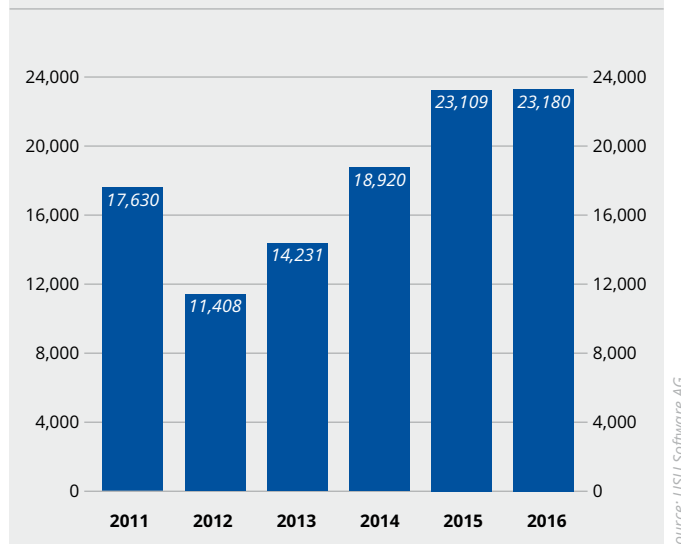
The volume of foreign-currency transactions conducted by the Company is negligible, meaning that it is exposed to exchange rate fluctuations with an impact on its EUR-denominated assets and income to a limited extent only. Transaction risks also exist for financial assets denominated in foreign currencies, although these can also have a positive impact on the development of income.

Financial and liquidity risk

With funds in excess of EUR 23 million as of December 31, 2016, USU Software AG has extensive Group-wide financial resources for future investments, for potential acquisitions and to secure its operating business. These funds are primarily deposited in short-term investments in order to generate interest income. The Group is therefore exposed to the risk of a partial or complete loss of one or more such investments.

To limit the risk of financial loss, the Company therefore invests only in low-risk investments with short terms to maturity. It does not invest in speculative securities or shares.

Development of the USU Group's liquidity in EUR thousand



Report on opportunities

Among the extensive opportunities available to USU Software AG and the Group, and over and above the points already mentioned, the Management Board regards the following potential as particularly important:

With its innovative product portfolio geared towards high-growth segments of the IT market, the USU Group has ideal conditions for expanding its business with both new and existing customers in the coming years. Business with existing customers offers the potential to achieve a sustained high level of utilization of the consultant team with follow-up projects for both product business and consulting-related service business. USU's customer base thus now comprises more than 800 companies from all sectors of the economy. The acquisition of additional technical and management employees and the associated expansion of the Group's workforce also represents a major opportunity to fully exploit the existing growth options in product and service business. In addition to the core domestic market, excellent growth potential is offered in particular by further expansion of the USU Group's international presence in the coming years. This is based firstly on targeted growth in the Group's own activities in France, the United Kingdom and the USA, and secondly on the global partnership agreement with the US software group CA Technologies and further expansion of the global USU partner network. Another key component of the USU Group's growth strategy relates to rounding out the product portfolio and tapping new sales markets by means of acquisitions or participations in companies, such as the acquisition of UnitB Technology GmbH that was implemented in early 2017. USU also has extensive Group liquidity available for further acquisitions, allowing it to take advantage of acquisition opportunities that arise in a flexible manner.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

At USU Software AG, the accounting-related internal control system ("RIKS") and the accounting-related internal risk management system ("RIRMS") have been implemented throughout the Group as a comprehensive system aimed at ensuring that the single-entity and consolidated financial statements comply with the relevant provisions.

RIKS encompasses the principles, procedures and measures for ensuring the effectiveness, cost-effectiveness and correctness of the accounting system and compliance with the relevant provisions of law and the Articles of Association, while RIRMS contains all organizational provisions and measures aimed at the identification, control and management of risks relating to the accounting process. USU's accounting-related internal control and risk management is set up in such a way as to ensure the level of security required for reliable financial reporting and the external publishing of single-entity and consolidated financial statements. This therefore requires a clearly defined management and corporate structure with clearly allocated roles. Key accounting-related roles are therefore managed centrally by USU Software AG and USU AG with the clear allocation of specific areas of responsibility.

A comprehensive, regularly updated set of guidelines, comprising rules of competence, reporting procedures, travel cost and time recording procedures and investment approvals, has been established. This also governs the dual control principle for accounting-related processes. Furthermore, the harmonization of accounting procedures within the USU Group is ensured by means of Group-wide rules of procedure governing accounting and evaluation.

The USU Group has a largely uniform, standardized financial system, which, by means of clearly defined access rights, is only accessible to those employees who are involved in the accounting process in keeping with their area of responsibility. The Finance department of USU AG, in cooperation with the Project and Financial Controlling unit of this subsidiary of USU Software AG, is centrally responsible for the timely preparation of the monthly, quarterly, annual and consolidated financial statements on the basis of the

reporting schedule prescribed by the Management Board. The Chairman of the Management Board of USU Software AG, who bears the overall responsibility for the accounting-related internal control and accounting system of the Company and the Group as a whole, controls and monitors the preparation of the financial statements and compares them with the projections that are continuously updated. From a risk management perspective, revenue recognition, the impairment of goodwill and the carrying amounts of participations and the measurement of receivables, work in progress and provisions are generally of central importance to USU as a software and IT consulting company.

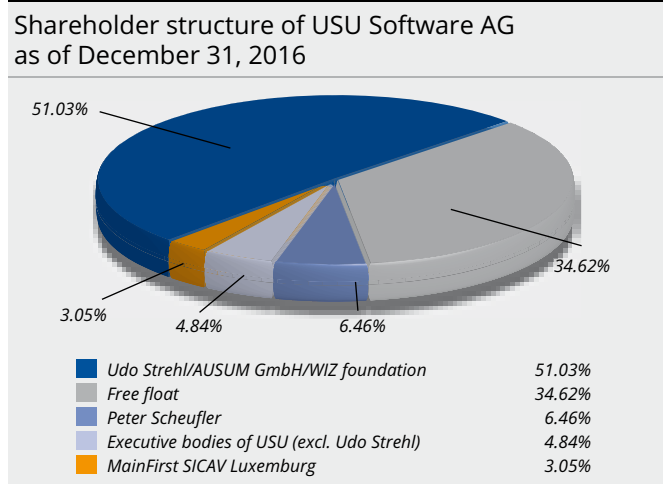
The regular upskilling of the employees involved in the accounting process and the timely investigation of new or amended accounting-related provisions serve to ensure that the preparation of the (consolidated) financial statements is up-to-date at all times.

TAKEOVER-RELEVANT INFORMATION

Issued capital, shares, and shareholder structure

As of December 31, 2016, a total of 10,523,770 (2015: 10,523,770) no-par value bearer shares were issued in USU Software AG, with the same number of voting rights and a notional interest in the share capital of EUR 1.00 per share. Of these, 5,370,044 (2015: 5,359,187) shares are held by the main shareholder and Chairman of the Supervisory Board of the Company, Udo Strehl, corresponding to 51.03% (2015: 50.92%) of the share capital. 2,000,176 (2015: 1,989,319) of these shares are held by him directly and a further 3,337,868 (2015: 3,337,868) shares are held by AUSUM GmbH, in which the majority shareholder is Udo Strehl. A further 32,000 (2015: 32,000) shares in USU Software AG are allocable to Udo Strehl via the "Wissen ist Zukunft" foundation ("WIZ foundation"), of which he is the sole managing director. A total of 6.46% of the share capital of USU Software AG, or 680,016 shares, was attributable to

Peter Scheufler, a former shareholder in LeuTek, as of December 31, 2016, according to his notification to the Company. On November 25, 2015, MainFirst SICAV informed us that its share of voting rights had exceeded the 3% threshold at 3.05%.



Management Board authorizations on the issue of shares and the share buyback

By resolution of the Annual General Meeting on July 18, 2012, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's capital by up to EUR 5,261,885 by issuing new shares ("Authorized Capital") in exchange for cash or non-cash contributions up to and including July 17, 2017.

By resolution of the Annual General Meeting on March 2, 2000, the subscribed capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the Company and affiliated companies ("Contingent Capital"). By resolution of the Annual General Meeting on July 15, 2004, Contingent Capital was reduced to EUR 378 thousand. The Contingent Capital increase may only be exercised to the extent that the bearers of the issued options exercise their rights. There were no outstanding options as of December 31, 2016.

By resolution of the Annual General Meeting on June 18, 2015, the Company's Management Board was also authorized to acquire treasury shares in one or more

installments, subject to approval of the Supervisory Board, at any time up to and including June 17, 2020. The acquired shares, together with any other shares that the Company may hold as a result of an earlier authorization to acquire treasury shares, may not exceed 10% of the Company's share capital at the time of this authorization.

Statutory provisions and Articles of Association of USU Software AG

In accordance with section 84 AktG and Article 8 (2) of the Articles of Association of USU Software AG, the Management Board is appointed or dismissed by the Supervisory Board. In urgent cases, a member may be appointed to the Management Board by court order in accordance with section 85 AktG. However, the corresponding mandate expires as soon as the vacancy has been filled. In accordance with Article 18 of the Articles of Association, the Supervisory Board is also authorized to approve amendments to the Articles of Association that concern their wording alone. All other amendments to the Articles of Association require a resolution by the Annual General Meeting in accordance with section 179 (1) AktG. This resolution requires a majority of at least three-quarters of the subscribed capital represented at the vote in accordance with section 179 (2) AktG.

Resolutions by the Annual General Meeting that do not relate to the Articles of Association require a simple majority of the votes cast in accordance with section 133 AktG.

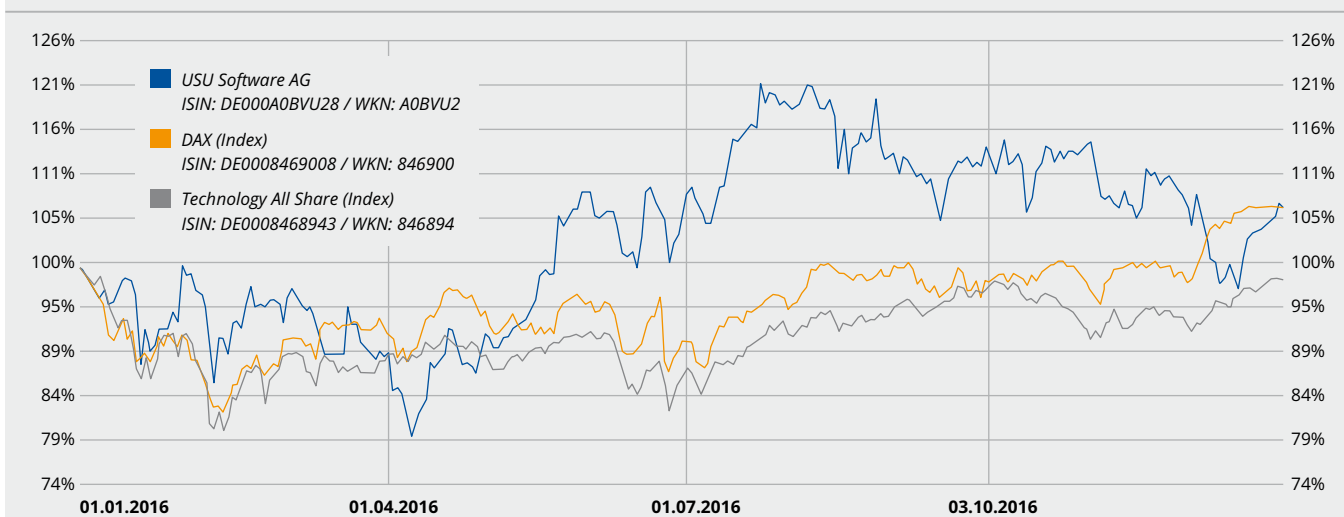
USU-AKTIEN (ISIN DE000A0BVU28)

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.

Share price performance

The stock markets saw a comparatively high degree of fluctuation in terms of price performance in 2016, but ultimately closed the year in positive territory for the most part. On December 31, 2016, the DAX closed the year up 6.9% at 11,481.06 points (December 31, 2015: 10,743.01 points), while the Technology All Share fell slightly by 1.4% to 2,102.78 points in the same period (December 31, 2015: 2,133.18 points). USU Software AG's share price enjoyed substantial growth at times during the year under review, reaching a new ten-year high of EUR 23.15 on the XETRA electronic trading platform (August 9, 2016) before ultimately closing the year at EUR 20.20 in XETRA trading (December 31, 2015: EUR 18.90); this corresponds to positive year-on-year price performance of 6.9%.

Share price performance of USU Software AG in 2016



Source: wallstreetonline

STATEMENT ON CORPORATE MANAGEMENT

Corporate Governance

Corporate governance encompasses the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the Corporate Governance Code ("the Code") in the form of recommendations for implementation. The core objective of the Code is to promote the trust of investors, customers, employees and the general public in the management and supervision of listed German companies. The Code came into force in 2002 and was last updated in 2015.

Declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG

In accordance with section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity for 2016 on December 13, 2016, making it available on the Company's website:

"The Management Board and Supervisory Board of USU Software AG declare that, since the last declaration of conformity on December 8, 2015, they have complied and will continue to comply with the recommendations of the Government Commission for the German Corporate Governance Code as amended on May 5, 2015, whereby the following recommendations have not been or are not being applied:

Section 4.2.3 of the Code recommends that variable compensation components for the Management Board members should have an assessment basis covering several years. Both positive and negative developments should be taken into account when determining the

variable compensation components. When concluding Management Board agreements, it must be ensured that payments to a Management Board member in the event of premature termination of their Management Board role, including fringe benefits, do not exceed the value of their annual compensation for two years (severance cap) and do not compensate more than the remaining term of the employment agreement. If the employment agreement is terminated for a good reason for which the Management Board member is responsible, then no payments are made to the Management Board member in accordance with the provisions of the Code.

The Supervisory Board has not made any such contractual agreements in the context of appointing and expanding the Management Board, and does not plan to do so in the future either. The Supervisory Board is convinced that the current Management Board compensation thoroughly takes account of the interests of the Company's stakeholders, motivates the Management Board to a high degree, and thus contributes to a sustainable positive business development.

According to section 5.1.2 of the Code, diversity should be observed in the composition of the Management Board and an age limit specified for its members. In addition, the Supervisory Board is required to establish target figures for the proportion of women on the Management Board in addition to deadlines by which these figures must be achieved.

In determining the composition of the Management Board, the Supervisory Board of USU Software AG based and will continue to base its decisions on the professional and personal suitability of the persons in question, irrespective of their gender or age, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Management Board. A specified age limit for Management Board members of USU Software AG therefore was and is not intended, as is also the case for a specified gender requirement.

The Management Board grew from one to three members as at October 1, 2014 and has been made up of three male members ever since. No changes are envisaged here at least until June 30, 2017. At its meeting on September 22, 2015, the Supervisory

Board therefore established a target figure of zero for the proportion of women by June 30, 2017.

In accordance with sections 5.3.1, 5.3.2 and 5.3.3 of the Code, the Supervisory Board shall form committees such as an Audit Committee and a Nomination Committee.

As the Supervisory Board of USU Software AG comprises three members, there has been and remains no intention to set up committees. Independently of this, the Supervisory Board of the Company jointly assumes the tasks of these committees.

According to section 5.4.1 of the Code, the Supervisory Board must be composed in such a way that its members collectively have the knowledge, skills and professional experience required to properly fulfill their duties. In this context, the Supervisory Board should name specific goals for its composition, which should include provisions such as an age limit for Supervisory Board members and a regulatory limit to be established for the length of membership on the Supervisory Board in addition to diversity. For the proportion of women, the Supervisory Board has established target figures and corresponding deadlines to achieve these targets.

With regard to its composition, the Supervisory Board of USU Software AG bases its decisions on the professional and personal suitability of the persons in question, taking account of their knowledge, skills and professional experience required to properly fulfill their duties. A specified age limit and a restriction on the length of membership for the Supervisory Board members of USU Software AG was and is not intended, as is also the case for a specified gender requirement, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Supervisory Board. In addition, a specification of this type would, from the Company's perspective, inappropriately limit the shareholders' right to vote at the Annual General Meeting. The Supervisory Board consists of three male members. At its meeting on September 22, 2015, the Supervisory Board therefore established a target figure of zero for the proportion of women on the Supervisory Board by June 30, 2017.

In accordance with section 5.4.6 of the Code, members of the Supervisory Board shall receive separate compensation for assumption of the office of Chairman or Deputy Chairman of the Supervisory Board or for membership of a Supervisory Board committee.

Compensation was and is not envisaged for assumption of the office of Deputy Chairman of the Supervisory Board or for membership or chairmanship of a committee of the Supervisory Board. The Company considers there to be no increased incentive based on assumption of the position of Deputy Chairman of the Supervisory Board because members of the Supervisory Board of USU Software AG work with great commitment for the good of the Company irrespective of this. Based on the composition of the Supervisory Board with three experienced members who jointly assume the envisaged functions, the formation of Supervisory Board committees and accordingly the associated compensation has been and will also in the future continue to be forgone.

According to section 7.1.2 of the Code, the interim reports shall be made publicly accessible within 45 days after the end of the reporting period.

In the past, USU Software AG has published interim reports in accordance with the relevant stock exchange rules and regulations immediately after they have been completed and at the very latest within two months following the end of the reporting period. This policy will continue to apply. In observing statutorily stipulated deadlines, the interests of Company shareholders in being informed are, in the opinion of USU Software AG, accommodated to an adequate extent, especially since the statutory disclosure requirements are fully observed and complied with.

Möglingen, December 13, 2016

Signed
The Management Board and Supervisory Board of
USU Software AG."

The current declaration of conformity and the declarations for previous years are permanently available at www.usu.de/investoren/corporate-governance.html.

Corporate management practices and sustainability

The principles of sustainable action are a core element of USU's business activities. For the Company, this means striking the right balance between the three dimensions of sustainability – economic, social and ecological – and incorporating the interests of stakeholders into its decision-making processes. This is a complex evaluation process, and interdependencies cannot always be fully assessed in advance. However, USU Software AG endeavors to continuously develop and challenge itself in order to ensure that its business activities make a positive contribution to its stakeholders and society as a whole. Accordingly, USU designs value creation and exchange processes based on the market, the environment and society. The Management Board, senior managers and employees embrace their responsibility - sustainability and ethical, socially aware action has been practiced implicitly at the USU Group for many years without being explicitly highlighted. This is an ongoing improvement process that we can realize only by maintaining a constant dialog with our stakeholders.

Social responsibility at USU Software AG has many facets and is strongly anchored in our business management and business strategy. To ensure that the importance of sustainability to USU Software AG is also made externally visible, the Company intends to publish a sustainability report in accordance with the core standards of the German Sustainability Code for the first time during the 2017 fiscal year. The regular strategy discussions on USU's strengths and areas requiring improvement also includes a discussion of the Company's sustainability targets taking into account each of the sustainability areas for action, namely economic efficiency, the environment, employees and society. Staff and resource management at the USU Group is a key aspect of sustainability

Employees and HR management

All activities are aimed at, and subject to the requirement of, the sustainable economic success of the USU Group. In addition to highly innovative products and solutions, a range of "intangible assets" help to secure this economic success. These include good long-term relationships with customers, strategic partnerships and cooperation with universities and institutions and, above all, motivated employees.

The basic principle of trust-based cooperation is dealing openly, fairly and respectfully with each other – not only in-house but also with our customers, shareholders and business partners. To this end, the workforce of the USU Group has developed basic values and targets in team meetings with colleagues across all areas and locations. These guidelines are a way to define our position and objectives that are continuously developed in response to actual business practice.

Employee surveys are conducted at regular intervals to identify further areas for potential improvement. Successfully integrating new employees – particularly from the newly acquired USU subsidiaries – reflects the sustainability of the USU corporate culture. Further evidence can be found in the results of the employer evaluation platform kununu. For instance, the platform has awarded USU AG with the "Top Company" and "Open Company" seals of approval. As a result, USU is part of the exclusive group of top employers as only 1% of currently more than 240,000 companies assessed on kununu have qualified for both seals of approval. Almost 75,000 hits on USU's profile reflect the relevance of the portal for numerous interested parties and potential applicants. A survey conducted by the industry association BITKOM concluded that one in four applicants obtained information on how employees ranked their potential new employer.

USU employs a wide range of measures to encourage personal exchange between employees across departments and specialties. At the start of the year, all employees are invited to a multi-day kick-off event at which the management presents its strategy and objectives and answers the employees' questions. Team-building measures are another important aspect of the event. Current business development, key topics and new employees are presented at regular information meetings. An introductory event is also arranged for new employees to present the corporate strategy and organization and the segments of the USU Group, among other things. There are specialist committees for a wide range of topics throughout the Group. A number of other events, such as ski trips, Christmas parties and summer fairs, provide additional communication opportunities.

USU sees itself as a learning organization in which all of its employees can make their knowledge and new learning transparent for the Company and their colleagues. Training and development are an established element of work and careers at USU. They are provided on the basis of the employee's individual professional requirements and irrespective of their gender and career level. USU's in-house HR development and training program, "U Step Up!", has been an important element of the Company's philosophy for a number of years. The individual modules are tailored to the various employee groups and their level of experience – from young professionals and senior professionals through to managers. The program provides a wide range of technical and methodical training and social skills workshops.

The USU Group is a training company. As of December 31, 2016, it had a total of six trainees and students on cooperative study programs. All of USU's premises are accessible. USU offers a range of part-time models to allow parents to shape their working hours in a way that suits them. The principle of trust-based working time is combined with flexible working hours and, where possible, free choice of

working location (depending on team and customer requirements). USU observes accepted standards of occupational safety and ensures ergonomic computer workstations. Occupational safety inspections are conducted on a regular basis. Documented accident prevention regulations are in place for all areas.

USU offers occupational medical care including regular consultations, vaccinations and check-ups, as well as free first aid courses and driving safety training for all employees. A first aid team is available to assist in emergencies. Balanced meals are cooked fresh every day at the canteen at the Company's head office in Möglingen, and fresh fruit is available free of charge every day. Healthy eating weeks are also held on a regular basis. The health care services offered by the Company also include subsidized health and nutrition courses and gym and sports group memberships.

Social engagement

Local activities lie at the heart of the Group's societal and social engagement. USU supports a large number of charitable, not-for-profit and cultural institutions, organizations and projects, such as the children's hospice in Ludwigsburg. All of the donations and profits from "Birdies for Help", a special golf tournament, help to fund selected projects for children and young people in the district, such as the Stiftung Jugendhilfe aktiv foundation in Möglingen or the Jugendhilfe der Karlshöhe youth welfare organization in Ludwigsburg. The purpose of the "Wissen ist Zukunft Stiftung" foundation is to support such projects. To date, donations totaling more than EUR 70,000 have been collected and distributed in full to almost 20 projects, including riding therapy for ADHD children in cooperation with the friends' association of the Furtbachschule school in Möglingen and the work performed by the Silberdistel association in preventing the sexual abuse of young people.

Two junior shuttles are available for youth organizations in the district to use for free transportation. The high school in the neighboring



Free transportation for youth teams in Ludwigsburg district

district of Asperg is benefiting from a partnership with USU involving exchanges in the areas of business and marketing and regular job applicant training. USU is also supporting a children's project in Ghana, "Street Children Care", by funding a transport bus. And the USU subsidiary Aspera has donated EUR 12,000 to a UNICEF project that uses solar-powered computers to provide digital learning opportunities to children and young people in Burundi.

Art and culture in the region are also supported. For example, USU has been providing company premises for exhibitions by local artists for around 25 years. Last but not least, sport is another area where USU is engaged socially, whether in the form of trustee donations to the Deutsche Sporthilfe foundation or direct financial support for the Bietigheim hurdler Felix Franz or the German Paralympic boccia team.

Resource management

As an IT company, the USU Group has only limited potential for significantly reducing its energy consumption through innovation or product management. By virtualizing servers, increasingly using cloud solutions and switching from desktops to environmentally friendly mobile laptops and LED screens, the Company is successively promoting resource-saving usage.

One of the central objectives of the Management Board is to increase energy efficiency in the USU Group in the long term as part of a continuous improvement process. To this end, an energy management system in accordance with EN ISO 50001:2011 was introduced in 2016. Energy key performance indicators were determined for the monitoring of energy-related performance. These are documented and reviewed regularly. Energy efficiency, energy use and energy consumption are assessed on a regular basis, energy-efficient products and services are used and all activities are reviewed in the form of regular audits. Energy management guidelines are created, documented and communicated to employees.



Working practices of the Management Board and the Supervisory Board

The Management Board of USU Software AG is responsible for managing the Company's business activities in accordance with the provisions of law, the German Corporate Governance Code, the Articles of Association and the rules of procedure for the Management Board. Irrespective of their individual responsibility as members of the Management Board, the members of the Management Board have joint responsibility for overall management. The Management Board passes resolutions at meetings that are convened by the Chairman of the Management Board on a regular basis and at least once a month. The Management Board is quorate if the majority of the members, including the Chairman, are present. Resolutions are passed by a simple majority. In the event of a tie, the Chairman has the casting vote. The Chairman is also entitled to veto resolutions that have been passed by a majority. On the Chairman's proposal, resolutions can also be passed outside the meetings.

The Chairman of the Management Board of the Company reports to the Supervisory Board in a regular, timely and comprehensive manner on the development and position of USU Software AG and the Group, including their profitability, as well as corporate planning, risk management and significant business transactions and projects.

The Supervisory Board of the Company consists of three members and elects a Chairman and a Deputy Chairman from its members. Due to its size, the Supervisory Board has opted not to form committees. Instead, the duties of the Supervisory Board are performed jointly by its members. The activities of the Supervisory Board are determined by the provisions of law, the German Corporate Governance Code, the Articles of Association and the rules of procedure for the Supervisory Board of USU Software AG. Among other things, these provide for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue rules of procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities. The Supervisory Board also adopts

the single-entity financial statements and approves the consolidated financial statements. Detailed information on the activities of the Supervisory Board is provided annually in the report by the Chairman of the Supervisory Board to the shareholders present at the Annual General Meeting.

The Supervisory Board is convened by the Chairman as required, and in any case at least four times a year in accordance with the Articles of Association. The Chairman of the Management Board of the Company regularly attends these meetings. The Supervisory Board is quorate when all of the members of the Supervisory Board attend the respective meeting. Resolutions are passed by a simple majority of the votes cast unless otherwise prescribed by law or the Articles of Association.

A D&O insurance policy has been concluded for the Management Board and the Supervisory Board, which, in accordance with the regulations of the German Corporate Governance Code, provides for an appropriate deductible.

COMPENSATION REPORT

Compensation of the Management Board

The compensation of the Management Board is specified at an appropriate level by the Supervisory Board, taking into account all compensation paid within the scope of consolidation on the basis of a performance assessment for each member of the Management Board. In accordance with the regulations of the German Corporate Governance Code ("the Code"), this includes monetary compensation components, pension commitments and other commitments. The monetary components of compensation for the Management Board are divided into a fixed and a variable component. The variable compensation, which consists entirely of a one-year component, is based on the achievement of targets set annually by the Supervisory Board. These are determined after the annual planning for the respective fiscal year is completed. The amount of the variable compensation actually paid depends on the extent to which the agreed quantitative and qualitative targets are met.

In the 2016 fiscal year, the compensation for the Management Board of USU Software AG amounted to EUR 1,026.1 thousand (2015: EUR 1,052.9 thousand). This sum includes all compensation paid to the Management Board within the basis of consolidation. The Chairman of the Management Board of USU Software AG, Bernhard Oberschmidt, is also the Chairman of the Management Board of the Group subsidiary USU AG, President of the Group subsidiary USU (Schweiz) AG and Managing Director of the Group subsidiaries Openshop Internet Software GmbH, USU Austria GmbH and USU Consulting GmbH. The Management Board member Dr. Benjamin Strehl is also on the Management Board of USU AG.

Individual compensation of the Management Board for the 2016 fiscal year in EUR thousand

	Bernhard Oberschmidt Chairman of the Management Board		Bernhard Böhler Member of the Management Board		Dr. Benjamin Strehl Member of the Management Board	
	2016	2015	2016	2015	2016	2015
Fixed compensation	184,0	160,0	160,0	160,0	120,0	120,0
Fringe benefits	23,3	21,4	11,6	15,0	9,0	9,0
Total	207,3	181,4	171,6	175,0	129,0	129,0
One-year variable compensation	169,3	202,0	141,1	172,9	141,5	127,0
Multi-year variable compensation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	376,6	383,4	312,7	347,9	270,5	256,0
Pension expenses	22,1	21,8	22,1	21,8	22,1	21,8
Total compensation	398,7	405,2	334,8	369,7	292,6	278,0

Compensation of the Supervisory Board

Compensation for the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and was last amended at the Company's Annual General Meeting on June 30, 2011. In accordance with the provisions of the Code, total compensation for the Supervisory Board comprises a fixed and a performance-related component. Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand for each full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. Members of the Supervisory Board also receive a variable amount each year. This depends on earnings before interest, taxes, depreciation and amortization (EBITDA),

as reported in either the combined management report or the Group management report, as a proportion of the reported consolidated sales. When EBITDA exceeds 8% of consolidated sales, for each full percentage point by which EBITDA exceeds an 8% share of consolidated sales, a premium of 10% of the fixed annual compensation will be paid per year as a variable component. This is subject to an upper limit for total compensation of 200% of the fixed annual component. In the 2016 fiscal year, EBITDA represented 14.9% of consolidated sales. The variable compensation of the USU Software AG Supervisory Board thus corresponded to 60% of the basic fixed remuneration of the individual members of the Supervisory Board.

The members of the Supervisory Board of USU Software AG are also represented in the Supervisory Board of the Group subsidiary USU AG. The

compensation of the Supervisory Board of USU AG was approved by the Annual General Meeting of the latter company on May 22, 2000, in accordance with Article 12 of the Articles of Association of USU AG and is valid until otherwise resolved by the Annual General Meeting. Accordingly, each member of the Supervisory Board of USU AG receives annual fixed compensation of EUR 5.0 thousand for each year of membership of the Supervisory Board in addition to the reimbursement of expenses; the Chairman of the Supervisory Board receives EUR 10.0 thousand and the Deputy Chairman EUR 7.5 thousand. Variable components in the compensation of the Supervisory Board of USU AG were and are not provided for. During the 2016 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 158.5 thousand (2015: EUR 158.5 thousand).

Individual compensation of the Supervisory Board for the 2016 fiscal year in EUR thousand

	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60,0	36,0	10,0
Günter Daiss	12,5	7,5	7,5
Erwin Staudt	12,5	7,5	5,0

REPORT ON RELATED PARTIES

The Management Board of USU Software AG has compiled a report on related parties in accordance with section 312 AktG, in which it made the following closing statement: "We hereby declare that USU Software AG received appropriate compensation for all transactions in accordance with the circumstances known to us when the transactions were conducted. No measures detrimental to the Company were undertaken."

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the single-entity and consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of USU Software AG and the Group, and the management report on the Company and the Group includes a fair review of the development

and performance of the business and the position of USU Software AG and the Group, together with a description of the principal opportunities and risks associated with the expected development of USU Software AG and the Group.

Möglingen, March 3, 2017



Bernhard Oberschmidt
Chairman of the Management Board



Bernhard Böhler
Member of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

Consolidated Financial Statements

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Consolidated balance sheet as of December 31, 2016

USU Software AG, Möglingen

ASSETS	Note	31.12.2016 EUR thousand	31.12.2015 EUR thousand
Assets			
Non-current assets			
Intangible assets	(9)	5,428	6,702
Goodwill	(10)	35,575	35,575
Property, plant and equipment	(11)	2,134	2,141
Deferred tax assets	(31)	3,790	4,234
Other assets	(12)	681	669
		47,608	49,321
Current assets			
Inventories	(13)	529	646
Work in progress	(14)	3,862	2,456
Trade receivables	(15)	14,190	11,498
Income tax receivables	(16)	561	367
Other financial assets	(17)	260	316
Other assets	(18)	698	343
Prepaid expenses	(19)	1,017	1,130
Securities	(20)	3,014	3,014
Cash on hand and bank balances	(21)	20,166	20,095
		44,297	39,865
		91,905	89,186

Consolidated balance sheet as of December 31, 2016

USU Software AG, Möglingen

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31.12.2016 EUR thousand	31.12.2015 EUR thousand
Equity and liabilities			
Shareholders' equity			
	(22)		
Subscribed capital		10,524	10,524
Capital reserve		52,792	52,792
Legal reserve		574	574
Other comprehensive income		-144	-74
Accumulated losses		-123	-3,025
		63,623	60,791
Non-current liabilities			
Deferred tax liabilities	(31)	0	108
Pension provisions	(23)	2,266	1,908
		2,266	2,016
Current liabilities			
Provisions for income taxes		529	613
Purchase price liabilities	(24)	0	335
Personnel-related provisions and liabilities	(25)	6,208	6,362
Other provisions and liabilities	(26)	2,155	2,314
Liabilities from advance payments	(27)	9,287	9,868
Trade payables	(28)	1,850	1,590
Deferred income	(30)	5,987	5,297
		26,016	26,379
		91,905	89,186

Consolidated income statement for the fiscal year from January 1 to December 31, 2016

USU Software AG, Möglingen

	Notes	2016 EUR thousand	2015 EUR thousand
Revenue	(32)	72,101	66,091
Cost of sales	(33)	-32,281	-31,003
Gross profit		39,820	35,088
Sales and marketing expenses	(34)	-13,348	-9,279
General administrative expenses	(35)	-6,693	-7,110
Research and development expenses	(36)	-11,276	-10,530
Other operating income	(37)	1,261	954
Other operating expenses	(38)	-249	-244
Amortization of intangible assets recognized in the course of company acquisitions		-1,216	-1,289
Financial income	(39)	272	346
Financial expenses	(40)	-261	-55
Profit before taxes		8,310	7,881
Income taxes	(41)	-1,526	501
Consolidated net profit/loss		6,784	8,382
Earnings per share (in EUR):			
Basic and diluted		0.64	0.80

Consolidated statement of comprehensive income for the 2016 fiscal year

USU Software AG, Möglingen

	Anhang	2016 EUR thousand	2015 EUR thousand
Consolidated net profit/loss		6,784	8,382
Items not reclassified to profit or loss in future periods			
Actuarial losses/gains from pension provisions	(23)	-285	19
Deferred taxes from actuarial losses/gains		86	-6
Items that will be or can be reclassified to profit or loss in future periods			
Currency translation difference		-70	-55
Other comprehensive income		-269	-42
Overall result		6,515	8,340

Consolidated statement of cash flows for the 2016 fiscal year

USU Software AG, Möglingen

	Notes	2016 EUR thousand	2015 EUR thousand
Net cash from operating activities:			
Profit before taxes		8,310	7,881
Adjustments for:			
Financial income/financial expenses		-11	-291
Depreciation and amortization		2,483	2,286
Income taxes paid		-1,560	-1,032
Income taxes refunded		12	617
Interest paid		-5	-8
Interest received		75	41
Other non-cash income and expenses		-263	-303
Change in working capital:			
Inventories		117	-3
Work in progress		-1,406	1,702
Trade receivables		-2,692	-657
Prepaid expenses and other assets		-198	80
Trade payables		260	183
Personnel-related liabilities and pension provisions		-80	1,784
Other provisions and liabilities		90	-130
	(43)	5,132	12,150
Net cash used in investing activities:			
Acquisition of subsidiaries less cash and cash equivalents acquired		0	-560
Capital expenditure in property, plant and equipment		-1,044	-835
Capital expenditure in other intangible assets		-167	-176
Sales of non-current assets		30	17
Repayment of loans		0	-329
Investments in securities		0	-3,014
	(44)	-1,181	-4,897
Net cash used in financing activities:			
Dividend payment		-3,683	-3,157
Repayment of purchase price liabilities in connection with the acquisition of subsidiaries		-200	-2,591
Repayment of bank loans		0	-634
	(45)	-3,883	-6,382
Net effect of currency translation in cash and cash equivalents		3	304
Increase in cash and cash equivalents		71	1,175
Cash and cash equivalents – start of the fiscal year		20,095	18,920
Cash and cash equivalents – end of the fiscal year	(46)	20,166	20,095

Consolidated statement of changes in equity for the 2016 fiscal year

USU Software AG, Möglingen

	Subscribed capital	
	Number	EUR thousand
Consolidated equity as of December 31, 2014	10,523,770	10,524
Consolidated net profit/loss	0	0
Other comprehensive income	0	0
Overall result	0	0
Transfer to legal reserve	0	0
Dividend payment	0	0
Consolidated equity as of December 31, 2015	10,523,770	10,524
Consolidated net profit/loss	0	0
Other comprehensive income	0	0
Overall result	0	0
Dividend payment	0	0
Consolidated equity as of December 31, 2016	10,523,770	10,524

	Capital reserve EUR thousand	Legal reserve EUR thousand	Accumulated losses EUR thousand	Other comprehensive income Currency translation EUR thousand	Shareholders' equity EUR thousand
	52,792	502	-8,191	-19	55,608
	0	0	8,382	0	8,382
	0	0	13	-55	-42
	0	0	8,395	-55	8,340
	0	72	-72	0	0
	0	0	-3,157	0	-3,157
	52,792	574	-3,025	-74	60,791
	0	0	6,784	0	6,784
	0	0	-199	-70	-269
	0	0	6,585	-70	6,515
	0	0	-3,683	0	-3,683
	52,792	574	-123	-144	63,623

Notes to the Consolidated Financial Statements for the 2016 Fiscal Year

USU Software AG, Möglingen

A. THE COMPANY

The Group parent company, USU Software AG, is domiciled at Spitalhof, 71696 Möglingen, Germany, and is entered in the commercial register of the Stuttgart District Court under HRB 206442. USU Software AG and its subsidiaries (hereinafter also referred to as the Group) develop and market end-to-end software solutions. The range includes solutions in the Business Service Management segment for efficient and cost-effective application of the IT infrastructure within companies and in the Knowledge Solutions segment for the optimization of knowledge-intensive business processes. The Group also provides consulting services for IT projects and individual application development in the Business Solutions segment.

The Group includes subsidiaries in Germany, Switzerland, the Czech Republic, Austria, and the USA. The Group's customers are based primarily in Germany and operate mainly in the fields of financial services, telecommunications, the automotive industry, consumer goods, services and trade, as well as the public sector.

The Company is listed in the Prime Standard of the Frankfurt Stock Exchange.

B. SIGNIFICANT ACCOUNTING PRINCIPLES

1. Significant accounting policies

In accordance with section 315 of the German Commercial Code (HGB), the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, as applicable within the European Union. The consolidated financial statements also take into account the additional information required by section 315a (1) HGB.

The single-entity financial statements of the consolidated subsidiaries have all been uniformly prepared in accordance with IFRS.

The consolidated financial statements have been prepared in the functional currency of the parent company (euro). All figures in the consolidated financial statements are rounded to thousands of euro ("EUR thousand") except for figures pertaining to shares. The end of the reporting period is December 31.

The consolidated financial statements have been prepared on the basis of the historical cost convention with the exception of certain financial assets and liabilities, which are carried at fair value.

The presentation in the consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or a normal operating cycle if longer. Deferred tax assets and liabilities and provisions for pensions are typically reported as non-current items, while prepaid expenses, deferred income and advance payments received are typically reported as current items.

The consolidated statement of profit or loss is prepared using the function of expense method.

On March 3, 2017, the Management Board approved the consolidated financial statements for release to the Supervisory Board. It is anticipated that the Supervisory Board will adopt the consolidated financial statements prepared by the Management Board at its meeting on March 15, 2017 and approve their publication.

The single-entity financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2016 and these consolidated financial statements are submitted to the electronic Bundesanzeiger (electronic German Federal Gazette).

2. Accounting standards applied for the first time and recently issued accounting standards

The accounting standards applied are the same as those applied in the previous year.

The standards required to be applied in the EU for the first time with effect from January 1, 2016 had no material impact on the consolidated financial statements.

There is no requirement to apply the following accounting standards published by the IASB and they will also not be applied early:

- **IFRS 9 "Financial Instruments"** will replace the accounting and measurement of financial instruments under IAS 39. IFRS 9 results in a uniform approach to the classification and measurement of financial assets as well as a new impairment model based on expected loan defaults. IFRS 9 also contains new regulations on the application of hedge accounting. IFRS 9 is required to be applied to reporting periods beginning on or after January 1, 2018. Earlier application is permitted. We are currently evaluating what effects first-time application of IFRS 9 will have on the consolidated financial statements. As USU Software AG does not employ any derivative financial instruments and the securities reported under current assets relate solely to listed corporate bonds with a high credit rating and hence are subject to a low impairment risk, USU does not expect the application of the classification and measurement provisions of IFRS 9 to have a relevant impact on its consolidated

statement of financial position or shareholders' equity other than the additional disclosures required in the notes to the consolidated financial statements.

- **IFRS 15 "Revenue from Contracts with Customers"** regulates the recognition of revenue and replaces IAS 11 Construction Contracts and IAS 18 Revenue. Under IFRS 15, revenue is recognized to depict the transfer of agreed goods or services in an amount corresponding to the consideration that the Company is expected to receive for the goods delivered or the services performed. Revenues are recognized on a regular basis under IFRS 15 when the customer obtains control of the goods or services. IFRS 15 includes guidance on the presentation of contract balances, that is, assets and liabilities arising from the entity's performance and the customer's payment. IFRS 15 also requires additional disclosures in the notes on the nature, amount, timing, and uncertainty of revenue and cash flows. IFRS 15 is required to be applied to reporting periods beginning on or after January 1, 2018. Earlier application is permitted. We are currently evaluating what effects the first-time application of IFRS 15 will have on the consolidated financial statements. Based on our initial analyses and a workshop with external IFRS specialists, no material impact on the consolidated financial statements is anticipated. The nature of first-time application in the event of potential changes (fully retrospective application or the use of the transitional method or the exemption provided) remains to be determined.
- **IFRS 16 "Leases"** will comprise regulations on the recognition of leases and replace IAS 17 in addition to the associated interpretations IFRIC 4, SIC 15 and SIC 27. IFRS 16 provides a single recognition method for the lessee. As a result, the lessee will be required to report all assets for any rights of use obtained and liabilities arising from leases in the statement

of financial position. An exception applies only to short-term leases with a term that does not exceed 12 months and to low-value assets. By contrast, the lessor will continue to differentiate between finance and operating leases. Furthermore, IFRS 16 contains new regulations on reporting, explanatory notes and sale and leaseback transactions. Assuming the EU adopts the standard unchanged, the date of first-time application of IFRS 16 is January 1, 2019. Earlier application is permitted provided that the provisions on revenue recognized in accordance with IFRS 15 are taken into account at the same time. We are currently evaluating what effects first-time application of IFRS 16 will have on the consolidated financial statements. We expect there to be a material impact on our consolidated statement of financial position in particular, as we have concluded a number of vehicle leases as well as longer-term building leases.

The other amended and published standards that have not been adopted by the EU are not expected to have any major effects on the net assets, financial position or results of operations of the Group. If these standards that are not required to be applied until future reporting periods are recognized by the EU, no earlier application of these standards is envisaged.

3. Consolidation principles

The consolidated financial statements incorporate the financial statements of USU Software AG and all entities controlled by it including structured entities (subsidiaries). USU Software AG obtains control when it:

- can exercise control over the investment company,
- is exposed to fluctuating returns due to its participation, and
- can influence returns due to the level of its participation.

USU Software AG carries out a reevaluation of whether it controls an investment company or not if facts and conditions indicate that one or more of the three above-mentioned criteria of control have changed.

A subsidiary is included in the consolidated financial statements from the time the Company achieves control over the subsidiary until the time that control by the Company ends. The results of the subsidiaries acquired or sold during the year are recognized in the consolidated statement of profit or loss or net result from the actual acquisition date to the actual disposal date.

Equity interests are consolidated using the purchase method, which involves offsetting the acquisition cost against the Group's interest in the remeasured equity of the subsidiary at the acquisition date. Any remaining goodwill from initial consolidation is reported separately. In accordance with IFRS 3, goodwill is not amortized over its useful life, but instead is subject to impairment testing at least once a year that may result in the recognition of an impairment loss (impairment-only approach).

All intragroup sales, intercompany profits, income and expenses, receivables and liabilities, provisions and contingencies are eliminated.

4. Consolidated group

The Group comprises USU Software AG and eleven German and foreign subsidiaries that are all wholly owned.

The number of companies included in consolidation decreased by one following the merger of SecurIntegration GmbH into Aspera GmbH in the 2016 fiscal year.

In addition to the parent, the following companies were included in consolidation. The information on equity and net profit represents the amounts determined in accordance with the respective national accounting standards.

Consolidated group	Shareholders' equity Dec. 31, 2016 EUR thousand	Net profit/loss for 2016 EUR thousand
Name and domicile of the company		
USU AG, Möglingen	20,958	6,557
LeuTek GmbH, Leinfelden-Echterdingen ¹⁾	1,380	1,815
Omega Software GmbH, Obersulm ¹⁾	970	259
USU Software s. r. o., Brno, Czech Republic	1,010	139
USU (Schweiz) AG, Zug, Switzerland	-36	-5
USU Austria GmbH, Wien, Austria	-616	48
Openshop Internet Software GmbH, Möglingen ¹⁾	-773	-1
Aspera GmbH, Aachen ¹⁾	300	4,265
USU Consulting GmbH, Sursee, Switzerland	43	-12
Aspera Technologies Inc., Boston, USA	-2,033	-515
B.I.G. Social Media GmbH, Berlin ¹⁾	1,706	-166

¹⁾ Net profit before/equity after profit transfer to USU Software AG due to existing profit transfer agreements.

5. Currency and currency translation

All transactions are translated at the prevailing exchange rate on the transaction date. Monetary items in foreign currency are translated at their closing rates at the end of the reporting period; non-monetary items reported at historical cost are translated at the rate on the transaction date, while non-monetary items reported at fair value are translated at the exchange rate on the date when their fair value was measured. Differences arising from currency translation at closing rates are recognized in profit or loss under other operating income and expenses.

In accordance with IAS 21, the financial statements of the subsidiaries included in the consolidated financial statements that are prepared in foreign currency are translated on the basis of the functional currency concept using the modified reporting date method. Consolidated foreign subsidiaries are considered economically independent entities as they are financially, economically, and organizationally autonomous. In accordance with the functional currency concept, measurement is performed in local currency. Income and expenses are translated at the average exchange rate for the reporting year, assets and liabilities at the closing rate and the equity of the respective subsidiaries at historical rates.

The difference arising from equity-related currency translation is taken directly to equity and presented in a separate column in the statement of changes in equity.

Currency differences arising from the elimination of intragroup balances are recognized in profit or loss under other operating income or expenses.

The financial statements of foreign subsidiaries not belonging to the euro zone were translated to EUR using the following exchange rates:

Currency (equivalent to EUR 1)	Closing rate		Average rate	
	Dec. 31, 2016	Dec. 31, 2015	2016	2015
Swiss francs (CHF)	1.0739	1.0835	1.0902	1.0679
Czech koruna (CZK)	27.021	27.023	27.034	27.279
US dollar (USD)	1.0541	1.0887	1.1069	1.1095

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR -51 thousand (2015: EUR +415 thousand).

6. Use of significant estimates and assumptions

The preparation of the single-entity financial statements in accordance with IFRS requires the Management Board to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period, the reported amounts of income and expenses during the period under review and the related disclosures in the notes to the financial statements. The actual amounts may differ from these estimates.

In particular, areas requiring significant estimates include the use of the percentage-of-completion method (see notes 7.6 and 7.17), determining the probable economic life of intangible assets (notes 7.1 and 9), the decision not to capitalize software development costs (note 7.19), bad debt allowances (note 15), contingent liabilities, pension provisions (note 23), and other provisions (note 26), as well as the estimation of the recoverability of future tax benefits in the form of the recognition of deferred taxes from tax loss carryforwards (note 31).

In addition, significant estimates and assumptions are required to determine the fair values of property, plant and equipment and intangible assets and of purchase price liabilities (earn-out), particularly as part of purchase price allocation in the event of business acquisitions and for goodwill impairment testing (notes 8, 9, 10 and 24).

The cash flows underlying the discounted cash flow calculation as part of goodwill impairment testing are based on current business plans, assuming a planning period of three years. Assumptions concerning the future development of sales and expenses are applied. In the event that the actual amounts differ from the significant assumptions made, this may lead to the recognition of goodwill impairment in profit or loss in future.

7. General accounting policies

The financial statements of USU Software AG and its German and foreign subsidiaries are prepared in accordance with uniform accounting policies as required by IAS 10.19.

7.1 Intangible assets and goodwill

Acquired intangible assets and goodwill are recognized at cost when acquired in accordance with IAS 38. Intangible assets relate primarily to software, maintenance agreements and customer bases, which are amortized on a straightline basis over their expected economic life of between three and

thirteen years. Intangible assets with an indefinite useful life – including goodwill, trademarks and brands – are not amortized but instead are tested for impairment at least once a year in accordance with IAS 36. Amortization of intangible assets capitalized as a result of business combinations is reported separately in the statement of profit or loss.

7.2 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation in accordance with IAS 16. Repair costs are expensed as incurred. Depreciation is performed on a straightline basis over the expected economic life of the respective assets. The following useful lives are applied:

IT hardware	3 years
Leasehold improvements	10 years
Other equipment, office and operating equipment	3–15 years

7.3 Impairment of non-financial assets

All intangible assets with indefinite useful lives and goodwill are tested for impairment at least once every fiscal year. As a matter of principle, impairment testing is performed annually on September 30. For these and all other intangible assets with finite useful lives and property, plant and equipment, impairment testing is also performed when there is evidence that the carrying amount of the respective asset is no longer recoverable. This was not the case in the 2015 and 2016 fiscal years.

An impairment loss is recognized if the recoverable amount of an asset is lower than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction adjusted for costs to sell. Value in use is the present value of the projected future cash flows expected from the continued use of an asset and its disposal at the end of its useful life.

The recoverable amount is determined for each asset individually or, if this is not possible, for the cash-generating unit (CGU) to which the asset belongs. In accordance with IAS 36.6, a CGU is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Basic assumptions must be made in order to determine the projected cash flows for each CGU. These include assumptions on financial planning and the discount rates applied.

Impairment testing of intangible assets with unlimited useful lives is covered by the annual impairment test for goodwill, as these assets are included in the carrying amounts of the respective CGUs. Further information can be found in notes 9 and 10.

In the case of impairment testing for goodwill acquired in the course of company acquisitions, the goodwill is allocated to the corresponding CGU.

As cash flows in the USU Group are planned and deferred at the level of the subsidiaries USU AG, LeuTek GmbH, Aspera GmbH and B.I.G. Social Media GmbH (with the exception of Omega Software GmbH and Aspera Technologies Inc.), the CGUs are defined as USU AG together with Omega Software GmbH, where a distinction is also made between Product Business and Service Business, as well as the subsidiaries LeuTek GmbH, Aspera GmbH together with Aspera Technologies Inc. and SecurIntegration GmbH and B.I.G. Social Media GmbH, all of which are fully allocated to Product Business. Information on the distinction between the two can be found in the notes on segment reporting in section G.

An impairment loss recognized in a prior period for an item of property, plant and equipment or an intangible asset is reversed when there is evidence that the impairment loss recognized for the asset no longer applies or has decreased. Any reversal is recognized in profit or loss. However, any reversal or reduction of an impairment loss may not exceed the carrying amount of the asset at amortized cost that would have resulted if no impairment losses had been recognized in prior periods.

Reversals of goodwill impairment losses are not permitted.

7.4 Financial instruments

In accordance with IAS 39, financial instruments are broken down into the following categories:

- (a) financial assets at fair value through profit or loss,
- (b) held-to-maturity investments,
- (c) loans and receivables, and
- (d) available-for-sale financial assets.

Financial assets with fixed or determinable payments and fixed maturities that the Company intends and has the ability to hold to maturity, with the exception of loans and receivables originated by the Company, are classified as held-to-maturity investments.

Financial assets that are acquired with the primary aim of generating a profit from their short-term value development are classified as financial assets at fair value through profit or loss. All other financial assets other than loans and receivables originated by the Company are classified as available-for-sale financial assets. As in the previous year, the Company held financial assets in the loans and receivables categories only.

Purchases and sales of financial assets are recognized at the trade date.

Financial assets are initially recognized at cost, which corresponds to the fair value of the amount given or received in exchange for the financial asset. Transaction costs are included other than for financial assets at fair value through profit or loss; however, the Company did not hold any financial assets in this category in either of the past two fiscal years.

The fair value of financial instruments traded on organized markets is determined on the basis of the quoted market price at the end of the reporting period. The fair value of financial instruments for which there is no active market is determined using measurement methods. These measurement methods include (i) the application of current business transactions between knowledgeable, willing parties to an agreement, (ii) comparison with the current fair value of another, essentially identical, financial instrument, and (iii) the analysis of discounted cash flows.

Loans and receivables originated by the Company are carried at the lower of amortized cost or fair value at the end of the reporting period.

Available-for-sale financial assets are carried at fair value. Unrealized gains and losses are reported in other comprehensive income. Realized gains and losses from the disposal of securities are reported in net interest income. Gains on disposal are calculated on an individual basis.

Financial instruments whose carrying amount approximately corresponds to their fair value due to their short-term nature include cash and cash equivalents, securities, trade receivables, trade payables and current liabilities to banks.

Cash and cash equivalents include cash and demand deposits as well as current fixed-term deposits and overnight money.

With the exception of the capitalized values of non-qualifying insurance policies, long-term financial instruments are carried at amortized cost less any valuation allowances for specific default risks. The reported carrying amounts also approximately correspond to the respective fair values.

At the end of every reporting period, the carrying amounts of financial assets not at fair value through profit or loss – and therefore all of the Company's financial assets – are examined in order to determine whether there are substantial objective indications of impairment (such as significant financial difficulties on the part of the debtor, the high probability of insolvency proceedings against the debtor, the loss of an active market for the financial asset, a significant change in the technological, economic or legal environment or the market environment of the issuer, or a sustained decline in the fair value of the financial asset below its amortized cost). Any impairment loss due to the fair value of a financial asset falling below its carrying amount is recognized in profit or loss. If changes in the fair value of available-for-sale financial assets were previously taken directly to equity, these must be eliminated from equity in the amount of the respective impairment loss and instead recognized in profit or loss. If, at a subsequent measurement date, there is objective evidence that the fair value of the respective asset has increased as a result of events occurring after the impairment loss was recognized, the impairment loss is reversed to profit or loss in the corresponding amount. Impairment losses on unlisted available-for-sale equity financial instruments carried at cost cannot be reversed. The Company did not hold any such equity financial instruments at the end of the reporting period.

The fair value of loans and receivables carried at amortized cost that is determined as part of impairment testing regularly corresponds to the present value of the estimated future cash flows discounted using the original effective interest rate.

Impairment of trade receivables, which is recognized in the form of specific valuation allowances, adequately provides for the expected default risks; concrete cases of default result in the derecognition of the receivables concerned. With regard to specific valuation allowances, financial assets for which valuation allowances may be necessary are grouped on the basis of similar default risk characteristics (generally the duration of default) and examined for impairment jointly, with specific valuation allowances recognized as necessary. Depending on the duration of default, valuation allowances of between 25% and 100% based on historical data may be recognized

on a step basis. The decision as to whether a default risk is recognized via a valuation allowance account or in the form of a direct reduction in the carrying amount of the receivable depends on how reliable the assessment of the risk situation is considered to be.

7.5 Inventories

Inventories are carried out at the lower of cost or net realizable value determined by reference to prices on the respective sales market. Inventories mainly relate to software licenses from third-party providers and IT hardware.

Inventory risks relating to obsolescence are recognized in the form of corresponding discounts. No inventories were written down due to a reduction in their net realizable value at the end of the reporting period.

7.6 Work in progress

Work in progress relating to service agreements and customer-specific construction contracts is accounted for using the percentage-of-completion method. Under that method, the degree of completion is determined by comparing the costs incurred to date with the estimated total contract costs at the end of the reporting period. If, in any one period, it is determined that the fulfillment of a service agreement will result in a loss, the expected total loss must be expensed immediately and in full. The Company recognizes a receivable for all ongoing service agreements with a gross amount due from customers where the costs incurred plus the income recorded exceeds the sum of the progress billings.

The Company recognizes a liability for service agreements with a gross amount due to customers where the sum of the progress billings exceeds the costs incurred plus the income recorded (see note 7.13).

7.7 Deferred taxes

Deferred taxes are calculated using the balance sheet liability method set out in IAS 12. This involves recognizing deferred tax items for all temporary differences between the tax base of an asset or liability and its carrying amount in the IFRS statement of financial position. Deferred tax assets are also recognized for tax loss carryforwards that are reasonably certain to be utilized in future. Deferred taxes are calculated taking into account the respective national income tax rates that apply or are expected to apply in the individual countries at the realization date.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Valuation allowances on deferred tax assets are recognized if it is more likely than not that the tax benefit will be lost.

Deferred tax assets (liabilities) are not discounted and are reported in the consolidated statement of financial position as non-current assets (liabilities).

7.8 Treasury shares

Treasury shares are carried at their fair value on the acquisition date plus any incidental costs of acquisition and are deducted from equity. With the authorization of the Annual General Meeting, treasury shares may be used as acquisition currency and may be withdrawn. USU Software AG did not hold any treasury shares as of December 31, 2015 and December 31, 2016.

7.9 Other comprehensive income

This item is used to report changes in equity not recognized in profit or loss, to the extent that such changes do not relate to transactions with shareholders (e.g. capital increases or distributions). This includes currency translation differences, unrealized gains and losses from the fair value measurement of available-for-sale securities and the corresponding deferred taxes.

7.10 Pension provisions

The actuarial valuation of the pension provisions recognized for a former member of the Management Board of USU AG and a part of the employees of LeuTek GmbH is based on the projected unit credit method for pension commitments as prescribed by IAS 19. This procedure takes into account the pension commitment at the end of the reporting period and expected future increases in pension commitments that do not take the form of lumpsum payments. The calculation is based on actuarial reports including biometric calculations. Actuarial gains and losses, for example from the adjustment of the discount rate, at the Group are taken directly to equity in line with IFRS 19.37d. Past service cost is recognized in profit or loss in the result from ordinary operations. Current interest cost and the expected return on plan assets are reported in net financial income in the consolidated statement of profit or loss.

7.11 Other provisions

Other provisions are recognized when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. In cases where the time value of money is material, long-term provisions are discounted accordingly.

7.12 Financial liabilities

Financial liabilities are carried at fair value on initial recognition. The transaction costs directly attributable to the acquisition are also recognized for all financial liabilities not subsequently recognized at fair value through profit or loss.

Trade payables and other originated financial liabilities are measured at amortized cost using the effective interest rate method.

7.13 Liabilities from advance payments

Advance payments received from customers not relating to services already rendered are recognized as liabilities. Where such advance payments relate to services already rendered, they are deducted from the costs incurred plus the unbilled contract earnings recognized on the asset side of the statement of financial position.

7.14 Government grants

An unconditional government grant is recognized as other income in profit or loss as soon as a claim to the grant arises. Other government grants are initially recognized as deferred income at fair value if there is sufficient certainty that they will be granted and that the Group will meet the conditions associated with the grant. Subsequently, these other government grants are recognized as other income in profit or loss as scheduled over the period of the asset's useful life. Grants that compensate the Group for expenses incurred are recognized in profit or loss as scheduled in the periods in which the expenses were recognized.

7.15 Contingent liabilities and events after the reporting period

Contingent liabilities are potential or existing obligations which relate to past events and which are not expected to result in an outflow of resources. They are not recognized in the statement of financial position. The obligations disclosed in these notes reflect the potential liability as of the end of the reporting period.

Events after the end of the reporting period that provide evidence that certain conditions existed at the end of the reporting period are known as adjusting events and are taken into account in the consolidated financial statements. Events after the reporting period that provide evidence that certain conditions arose after the reporting period are known as non-adjusting events and are not taken into account in the consolidated statement of financial position, but are disclosed in the notes to the consolidated financial statements if material.

7.16 Leases

Lease payments under operating leases are expensed on a straight-line basis over the term of the lease. A lease is classified as an operating lease if the lease agreement does not transfer substantially all the risks and rewards incidental to ownership to the entity as the lessee.

The Group has only entered into operating leases.

7.17 Revenue

The Group generates sales from issuing licenses for software products to end users, from professional services and from service agreements (post-contract customer support, PCS). Professional services relate to consulting services for software and training. PCS services include the right to receive any software license updates, as well as telephone support.

If these services are rendered individually, the sales from software licenses are recognized when delivery occurs, the sales price has been fixed or can be determined, collection is reasonably assured and there is evidence of an agreement. Sales attributable to professional services are recognized on performance of the respective services. Sales attributable to PCS are recognized on a prorata basis over the term of the agreement (normally one or two years).

The Group offers its customers combinations of its services in the form of single agreements (multiple-element agreement) or a number of separate agreements (bundle of agreements). Under multiple-element agreements or bundles of agreements, the customer acquires a combination of software, professional services and PCS. If a bundle of agreements or a multiple-element agreement does not constitute a customer-specific contract within the meaning of IAS 11, the Group recognizes the sales resulting from these arrangements at the fair value (standard price) of the individual services. The standard price is defined as the price which would be demanded if the service was sold separately.

For PCS, the standard price is determined on the basis of the renewal rates for PCS of an equivalent duration or, if this information is not available, the price list approved by the Management Board of the Group. In cases where the services or PCS forming part of the bundle of agreements fall short of the standard price, the difference between the license sales already realized and the standard price of the service or PCS is deferred and recognized over the term of the service or PCS agreement.

In cases where license fee payments are contingent on the performance of services which constitute a major modification or extension of the functionality of the software, the sales for the software license and the service elements are deferred within the meaning of IAS 11 and recognized using the percentage-of-completion (POC) method. The percentage of completion is principally measured by comparing the volume of services performed to date with the total estimated volume of services required to complete the contract.

Work in progress also includes amounts that the Company is seeking or will seek to collect from customers or other third parties due to errors or changes in the scope of the project for which the customer is responsible, subsequent contract change orders whose scope and price have yet to be agreed, or other unanticipated additional costs and adjustments caused by the customer. These amounts are recognized only to the extent that they are likely to be realized and can be reliably estimated. Pending change orders involve the use of estimates. Accordingly, it may be necessary to adjust the estimated recoverable amounts at a subsequent date for the reasons stated above.

Potential losses on uncompleted contracts are expensed immediately in the period in which they are identified.

The percentage-of-completion method is based on estimates. Due to the uncertainties inherent in the estimation process, it may be necessary to adjust the estimated completion costs, including costs for contract penalties and warranties, at a subsequent date. Any such adjustments of costs and income are recognized in the period in which the need for adjustment is identified.

There are also cases in which the Group has entered into an agreement on the licensing and sale of software products. These agreements include the provision of additional associated services. Unlimited licensing and sales rights are granted for a product as part of the agreement. The Group also undertakes to provide maintenance services for the product. In addition to the product and the right of sale as such, the Group provides, second-level support' and training. In view of the underlying situation in a software licensing agreement with several components and the fact that only rudimentary regulations are provided on this within IFRS prior to the introduction of IFRS 15, we use IAS 8.12 to recognize sales resulting from this agreement on the statement of financial position in accordance with US GAAP regulations, particularly ASC 985-605 "Software Revenue Recognition." The consideration received is recognized on a pro rata basis over the term of the agreement after the relevant conditions have been fulfilled. Considerations that have been received and are not yet to be realized are deferred accordingly and reported as advance payments received.

7.18 Cost of sales

The cost of sales includes all costs that can be directly or indirectly allocated to sales. In particular, this includes wages and salaries and any fees and royalties paid for third-party licenses.

7.19 Research and development expenses

Research and development expenses are incurred by the Group in connection with the (further) development of its software. In accordance with IAS 38, research expenses may not be capitalized, whereas development costs must be recognized if all of the specific criteria for recognition are met. The recognition of software development costs begins when the software becomes technically feasible and ends when the software version is launched on the market. The Group defines technical feasibility as the production of a corresponding working model. Due to the short time span between technical feasibility and the date on which the software is launched on the market, no development costs are capitalized as any such costs are immaterial. Accordingly, the Group expensed all of its research and development expenditure for the period under review (2016: EUR 11,276 thousand, 2015: EUR 10,530 thousand).

C. CHANGE IN GROUP ORGANIZATION

8. Merger of SecurIntegration GmbH, Cologne into Aspera GmbH, Aachen

USU Software AG acquired 100% of the shares in SecurIntegration GmbH, Cologne, by way of an agreement dated July 1, 2015 and included it in consolidation from this date using the purchase method in accordance with IFRS 3. Under the terms of a merger agreement dated May 4, 2016, SecurIntegration GmbH was merged into Aspera GmbH with effect from January 1, 2016 (merger date). The merger did not affect the consolidated financial statements of USU Software AG.

D. NOTES TO THE CONSOLIDATED BALANCE SHEET

9. Intangible assets

Information on the development of intangible assets can be found in the consolidated statement of changes in non-current assets (see Annexes A and B).

Intangible assets include trademarks and brands in the amount of EUR 2,011 thousand that can be allocated to the CGUs as follows:

CGU	2016 EUR thousand	2015 EUR thousand
USU AG/Omega (Product Business)	445	445
USU AG (Service Business)	85	85
LeuTek (Product Business)	829	829
Aspera (Product Business)	652	652
	2,011	2,011

From a commercial perspective, the end of the useful life of these brands cannot be determined at present.

As the trademarks and brands are included in the carrying amounts of the Group's CGUs, the required annual impairment test is covered as part of goodwill impairment testing. Further information can be found in note 10.

The trademarks and brands relate to both the Product Business and the Service Business segments (information on segment reporting can be found in section G of these notes to the consolidated financial statements).

Any impairment losses recognized as a result of impairment testing are reported separately in the statement of profit or loss.

10. Goodwill

Goodwill exclusively contains amounts from capital consolidation. Goodwill is tested for impairment by comparing the carrying amounts of a given CGU, including the relevant goodwill, with its values in use.

The Group's goodwill results from the acquisitions of USU AG, OMEGA, LeuTek, Aspera, BIG and SecurIntegration, which has since been merged into Aspera.

As the operating business of USU AG and Omega dovetailed to a large extent, Omega has been integrated into the USU AG (Product Business) CGU. As a result, there are the following CGUs in the Group: Aspera, LeuTek, USU AG – Product Business and USU AG – Service Business, and BIG.

The value in use of a CGU is determined on the basis of the present value of the future cash flows. That value is calculated using the discounted cash flow method, in which the expected payments from the CGU are discounted. These are based on the financial planning for the next fiscal year as approved by the Supervisory Board and the mid-term planning based on it. The financial planning and the midterm planning cover a total period of three years.

Detailed financial planning is derived on the basis of the sales forecast by the Group's management and the resulting cash inflows. Projected sales serve to define the number of consultants required and the associated cash outflows. These figures are based on past experience and external market data. Payments associated with fixed costs are extrapolated on the basis of past experience. The most significant value drivers in the planning are projected sales and the EBIT margin calculated on this basis. The EBIT margin is determined in particular by projected licensing

sales for internally generated software products. The EBIT margin also takes future wage and salary increases and rising costs for freelance workers into account.

Planning is based on the following sales growth rates:

	2017	2018	2019
USU AG/ Omega (Product Business)	7.1%	7.3%	7.4%
USU AG (Service Business)	0.7%	2.8%	3.5%
LeuTek (Product Business)	2.6%	6.9%	7.0%
Aspera (Product Business)	16.0%	14.9%	14.7%
BIG (Product Business)	11.0%	12.7%	2.8%

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 1.0% (2015: 1.0%).

In calculating the present value, a post-tax capitalization rate of 7.10% to 8.81% (2015: 7.64% to 8.96%) or a pretax capitalization rate of 9.67% to 11.90% (2015: 9.98% to 12.01%) was taken as a basis in the Product Business segment.

For the Service Business sector, a post-tax capitalization rate of 7.10% (2015: 7.64%) or a pre-tax capitalization rate of 9.69% (2015: 9.98%) was taken as a basis.

The respective discount rates are composed of a risk-free basic rate and a market risk premium weighted to reflect the risk structure of the Group and the respective CGU.

The following table provides a breakdown of goodwill across the individual CGUs:

CGU	2016 EUR thousand	2015 EUR thousand
USU AG/Omega (Product Business)	12,868	12,868
USU AG (Service Business)	2,322	2,322
LeuTek (Product Business)	10,448	10,448
Aspera (Product Business)	7,773	7,773
BIG (Product Business)	2,164	2,164
	35,575	35,575

The changes in goodwill for each reporting unit in the 2015 and 2016 fiscal years are shown in the following table.

(in EUR thousand)	Product business	Service business	Group
As of January 1, 2015	32,237	2,322	34,559
Acquisition of SecurIntegration GmbH	1,016	0	1,016
As of December 31, 2015	33,253	2,322	35,575
Change in 2016	0	0	0
As of December 31, 2016	33,253	2,322	35,575

As the carrying amounts of each individual CGU were lower than their recoverable amounts (values in use), no goodwill impairment losses were recognized.

The following table shows the sensitivity of goodwill impairment losses to certain underlying assumptions:

Additional goodwill impairment loss at	Increase in capitalization rate by one percentage point	Increase in capitalization rate by two percentage point
USU AG/Omega (Product Business)	0	0
USU AG (Service Business)	0	0
LeuTek (Product Business)	0	0
Aspera (Product Business)	0	0
BIG (Product Business)	0	0

Accordingly, with regard to the calculation of the recoverable amounts for the CGUs, a 2 percentage point increase in the capitalization rate would not result in the carrying amounts exceeding the recoverable amounts.

11. Property, plant and equipment

Depreciation of property, plant and equipment amounted to EUR 1,043 thousand in the 2016 fiscal year (2015: EUR 805 thousand). There are no restrictions on the Group's rights of disposal over its property, plant and equipment, nor have any such items been assigned as collateral.

Information on the composition of property, plant and equipment can be found in the consolidated statement of changes in non-current assets (see Annexes A and B).

12. Other non-current assets

Under other non-current assets, the capitalized values of insurance policies under which the beneficiaries have no access to the insurance are reported, which totaled EUR 681 thousand (2015: EUR 669 thousand).

13. Inventories

Inventories mainly relate to software licenses from third-party providers and IT hardware. As there were no inventory risks at the end of the reporting period, no discounts were necessary.

The cost of materials amounted to EUR 1,783 thousand in the past fiscal year (2015: EUR 1,627 thousand).

14. Work in progress

The following table provides an overview of total work in progress and the associated billings as of December 31, 2015 and December 31, 2016:

	2016 EUR thousand	2015 EUR thousand
Contract costs plus unbilled contract earnings	9,798	8,771
Of which: from service agreements in accordance with IAS 18	5,660	4,177
of which: from construction contracts in accordance with IAS 11	4,138	4,594
less amounts received from progress billings	-7,691	-7,686
Net amount	2,107	1,085
of which: work in progress	3,862	2,456
of which: liabilities from advance payments	-1,755	-1,371

Sales of EUR 5,278 thousand were generated from construction contracts in accordance with IAS 11 in the 2016 fiscal year (2015: EUR 5,834 thousand).

15. Trade receivables

Trade receivables are generally non-interest-bearing and are short term in nature. This item is broken down as follows:

	2016 EUR thousand	2015 EUR thousand
Trade receivables	14,519	11,846
Valuation allowances as of January 1	-348	-270
Utilizations in the fiscal year	6	0
Additions recognized in profit or loss	-33	-103
Reversals	46	25
Valuation allowances as of December 31	-329	-348
	14,190	11,498

As of December 31, 2016, valuation allowances were recognized for trade receivables with a nominal value of EUR 734 thousand (2015: EUR 740 thousand). Of this figure, EUR 333 thousand was up to 90 days overdue, EUR 168 thousand was between 90 and 360 days overdue, and EUR 233 thousand was over 360 days overdue.

The following table contains an analysis of past due trade receivables for which valuation allowances have not been recognized:

Year	Total EUR thsd.	Neither past due nor subject to valuation allowances EUR thsd.	Past due but not subject to valuation allowances				
			<30 days EUR thsd.	30-90 days EUR thsd.	91-180 days EUR thsd.	181-360 days EUR thsd.	>360 days EUR thsd.
2016	13,785	12,275	1,510	0	0	0	0
2015	11,106	9,373	1,733	0	0	0	0

In the case of past due receivables for which no valuation allowances have been recognized, there are no indications that the respective debtors will fail to meet their payment obligations.

There were no receivables whose due date was renegotiated and for which valuation allowances would otherwise have been recognized either at the end of the reporting period or in the previous year.

16. Income tax receivables

Income tax receivables relate to excess payments of corporate income tax/solidarity surcharge and trade tax.

17. Other current financial assets

The following table contains an analysis of past due other current financial assets for which valuation allowances have not been recognized:

Year	Total EUR thsd.	Neither past due nor subject to valuation allowances EUR thsd.	Past due but not subject to valuation allowances				
			<30 days EUR thsd.	30-90 days EUR thsd.	91-180 days EUR thsd.	181-360 days EUR thsd.	>360 days EUR thsd.
2016	260	260	0	0	0	0	0
2015	316	316	0	0	0	0	0

18. Other current assets

Other current assets contain deferred advance payments of EUR 401 thousand for a USU Group event held in January 2017.

19. Prepaid expenses

Prepaid expenses contain primarily deferred trade fair costs, expenses relating to service agreements and stay bonus payments.

20. Securities

The securities reported under current assets relate to available-for-sale listed corporate bonds with a high credit rating and are presented as follows:

Year	Acquisition costs EUR thsd.	Unrealized gains EUR thsd.	Unrealized losses EUR thsd.	Market value EUR thsd.
2015	3,014	0	0	3,014
2016	3,014	0	0	3,014

21. Cash on hand and bank balances

This item is broken down as follows:

	2016 EUR thousand	2015 EUR thousand
Fixed-term deposits and overnight money	9,634	13,985
Demand deposits	10,528	6,104
Cash on hand	4	6
	20,166	20,095

22. Shareholders' equity

The development of shareholders' equity is shown in the consolidated statement of changes in equity.

22.1 Share capital and shares

The fully paid subscribed capital of the Company totaled EUR 10,524 thousand as of December 31, 2016. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

22.2 Authorized capital

By resolution of the Annual General Meeting of July 18, 2012, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 5,261,885.00 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 17, 2017 (Authorized Capital 2012). Shareholders must be granted subscription rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the amount of the share capital attributable to the new shares does not exceed 10% – neither on the effective date nor on the date of exercise of this authorization – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category already traded on the stock exchange at the time of the final determination of the issue price. The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to shares issued or sold during the term of the Authorized Capital 2012 excluding shareholders' subscription rights pursuant to sections 71 (1) no. 8 sentence 5 and 186 (3) sentence 4 of the German Stock Corporation Act (AktG) and to the pro rata amount of the share capital that relates to option and/or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2012 in analogous application of section 186 (3) sentence 4 AktG.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of non-cash capital increases, particularly for the acquisition

of participations, companies, or assets – as well as for exchanging shares – and in the case of mergers.

The shares may also be acquired by one or more banks or a company operating in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to the shareholders for subscription.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from authorized capital 2012, including the content of share rights and the conditions for the issuing of shares.

22.3 Contingent capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may be used only for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2016.

22.4 Capital reserves

Capital reserves contain primarily the cash premium from the issue of shares by USU Software AG and amounted to EUR 52,792 thousand at the end of the reporting period.

22.5 Legal reserve

The legal reserve was created in accordance with section 150 (1) AktG and relates solely to USU AG.

22.6 Earnings per share

In accordance with IAS 33, basic and diluted (due to the lack of dilutive effect) earnings per share for the individual periods are calculated by dividing the Group's net profit for the period by the annual average number of shares outstanding.

	2016	2015
Consolidated earnings attributable to the shareholders of USU Software AG: (EUR thousand)	6,784	8,382
Annual average number of shares: (Number)	10,523,770	10,523,770
Basic and diluted earnings per share: (EUR)	0.64	0.80

The number of shares outstanding at the end of the reporting period is calculated as follows:

	2016 Number	2015 Number
Number of shares as of January 1	10,523,770	10,523,770
Number of shares as of December 31	10,523,770	10,523,770

22.7 Appropriation of net profit

The resolution on the utilization of USU Software AG's unappropriated surplus in the 2015 fiscal year was adopted at the Annual General Meeting on June 17, 2016. The Annual General Meeting approved the proposal of the Management Board and Supervisory Board, distributing a dividend of EUR 0.35 for the 10,523,770 dividend-bearing shares (EUR 3,683 thousand) on the day following the Annual General Meeting.

For the past fiscal year, the Management Board is proposing the distribution of a dividend of EUR 0.40 per share for a total of 10,523,770 no-par value shares (EUR 4,210 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2016.

23. Pension provisions

The Group has pension commitments to LeuTek employees which provide for a lump-sum payment for the beneficiaries at the age of 65. USU AG also maintains a pension plan for a former Management Board member and a current member of the Supervisory Board. This defined benefit plan guarantees the beneficiary a life-long monthly pension.

Pension provisions were calculated using the projected unit credit method prescribed by IAS 19. The future obligations were measured using actuarial calculations. The calculations were based on the 2005 G mortality tables published by Prof. Klaus Heubeck, assuming a discount rate of 1.90% (2015: 2.40%). In the case of the pension plan, it is assumed, as in the previous year, that subsequent contributions will rise by 1% during the service period and 2% after pension payments begin. As pension obligations to employees are lump-sum payments, a pension trend of 0% is applied. In the case of pension commitments to employees, the same fluctuation probabilities as in the previous year were used for each individual based on their age. In the case of

the pension plan, a fluctuation rate of 0% was used (2015: 0%). The expected average annual return on plan assets is expected to be 1.90% (2015: 2.40%). The management bases its calculations on historical income trends and market forecasts by analysts.

Actuarial gains and losses are taken directly to equity and offset against accumulated losses. The measurement date for the pension obligation was December 31, 2016.

As of December 31, 2016, the Company offset a (cumulative) total of EUR -1,560 thousand (before taxes) against accumulated losses, this being the balance of actuarial losses and actuarial gains.

The Company's business policy is to conclude insurance to cover the actuarial present value of its pension obligation. Insofar as they were pledged to the beneficiaries, insurance policies were classified as qualified plan assets.

The following tables show the development of the pension obligation and plan assets.

Development of the pension obligation:

	2016 EUR thousand	2015 EUR thousand
Present value of benefit obligation at the start of the fiscal year	3,648	3,544
Current service cost	42	41
Interest cost	88	84
Actuarial gains/losses taken directly to equity resulting from		
- demographic assumptions	0	0
- financial assumptions	279	-21
- experience adjustments	0	0
Present value of benefit obligation at the end of the fiscal year	4,057	3,648

Development of the pension obligation:

	2016 EUR thousand	2015 EUR thousand
Fair value of plan assets at the start of the year under review	1,740	1,678
Income from plan assets (interest income)	34	40
Payments into plan assets (employer)	23	24
Abschreibungen des Planvermögens	0	0
Amortization of plan assets		
Actuarial gains/losses taken directly to equity resulting from		
- demographic assumptions	0	0
- financial assumptions	-6	-2
- experience adjustments	0	0
Fair value of plan assets at the end of the fiscal year	1,791	1,740

Development of the obligation reported in the statement of financial position:

	2016 EUR thousand	2015 EUR thousand
Present value of pension obligation	4,057	3,648
Fair value of plan assets	1,791	1,740
Obligation reported in the statement of financial position	2,266	1,908

The interest cost arising from the discounting of the pension provision and the income from plan assets are reported in net financial income. Current service cost is reported in operating expenses.

There were no significant adjustments to the pension obligation or the plan assets to reflect past experience. Employer contributions to plan assets for the 2017 fiscal year are estimated at EUR 46 thousand.

The following amounts were reported in the statement of profit or loss:

	2016 EUR thousand	2015 EUR thousand
Current service cost	-42	-41
Interest cost	-88	-84
Income from plan assets (interest income)	34	40
Amortization of plan assets	0	0
	-96	-85

Sensitivity analysis:

If other assumptions remained constant, changes in one of the major actuarial assumptions that were considered reasonably possible at the end of the reporting period would have influenced the defined benefit obligation by the following amounts.

December 31, 2016 Effect in EUR thousand	Increase in defined benefit obligation EUR thousand	Reduction in defined benefit obligation EUR thousand
discount rate (1% change)	623	-507
future pension trend (1% change)	472	-387

Although the analysis does not consider the full distribution of the planned cash flows, it provides an approximation of the sensitivity of the assumptions presented.

The weighted average duration of the pension obligation was around 14 years as of December 31, 2016.

On the basis of coverage from insurance policies, the following net pension payments are forecast for the next 10 years for the defined pension commitments existing as of the end of the reporting period:

Fiscal year as of December 31	Expected payments EUR thousand
2017 – 2021	0
2022 – 2026	81

A pension commitment has been entered into for the Management Board members of the Group subsidiary USU AG. This pension commitment is covered by an insurance policy. This defined contribution plan does not result in any liability for the Group above and beyond the premiums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 60 thousand in the year under review (2015: EUR 62 thousand).

In addition, the German statutory pension scheme is considered to represent a defined contribution plan. The expenses recognized for the statutory pension scheme amounted to EUR 1,886 thousand (2015: EUR 1,942 thousand), of which EUR 38 thousand was attributable to Management Board members (2015: EUR 39 thousand).

24. Purchase price liabilities

The purchase price liabilities reported as of December 31, 2015 (earn-out component) in the amount of EUR 335 thousand resulted from the acquisition of SecurIntegration on July 1, 2015. EUR 200 thousand of this figure was paid out in the second quarter of 2016. The remaining amount was reversed to profit or loss.

25. Personnel-related liabilities

Personnel-related liabilities all have a term of less than one year and are composed of the following items:

	2016 EUR thousand	2015 EUR thousand
Vacation and variable compensation	5,220	5,449
Other personnel- related liabilities	988	913
	6,208	6,362

26. Other provisions and liabilities

Other provisions and liabilities include the following items:

	2016 EUR thousand	2015 EUR thousand
Outstanding invoices	493	267
Other liabilities	1,017	1,301
Other provisions	645	746
	2,155	2,314

Other provisions comprise mainly provisions for obligations under company law and other identifiable individual risks with a term no longer than a year. Other provisions developed as follows in the 2016 fiscal year:

in EUR thousand	As of January 1, 2016	Additions	Utilizations	Reversals	Currency differences	As of December 31, 2016
Operating obligations	315	284	274	4	0	319
Other obligations	431	160	165	100	0	326
	746	444	439	104	0	645

27. Liabilities from advance payments

The item relates to advance payments that exceed the services rendered for the individual contracts in question. Further information in this regard can be found in the disclosures on work in progress (note 14). Advance payments received for licenses ordered are also included in this item.

28. Trade payables

All trade payables are due within one year.

29. Additional disclosures on financial instruments

Based on the relevant items of the statement of financial position, the following tables show the relationships between the categories of financial instruments prescribed by IAS 32/39, the classification of financial instruments in accordance with IFRS 7 and the carrying amounts of the financial instruments. At the Company, classification in accordance with IFRS 7 corresponds to the categories of financial instruments prescribed by IAS 32/39. The fair values are also presented; at the Company, these were the same as the corresponding carrying amounts in both the year under review and the previous year.

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. A fair value hierarchy must be established with three levels of measurement based on whether the fair value of financial instruments was determined by reference to quoted prices in active markets (level 1), derived from quoted prices in active markets (level 2) or derived from unobservable inputs (level 3). As its purchase price liability has now been paid, USU Software AG currently has no level 2 or 3 financial instruments.

in EUR thousand as of December 31, 2016	IAS 39- category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair Value
			Amortized cost	Fair value taken directly to equity	Fair Value recognized in profit or loss	
Work in progress	IAS 11	3,862	3,862	0	0	3,862
Trade receivables	L+R ¹⁾	14,190	14,190	0	0	14,190
Other current financial assets	L+R	260	260	0	0	260
Securities held as current assets	A-f-s ³⁾	3,014	0	3,014	0	3,014
Cash on hand and bank balances	L+R	20,166	20,166	0	0	20,166
Aggregated by class/category						
Loans and receivables	L+R	34,616	34,616	0	0	34,616
Work in progress	IAS 11	3,862	3,862	0	0	3,862
available for sale	A-f-s ³⁾	3,014	0	3,014	0	3,014

¹⁾ L+R: Loans and Receivable ³⁾ A-f-s: Available-for-sale

in EUR thousand as of December 31, 2016	IAS 39- category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair Value
			Amortized cost	Fair value taken directly to equity	Fair Value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort. cost ²⁾	1,850	1,850	0	0	1,850
Liabilities from advance payments	Amortized cost/IAS 11	9,287	9,287	0	0	9,287
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	11,137	11,137	0	0	11,137

²⁾ Amort. cost: Amortized cost

in EUR thousand as of December 31, 2015	IAS 39- category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair Value
			Amortized cost	Fair value taken directly to equity	Fair Value recognized in profit or loss	
Work in progress	IAS 11	2,456	2,456	0	0	2,456
Trade receivables	L+R ¹⁾	11,498	11,498	0	0	11,498
Other current financial assets	L+R	316	316	0	0	316
Securities held as current assets	A-f-s ⁴⁾	3,014	0	3,014	0	3,014
Cash on hand and bank balances	L+R	20,095	20,095	0	0	20,095
Aggregated by class/category						
Loans and receivables	L+R	31,909	31,909	0	0	31,909
Work in progress	IAS 11	2,456	2,456	0	0	2,456
available for sale	A-f-s	3,014	0	3,014	0	3,014

¹⁾ L+R: Loans and Receivable ⁴⁾ A-f-s: Available-for-sale

in EUR thousand as of December 31, 2015	IAS 39- category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair Value
			Amortized cost	Fair value taken directly to equity	Fair Value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort, cost ²⁾	1,590	1,590	0	0	1,590
Liabilities from advance payments	Amortized cost/IAS 11	9,868	9,868	0	0	9,868
Purchase price liabilities for the SI shares	MAFVTPOL ³⁾	335	0	0	335	335
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	11,458	11,458	0	0	11,458
Measured at fair value through profit or loss	MAFVTPOL	335	0	0	335	335

²⁾ Amort, cost: Amortized cost ³⁾ MAFVTPOL: Measured at fair value through profit or loss (hierarchy: Level 3)

Cash on hand and bank balances, work in progress, trade receivables, other receivables and short-term loans generally have short terms to maturity. For this reason, their carrying amounts approximately correspond to their fair values at the end of the reporting period. The same applies for trade payables and other liabilities.

Information on the purchase price liabilities for the SI shares can be found in note 24.

The following table shows the net income from financial instruments broken down by IAS 39 category:

in EUR thousand	From interest	From subsequent valuation					From disposals	Net profit/loss	
		At fair value	Valuation allowances	Appreciation	Accumulation	From currency translation		2016	2015
Net gains/losses from financial instruments classified as									
Loans and receivables	40	0	-33	46	0	-25	5	33	572
Available-for-sale	0	0	0	0	0	0	0	0	0
Financial liabilities at amortized cost	0	0	0	0	0	0	0	0	-7
Financial liabilities at fair value through profit or loss	0	0	0	0	-5	0	140	135	221
Total	40	0	-33	46	-5	-25	145	168	786

The interest from financial instruments classified as loans and receivables and the other components of the net profit are reported in the net financial income (see notes 39 and 40). This does not include valuation allowances on trade receivables, which are reported in selling expenses.

In taking changes in the value of available-for-sale financial assets directly to equity, net re-measurement gains and losses of EUR 0 thousand were recognized in other comprehensive income in the 2016 fiscal year (2015: EUR 0 thousand). Of the amounts recognized in other comprehensive income, losses totaling EUR 0 thousand (2015: losses of EUR 0 thousand) were transferred to the statement of profit or loss in the 2016 fiscal year.

As in the previous fiscal year, income and expenditure from fees and commissions in the year under review were negligible.

The following table provides an overview of the valuation allowances and write-downs for each class of financial asset:

	2016 EUR thousand	2015 EUR thousand
Valuation allowances and write-downs in the category Loans and receivables	-33	-103

30. Deferred income

Deferred income relates to income from maintenance and service agreements for software invoiced in the period under review. These agreements generally have a term of one year.

31. Deferred taxes

Due to the positive earnings development in recent years and the growth in earnings that is forecast for the period from 2017 to 2019, deferred tax assets are recognized at USU Software AG for tax loss carryforwards of the consolidated group in the amount of the deferred tax liabilities of the tax consolidated group as well as for the forecast future results. The amount recognized was determined on the basis of the forecast results of USU Software AG approved by the Supervisory Board for a three-year planning period. Deferred tax liabilities are offset against deferred tax assets at the level of the consolidated group.

Deferred tax assets and liabilities result from the following items of the statement of financial position:

	2016 EUR thousand	2015 EUR thousand	Change recognized in profit or loss 2016 EUR thousand	Change not recognized in profit or loss 2016 EUR thousand
Deferred tax assets:				
Provisions	566	436	44	86
Deferred income	33	153	-120	
Intangible assets	607	360	247	
Property, plant and equipment	9	9	0	
Other liabilities	0	101	-101	
From loss carryforwards	5,999	7,153	-1,154	
Deferred tax assets (gross)	7,214	8,212	-1,084	86
Deferred tax liabilities:				
Undistributed profits	245	147	-98	
Intangible assets	1,524	1,914	390	
Work in progress	1,524	1,903	379	
Other	131	122	-9	
Deferred tax liabilities (gross)	3,424	4,086	662	0
Deferred tax assets (net)	3,790	4,126	-422	86
After netting:				
Deferred tax assets	3,790	4,234		
Deferred tax liabilities	0	108		

As of December 31, 2016, deferred tax assets from tax loss carryforwards in Germany were not recognized in the amount of approximately EUR 23,211 thousand (2015: EUR 28,168 thousand) as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized for foreign tax loss carryforwards totaling approximately EUR 2,798 thousand (2015: approximately EUR 2,408 thousand). Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

E. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

32. Revenue

A breakdown of sales by segment can be found in the segment reporting (section G of the notes to the consolidated financial statements).

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

	2016 EUR thousand	2015 EUR thousand
Consulting	39,254	36,150
Licenses	12,250	12,433
Service and maintenance	19,515	16,323
Other	1,082	1,185
	72,101	66,091

33. Cost of sales

The cost of sales includes the following items:

	2016 EUR thousand	2015 EUR thousand
Personnel expenses	18,940	17,922
Fees for freelance staff and temporary workers	7,495	7,386
Depreciation and amortization	484	346
Other expenses	5,362	5,349
	32,281	31,003

34. Sales and marketing expenses

Sales and marketing expenses include the following items:

	2016 EUR thousand	2015 EUR thousand
Personnel expenses	8,338	6,384
Depreciation and amortization	150	79
Other expenses	4,860	2,816
	13,348	9,279

35. General administrative expenses

General administrative expenses include the following items:

	2016 EUR thousand	2015 EUR thousand
Personnel expenses	4,106	4,178
Depreciation and amortization	291	233
Other expenses	2,296	2,699
	6,693	7,110

36. Research and development expenses

Research and development expenses include the following items:

	2016 EUR thousand	2015 EUR thousand
Personnel expenses	8,810	8,215
Depreciation and amortization	343	339
Other expenses	2,123	1,976
	11,276	10,530

37. Other operating income

This item primarily includes research funds in the form of government grants in the amount of EUR 617 thousand (2015: EUR 275 thousand), income from the reversal of provisions in the amount of EUR 4 thousand (2015: EUR 30 thousand), prior-period income of EUR 244 thousand (2015: EUR 223 thousand), from the reversal of purchase price liabilities for SecurIntegration and sales tax refunds, and income from currency differences of EUR 34 thousand (2015: EUR 217 thousand). Government grants were grants for income received in line with

subsidized expenses. The grants were recognized under other operating income. Receivables from grants for income were reported under current financial assets. According to the Management Board, there are no unfulfilled conditions or other contingencies.

38. Other operating expenses

This item includes the sales tax from non-cash benefits amounting to EUR 131 thousand (2015: EUR 120 thousand). It also includes expenses resulting from exchange rate differences in the amount of EUR 66 thousand (2015: EUR 67 thousand).

39. Financial income

Financial income includes the following items:

	2016 EUR thsd.	2015 EUR thsd.
Interest income	40	14
Income from currency differences in bank balances	170	272
Other	62	60
Financial income	272	346

40. Financial expenses

Financial expenses include the following items:

	2016 EUR thsd.	2015 EUR thsd.
Expenses from currency differences in bank balances	195	7
Other	66	48
Financial expenses	261	55

41. Income taxes

Income taxes are composed as follows:

	2016 EUR thsd.	2015 EUR thsd.
Income taxes for the fiscal year	-1,065	-698
Income taxes for previous years	-39	59
Deferred taxes	-422	1,140
Tax expenditure (-)/ tax income (+)	-1,526	+501

In the 2016 fiscal year, the Company's income was again subject to a corporate income tax rate of 15% plus a solidarity surcharge of 5.5% on corporate income tax and an effective trade tax rate of 12.8%. The total tax rate including solidarity surcharge and effective trade tax was 28.6%. The tax rate for the consolidated group was 30.0%.

Deferred taxes on intercompany profits are calculated on the basis of the applicable current or future tax rate.

The following table shows a reconciliation of tax income/expense based on the theoretical tax rate of the parent company:

	2016 EUR thsd.	2015 EUR thsd.
Profit before income taxes	8,310	7,881
Theoretical tax expense (28,6%) (2015: 28,6%)	-2,377	-2,254
Changes in the theoretical tax expense due to:		
Offsetting of the valuation allowances on deferred taxes on loss carryforwards/ use of loss carryforwards that were not previously capitalized	935	3,171
Tax back payments/refunds for prior periods	-39	59
Tax-exempt income/ non-deductible expenses	92	-371
Deviation of tax rates from the Group's tax rate	-137	-104
Tax expenditure (-)/ tax income (+)	-1,526	+501

42. Other disclosures on the statement of profit or loss

The average number of employees (quarterly average) in the fiscal year was:

	2016	2015
Consulting and services	239	227
Research and development	156	137
Administration and finance	60	54
Sales and marketing	73	65
	528	483

Personnel expenses can be broken down as follows:

	2016 EUR thousand	2015 EUR thousand
Salaries	34,820	31,787
Social security, pensions and other benefit costs	5,374	4,911
	40,194	36,698

Depreciation and amortization expense can be broken down as follows:

	2016 EUR thousand	2015 EUR thousand
Amortization of intangible assets	1,441	1,483
Depreciation of property, plant and equipment	1,043	805
	2,484	2,288

F. NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how the cash and cash equivalents of the Group changed during the year under review as a result of cash inflows and outflows. The effects of acquisitions and other changes in the consolidated group are eliminated. When purchased subsidiaries are consolidated for the first time, only the actual cash flows are shown in the statement of cash flows. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities. The cash and cash equivalents shown in the statement of cash flows correspond to the item "Cash on hand and bank balances" in the statement of financial position with the exception of fixed deposits with a term of less than three months (see note 46). Investments in securities are made more with a view to generating a profit than for liquidity purposes, and are therefore not included in cash and cash equivalents.

Cash flows from investing and financing activities are calculated on the basis of the actual cash payments, whereas cash flows from operating activities are derived indirectly from the net profit for the period. This indirect calculation eliminates the effects contained in items of the statement of financial position due to currency translation and changes in the consolidated group. As a result, changes in the items concerned of the statement of financial position cannot always be derived from the consolidated statement of financial position.

43. Net cash from operating activities

The USU Group generated net cash from operating activities of EUR 5,132 thousand in the 2016 fiscal year (2015: EUR 12,150 thousand).

44. Net cash used in investing activities

Net cash used in investing activities totaled EUR -1,181 thousand in the 2016 reporting year, compared with EUR -4,897 thousand in the 2015 fiscal year. Investments in securities available for sale in the amount of EUR 3,014 thousand had a corresponding impact in the previous year.

Investments in property, plant and equipment and intangible assets totaled EUR 1,211 thousand (2015: EUR 1,011 thousand) and related primarily to cash outflows for new and replacement investments in hardware and software.

45. Net cash used in financing activities

Net cash used in financing activities in the period under review related to the dividend distribution to USU Software AG shareholders in the 2016 fiscal year in the amount of EUR 3,683 thousand (EUR 0.35 per share for a total of 10,523,770 no-par value shares) and the repayment of purchase price liabilities in connection with the acquisition of SecurIntegration GmbH in the previous year in the amount of EUR 200 thousand.

46. Cash and cash equivalents

The following table shows the components of cash and cash equivalents. Fixed deposits with a term of more than three months are not included in cash and cash equivalents.

	2016 EUR thousand	2015 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	9,634	13,985
Demand deposits	10,528	6,104
Cash on hand	4	6
	20,166	20,095

G. SEGMENT REPORTING

IFRS 8 requires the disclosure of information on the Group's business segments in accordance with the management approach. It also states that the reporting segments must be the same as those used for internal reporting.

USU operates in two business segments: Product Business and Service Business.

The product range of the Product Business segment includes those activities relating to USU's product portfolio in the markets for business service management and knowledge solutions. This includes products and services for areas such as:

- Infrastructure management (efficient administration of IT assets, contracts, and software licenses),
- Service/change management (compliance with and formalization of IT service processes including procurement, support, and maintenance),
- Finance management (transparency, planning, and budgeting as well as charging of IT costs and services based on their origin),
- Process management (monitoring, visualization, and controlling of all systems and processes required for IT operation), and
- Knowledge management for the optimization of knowledge-intensive business processes.

The Service Business segment encompasses consulting services for IT projects and individual application development. The service portfolio covers a wide range of technical topics which are implemented using dedicated methods and tried and tested process models. These include selected specialist areas, the in-house implementation of IT projects and providing project support with qualified IT staff.

Unallocated activities relate primarily to the administrative expenses incurred by the parent company (Management Board, Finance, Legal etc.), as well as sales of goods to employees, the on charging of liability insurance premiums to freelance staff, current financial instruments and bank balances.

Internal management and reporting are based on the IFRS accounting standards described in note 7. The Group measures the success of its segments based on the key performance indicator described in our internal management and reporting as 'EBIT'.

Segment EBIT is composed of the gross income from sales, selling and marketing expenses, general administrative expenses, research and development expenses, amortization of intangible assets capitalized as a result of business combinations, goodwill impairment, and other operating income and expenses.

As with the segment profit/loss, segment assets and segment liabilities are determined in accordance

with the accounting standards used by the Group in the consolidated financial statements.

The assets of the segments cover all assets. They do not include assets from income taxes or certain financial instruments (including liquidity).

The segment liabilities cover all liabilities. They do not include the liabilities from income taxes, pension liabilities and similar obligations or certain financial instruments (including financial liabilities).

The information on segment investments, depreciation and amortization in the following table includes intangible assets (including goodwill) and property, plant and equipment.

The following table provides a reconciliation of segment sales and earnings to Group sales and earnings.

in EUR thousand	Product Business		Service Business		Total Segment		Unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	57,140	52,508	14,787	13,583	71,927	66,091	174	0	72,101	66,091
Earnings before net financial income and income tax (EBIT)	10,341	10,545	1,793	1,907	12,134	12,452	-3,835	-4,862	8,299	7,590
Interest income	35	31	1	0	36	31	236	315	272	346
Interest expenses	-25	-15	0	-4	-25	-19	-236	-36	-261	-55
Income taxes	-34	-45	-10	0	-44	-45	-1,482	546	-1,526	501
Consolidated earnings	10,317	10,516	1,784	1,903	12,101	12,419	-5,317	-4,037	6,784	8,382
Segment assets/ Group assets	69,807	64,849	6,878	6,617	76,685	71,466	15,220	17,720	91,905	89,186
of which goodwill	33,254	33,254	2,322	2,322	35,576	35,576	0	0	35,576	35,576
Segment liabilities/ Group liabilities	23,026	23,613	2,302	1,861	25,328	25,474	2,954	2,921	28,282	28,395
Segment investments	933	773	161	128	1,094	901	116	110	1,210	1,011
Depreciation and amortization	2,126	1,988	202	153	2,328	2,141	155	145	2,483	2,286
Amortization of goodwill	0	0	0	0	0	0	0	0	0	0
Employees at the reporting date (Dec. 31)	418	379	63	64	481	443	63	55	544	498

There were no intersegment sales in the 2016 or 2015 fiscal years.

In the 2016 fiscal year, EUR 20,429 thousand (2015: EUR 20,122 thousand) or 28.33% (2015: 30.45%) of consolidated sales were generated outside Germany and EUR 51,672 thousand (2015: EUR 45,969 thousand) or 71.67% (2015: 69.55%) within Germany. The geographic allocation of sales is based on the country in which the respective customer is domiciled.

The Group has no transactions with external individual customers accounting for more than 10% of its sales.

The assets held and investments made outside Germany account for less than 10% of the respective total amounts. Accordingly, no further disclosures on geographical data are provided for reasons of materiality.

The following table shows the reconciliation of segment assets and liabilities to Group assets and liabilities:

	2016 EUR thsd.	2015 EUR thsd.
Segment assets	76,685	71,466
Unallocated assets		
Cash on hand and bank balances	6,468	9,794
Securities	3,014	3,014
Deferred tax assets	3,790	4,234
Income tax receivables	554	354
Other assets	1,394	324
	15,220	17,720
Group assets	91,905	89,186

	2016 EUR thsd,	2015 EUR thsd,
Segment liabilities	25,328	25,474
Unallocated liabilities		
Deferred tax liabilities	0	0
Pension provisions	1,480	1,239
Other income tax liabilities	472	566
Other liabilities	1,002	1,116
	2,954	2,921
Group liabilities	28,282	28,395

H. OTHER DISCLOSURES

47. Related party disclosures

In accordance with IAS 24, the related parties of USU Software AG are defined as persons or entities that control the Group or that can exercise a significant influence over it, including members of the Management and Supervisory Boards, and any persons or entities over which the Group can exercise a significant influence. Companies that are already fully consolidated are not related parties.

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.9. In the 2016 fiscal year, the business relationships described below existed between members of the Management Board and the Supervisory Board and the entities included in the consolidated financial statements.

The Management Board confirms that all of the related party transactions described below were conducted under arm's length conditions.

47.1 Udo Strehl/AUSUM GmbH (AUSUM)

As in the previous year, there were no cost reimbursements on behalf of USU AG to AUSUM in the 2016 fiscal year. On the other hand, in 2016 USU AG invoiced AUSUM for pro rata vehicle costs in the amount of EUR 7 thousand (2015: EUR 5 thousand).

47.2 Karin Weiler-Strehl

USU AG engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, via AUSUM on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 42 thousand in the 2016 fiscal year (2015: EUR 30 thousand).

USU AG leased the Spitalhof administrative building in Möglingen from Ms. Karin Weiler-Strehl. On July 20, 2007, these two parties concluded a new rental agreement with a term to December 31, 2017. The rental agreement is extended by an additional four years if it is not terminated at least 24 months before the end of its term. As the rental agreement is not

currently terminated, its term has been extended to December 31, 2021. In line with this agreement, the total monthly rent amounts to EUR 23.5 thousand (2015: EUR 23.5 thousand) plus ancillary costs. In the past fiscal year, USU AG was invoiced EUR 293 thousand (2015: EUR 293 thousand) for the rental of the administrative building and parking spaces.

USU Software AG also leased an office in Münchinger Strasse, Möglingen from Ms. Karin Weiler-Strehl. In the past fiscal year, rent of EUR 10 thousand (2015: EUR 10 thousand) was paid for this office.

47.3 Loans to shareholders

There were no claims under loan agreements as of December 31, 2016.

47.4 Compensation of senior management and the Supervisory Board

The management of the Group's business is the responsibility of the members of the Management Boards of USU Software

Bernhard Oberschmidt	(Chief Executive Officer)
Klaus Bader	(Executive Vice President)
Gerald Lamatsch	(Executive Vice President) until September 30, 2016
Dr. Benjamin Strehl	(Executive Vice President)
Bernhard Böhler	(Executive Vice President)

The compensation paid to the members of the Management Board totaled EUR 1,518 thousand in the 2016 fiscal year (2015: EUR 1,597 thousand).

Fixed compensation:
EUR 739 thousand (2015: EUR 743 thousand)

Variable compensation:
EUR 646 thousand (2015: EUR 713 thousand)

Non-cash benefit from the private use of company cars:
EUR 73 thousand (2015: EUR 79 thousand)

Defined contribution pension costs:
EUR 60 thousand (2015: EUR 62 thousand)

The total compensation paid to the Supervisory Board in the 2016 fiscal year was EUR 159 thousand (2015: EUR 159 thousand). The provisions on the compensation paid to the Supervisory Board are described in the Management Report on the Company and the Group in the chapter entitled "Compensation Report."

Information on the pension provision recognized for a member of the Supervisory Board and a former member of the Management Board in the amount of EUR 2,948 thousand before setting off against the coverage assets in the amount of EUR 1,467 thousand can be found in note 23.

48. Auditor's fees

- a) Auditing (single-entity and consolidated financial statements)
EUR 120 thousand (2015: EUR 119 thousand)
- b) Other services
EUR 33 thousand (2015: EUR 5 thousand)

49. Other disclosures

49.1 Contingent liabilities

There were no contingent liabilities to report as of December 31, 2015 and December 31, 2016.

49.2 Other financial commitments

The Company has leased some of its office and operating equipment as well as vehicles (operating leases) and office buildings. The interest rates stipulated in the lease agreements are standard market rates. There are no advantageous purchase or extension options at the end of the leases for either the office buildings or the operating and other equipment and vehicles. There were no sale and leaseback transactions in either of the fiscal years. The annual expected minimum payments under leases and rental agreements and other financial obligations can be broken down as follows:

	2016 EUR thsd.	2015 EUR thsd.
Operating lease obligations		
In the next 12 months	599	584
In the next 13 to 60 months	584	431
In more than 60 months	0	0
	1,183	1,015
Other financial commitments from building rental		
In the next 12 months	1,337	1,154
In the next 13 to 60 months	2,729	2,080
In more than 60 months	0	389
	4,066	3,623
	5,249	4,638

Expenses for operating leases and rental agreements totaled EUR 2,320 thousand in the 2016 fiscal year (2015: EUR 2,069 thousand).

50. Litigation, other contingent liabilities, and events after the reporting period

In the course of its ordinary operations, the Company can become involved in legal disputes, claims for damages, criminal investigations and court cases including product liability disputes and disputes under commercial law. The outcome of currently pending and/or future litigation cannot be predicted with sufficient certainty, meaning that future court decisions may result in expenses that are not fully covered by the insurance concluded and that could have a material adverse effect on the Company's business, financial position and operating results. According to the estimates of the Company and its legal counsel as of December 31, 2016 and December 31, 2015, no decisions that could have a material adverse effect on the net assets and results of operations of the Group are expected from the litigation that is currently pending.

On January 5, 2017, the Company acquired 100% of the shares in unitB technology GmbH, Berlin, an internationally oriented full-service agency for digital communications and IT.

With its 35 employees, unitB technology generated sales of EUR 3.6 million and an operating earnings margin of over 10% in 2015. The company's portfolio ranges from digital strategic consulting and service

and UX design through to the realization of complex web portals, apps and intranets. Its particular strength lies in the systematic combination of strategy, creativity and IT technology. By establishing state-of-the-art digital solutions, unitB technology is laying the foundations for effective, customer-centered online communications and the optimization of its customers' digital transformation processes. Major companies from the banking, insurance and healthcare sectors in particular, including the Volksbanken and Raiffeisenbanken, direct line, FIDUCIA & GAD IT and Bayer, are already employing unitB technology's solutions with success. Thanks to unitB technology's digital consulting and UX expertise and state-of-the-art technical solutions, the acquisition adds important key components to USU's product and service range.

The cash purchase price includes a fixed and a variable component and will amount to between EUR 4,003 thousand (basic purchase price) and EUR 4,503 depending on future performance. The variable component of up to EUR 500 thousand is based on the EBIT of unitB technology GmbH for the 2016, 2017 and 2018 fiscal years. Incentives for the management of unitB technology GmbH not forming part of the purchase price in accordance with IFRS 3 have also been agreed and could result in cash outflows of up to EUR 600 thousand.

Legal advisory and due diligence costs of EUR 85 thousand were incurred in 2016 in connection with the acquisition. These costs are reported in administrative expenses.

The acquisition is accounted for as a business combination in accordance with IFRS 3. As the corresponding information was unavailable, it was not possible to provide any additional disclosures (goodwill/badwill, the amounts of the main groups of assets and liabilities acquired and other information concerning the sales and earnings of unitB technology GmbH) or, in particular, to perform purchase price allocation as of the publication date of the consolidated financial statements. The Company expects the acquisition to increase its total assets and net profit. However, a comprehensive quantification of the effects was not yet possible as of the date on which the consolidated financial statements were prepared.

There were no further significant events requiring disclosure prior to the approval of the consolidated financial statements by the Management Board.

51. Executive bodies

51.1 Management Board

In the 2016 fiscal year, the Management Board of the parent company consisted of:

Bernhard Oberschmidt,
Chairman of the Management Board, economics graduate

Bernhard Böhler,
deputy Chairman of the Management Board

Dr. Benjamin Strehl,
business graduate

The total compensation paid to the active members of the Management Board in the past fiscal year was EUR 1,026 thousand. Details can be found in the chapter entitled "Compensation Report" in the Management Report on the Company and the Group.

51.2 Aufsichtsrat

In the 2016 fiscal year, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing Director of AUSUM GmbH, Möglingen
Chairman of the Supervisory Board of USU AG,
Möglingen

Günter Daiss, Vice Chairman
Managing Director of Daiss Agrar, Hungary
Managing Director of Green Kft., Hungary
Vice Chairman of the Supervisory Board of USU AG,
Möglingen

Erwin Staudt,

Management consultant, Leonberg
Member of the Supervisory Board of Grenke AG,
Baden-Baden

Member of the Board of Directors of Hahn
Verwaltungs-GmbH, Fellbach

Member of the Supervisory Board of PROFI
Engineering Systems AG, Darmstadt

Member of the Supervisory Board of USU AG,
Möglingen

Member of the Board of Directors of Interstuhl
Büromöbel GmbH & Co. KG, Meßstetten

52. Financial risk management

In its financial activities, the Group is subject to various risks that are assessed, managed, and monitored by way of systematic risk management. The following section discusses the management of credit risk, liquidity risk, and market risk (exchange rate, interest rate, and securities price risk).

52.1 Credit risk

The Group is exposed to credit risks in conjunction with its cash and cash equivalents, trade receivables, and marketable securities.

Cash and cash equivalents and marketable securities are deposited with banks of good standing and companies with good credit ratings. The Group constantly monitors the credit-worthiness of these companies and does not expect any cases of default. As no collateral has been pledged, the risk of default is limited to the amount reported in the statement of financial position.

The default risk for trade receivables is minimized by constantly monitoring the creditworthiness of the respective counterparties. As no general netting agreements are concluded with customers, the sum of the amounts reported as assets also represents the maximum default risk.

In the event that the Group becomes aware of any evidence that the ability of a particular customer to meet its financial obligations is impaired, it recognizes a specific valuation allowance on the amounts due in order to reduce the net receivable to the most

likely recoverable amount. The Group also performs portfolio-based measurement to reflect the risk of uncollectability.

As in the previous year, there are no indications that the Group's debtors whose financial assets are neither overdue nor subject to valuation allowances will fail to meet their payment obligations.

52.2 Liquidity risk

The cash and cash equivalents required by the Group in order to meet its financial obligations are largely covered by its ongoing operations. The Group also has credit facilities to cover any liquidity bottlenecks.

The Company's financial liabilities are all current, i.e. due within one year.

52.3 Interest-related cash flow risk

At USU Software AG, changes in market interest rates affect primarily cash flows from financial investments. If the market interest rate as of December 31, 2016 had been 1% higher (lower), net profit and equity would each have been EUR 181 thousand (December 31, 2015: EUR 180 thousand) higher (lower).

52.4 Exchange rate risk

The volume of foreign-currency transactions conducted by the Company is negligible, meaning that it is exposed to exchange rate fluctuations with an impact on its EUR-denominated assets and income to a limited extent only. Transaction risks also exist for financial assets denominated in foreign currencies.

53. Additional disclosures on capital

USU Software AG is not subject to any minimum capital requirements, either externally or in accordance with its Articles of Association. The Company pursues the goal of ensuring a high level of equity financing, using this financial flexibility to achieve its growth targets. Customers also demand a high equity ratio and extensive liquidity in order to guarantee their investments.

As of December 31, 2016 and December 31, 2015, equity and total assets were as follows:

	2016 TEUR	2015 TEUR	Change %
Non-current liabilities	2,266	2,016	12,4
Current liabilities	26,016	26,379	-1,4
Total liabilities	28,282	28,395	-0,4
Equity	63,623	60,791	4,7
Total liabilities and equity	91,905	89,186	3,0
Equity ratio	69.2 %	68.2 %	

As in the previous year, the Company has no net financial liabilities, as its cash and cash equivalents exceed its interest-bearing liabilities. The current capital structure can be maintained by expanding the unappropriated surplus by generating future net profit or issuing new shares, for example.

54. Exemption in accordance with section 264 (3) HGB

The following domestic subsidiaries included in the consolidated financial statements of USU Software AG made use of the exemption provisions of section 264 (3) HGB for the 2016 fiscal year:

- Aspera GmbH, Aachen
- LeuTek GmbH, Leinfelden-Echterdingen
- Omega Software GmbH, Obersulm
- Openshop Internet Software GmbH, Möglingen
- B.I.G. Social Media GmbH, Berlin

I. HOLDINGS OF MEMBERS OF CORPORATE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies. As of December 31, 2016, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

No stock options or convertible bonds issued by USU Software AG are held by any members of its executive bodies.

Shareholdings subject to mandatory disclosure	2016 Shares	2015 Shares
Management Board		
Bernhard Oberschmidt	156,518	156,518
Bernhard Böhler	167,572	167,572
Dr, Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl *)	2,000,176	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

*) An additional 3,337,868 voting rights in USU Software AG (2015: 3,337,868) are allocated to Mr. Udo Strehl via AUSUM GmbH as the majority shareholder of that company pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

A further 32,000 voting rights (2015: 32,000) in USU Software AG are allocated to Udo Strehl via the 'Wissen ist Zukunft' foundation in his capacity as Managing Director of that foundation pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Udo Strehl, the Chairman of the Supervisory Board of USU Software AG, purchased a total of 10,857 shares in the Company in over-the-counter transactions on February 9 and 11, 2016, and subsequently informed USU Software AG about these securities transactions. In turn, the Company fulfilled its obligation to publish these securities trading notifications.

No stock options or convertible bonds issued by USU Software AG are held by any members of its executive bodies.

J. DIVIDEND PAYMENT

The Management Board and the Supervisory Board are proposing the payment of a dividend of EUR 4,210 thousand (EUR 0.40 per share).

K. DECLARATION OF CONFORMITY

On December 13, 2016, the Management Board and the Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at <http://www.usu-software.de>. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group in these consolidated financial statements.

Möglingen, March 3, 2017
USU Software AG



Bernhard Oberschmidt
Chairman of the Management Board



Bernhard Böhler
Member of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

Statement of changes in fixed assets in the 2016 fiscal year

USU Software AG, Möglingen

	Acquisition/production cost					Dec. 31, 2016 EUR thsd.
	Jan. 1, 2016 EUR thsd.	Company acquisition EUR thsd.	Additions EUR thsd.	Disposals EUR thsd.	Currency EUR thsd.	
Intangible assets						
Purchased software/ orders on hand	7,111	0	167	28	0	7,250
Trademarks and brands	2,532	0	0	0	0	2,532
Maintenance contracts	3,126	0	0	0	0	3,126
Customer base	8,352	0	0	0	0	8,352
	21,121	0	167	28	0	21,260
Goodwill	57,693	0	0	0	0	57,693
Property, plant and equipment						
Land and buildings	226	0	42	0	0	268
Other equipment, operating and office equipment	4,236	0	1,002	733	3	4,508
	4,462	0	1,044	733	3	4,776

Annex A to the notes to the consolidated financial statements

	Cumulative depreciation and amortization				Carrying amounts		
	Jan. 01, 2016 EUR thsd.	Additions EUR thsd.	Disposals EUR thsd.	Currency EUR thsd.	Dec. 31, 2016 EUR thsd.	Dec. 31, 2016 EUR thsd.	Jan. 1, 2016 EUR thsd.
	6,026	481	28	0	6,479	771	1,085
	521	0	0	0	521	2,011	2,011
	3,037	89	0	0	3,126	0	89
	4,835	871	0	0	5,706	2,646	3,517
	14,419	1,441	28	0	15,832	5,428	6,702
	22,118	0	0	0	22,118	35,575	35,575
	146	18	0	0	164	104	80
	2,175	1,025	723	1	2,478	2,030	2,061
	2,321	1,043	723	1	2,642	2,134	2,141

Statement of changes in fixed assets in the 2015 fiscal year

USU Software AG, Möglingen

	Acquisition/production cost					Dec. 31, 2015 EUR thsd.
	Jan. 1, 2015 EUR thsd.	Company acquisition EUR thsd.	Additions EUR thsd.	Disposals EUR thsd.	Currency EUR thsd.	
Intangible assets						
Purchased software/ orders on hand	6,534	407	176	6	0	7,111
Trademarks and brands	2,532	0	0	0	0	2,532
Maintenance contracts	3,113	13	0	0	0	3,126
Customer base	7,646	706	0	0	0	8,352
	19,825	1,126	176	6	0	21,121
Goodwill	56,677	1,016	0	0	0	57,693
Property, plant and equipment						
Land and buildings	218	0	8	0	0	226
Other equipment, operating and office equipment	3,598	30	827	226	7	4,236
	3,816	30	835	226	7	4,462

Annex B to the notes to the consolidated financial statements

	Cumulative depreciation and amortization				Carrying amounts		
	Jan. 01, 2015 EUR thsd.	Additions EUR thsd.	Disposals EUR thsd.	Currency EUR thsd.	Dec. 31, 2015 EUR thsd.	Dec. 31, 2015 EUR thsd.	Jan. 1, 2015 EUR thsd.
	5,622	408	4	0	6,026	1,085	912
	521	0	0	0	521	2,011	2,011
	2,845	192	0	0	3,037	89	268
	3,952	883	0	0	4,835	3,517	3,694
	12,940	1,483	4	0	14,419	6,702	6,885
	22,118	0	0	0	22,118	35,575	34,559
	131	15	0	0	146	80	87
	1,610	790	223	-2	2,175	2,061	1,988
	1,741	805	223	-2	2,321	2,141	2,075

Auditor's Report

We audited the consolidated financial statements prepared by **USU Software AG, Möglingen**, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315a (1) HGB are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the consolidated financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not lead to any reservations.

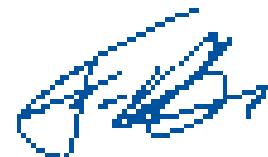
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and, as a whole, provides an accurate view of the Group's position and suitably presents the opportunities and risks of future development

Stuttgart, March 3, 2017

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Schupeck
German Public Auditor



Barth
German Public Auditor

Annual Financial Statements

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Balance sheet as of December 31, 2016

USU Software AG, Möglingen

ASSETS	Note	31.12.2016 EUR thousand	31.12.2015 EUR thousand
A. NON-CURRENT ASSETS	(1)		
I. Intangible assets			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		101	133
II. Property, plant and equipment			
Other equipment, operating and office equipment		20	37
III. Financial assets			
1. Shares in affiliated companies		39,716	39,916
2. Loans to affiliated companies		0	1,100
		39,716	41,016
		39,837	41,186
B. CURRENT ASSETS			
I. Receivables and other assets	(2)		
1. Trade receivables		142	0
2. Receivables from affiliated companies		9,125	8,412
3. Other assets		773	154
		10,040	8,566
II. Securities			
Other securities		3,014	3,014
III. Cash on hand and bank balances		1,888	2,924
		14,942	14,504
C. PREPAID EXPENSES		56	56
		54,835	55,746

Balance sheet as of December 31, 2016

USU Software AG, Möglingen

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2016 EUR thousand	31.12.2015 EUR thousand
A. SHAREHOLDERS' EQUITY			
I. Subscribed capital	(3)	10,524	10,524
II. Capital reserve		13,645	13,645
III. Unappropriated surplus		7,594	8,314
		31,763	32,483
B. PROVISIONS			
1. Tax provisions		16	552
2. Other provisions	(4)	1,120	1,176
		1,136	1,728
C. LIABILITIES	(5)		
1. Trade payables		94	82
2. Liabilities to affiliated companies		21,589	21,072
3. Other liabilities		253	381
		21,936	21,535
		54,835	55,746

Income Statement

for the fiscal year from January 1 to December 31, 2016

USU Software AG, Möglingen

	Note	2016		2015	
		EUR thousand	EUR thousand	EUR thousand	EUR thousand
1. Revenue	(8)		1,323		-
Other operating income	(9)		1,728		1,899
3. Cost of materials:					
a) Cost of purchased goods		-44			-
b) Cost of purchased services		-6	-50		-
4. Personnel expenses					
a) Wages and salaries		-2,287		-1,748	
b) Social security, pensions and other benefit costs (of which in respect of pensions: EUR 42 thousand; previous year: EUR 42 thousand)		-228	-2,515	-150	-1,898
5. Amortization of intangible assets and depreciation of property, plant and equipment			-95		-84
6. Other operating expenses	(10)		-2,644		-1,878
7. Cost of loss absorption	(11)	-167		-615	
8. Income from profit transfer agreements	(11)	6,338		8,373	
9. Other interest and similar income (of which in respect of affiliated companies: EUR 0; previous year: EUR 8 thousand)		66		32	
10. Write-downs of non-current financial assets	(12)	-400		-	
11. Interest and similar expenses (of which in respect of affiliated companies: EUR 325 thousand; previous year: EUR 399 thousand)		-326	5,511	-401	7,389
12. Income taxes			-295		-538
13. Earnings after taxes/ net profit for the period			2,963		4,890
14. Profit carried forward from the previous year			4,631		3,424
15. Unappropriated surplus			7,594		8,314

Notes to the annual financial statements for the 2016 fiscal year

USU Software AG, Möglingen

A. GENERAL INFORMATION

USU Software AG is entered in the commercial register of the Stuttgart District Court under HRB 206442 and is domiciled at Spitalhof, 71696 Möglingen, Germany.

The single-entity financial statements of USU Software AG were prepared in accordance with sections 242 ff. and 264 ff. of the German Commercial Code (HGB) in the version amended by the German Accounting Directive Implementation Act (BilRUG) and the relevant provisions of the German Stock Corporation Act (AktG). As a listed company, USU Software AG is considered a large corporation within the meaning of section 267 (3) sentence 2 HGB.

The statement of profit or loss has been prepared using the nature of expense method set out in section 275 (2) HGB.

To reflect international practice, the operating taxes reported in other taxes in the previous year (EUR 3 thousand) are instead reported in other operating expenses for the first time. The prior-year figures have been restated accordingly.

The single-entity financial statements for the 2016 fiscal year were prepared in accordance with BilRUG for the first time. The resulting extension of the definition of sales means that other operating income has been partially reclassified to sales. As a result of this and other adjustments resulting from BilRUG, comparability with the prior-year figures in the statement of financial position and the statement of profit or loss is limited.

The following table shows the effects of the transition to BilRUG on the prior-year figures:

	2015 published EUR thsd.	Re- classifications due to BilRUG EUR thsd.	2015 (restated) EUR thsd.
Revenue	0	890	890
Other operating income	1.899	- 890	1.009

All figures are shown in thousands of euro (EUR thousand) unless otherwise stated.

B. ACCOUNTING POLICIES

As in the previous year, the single-entity financial statements were prepared in accordance with the following accounting policies.

Non-current assets are measured at acquisition cost (plus incidental costs), less scheduled depreciation, amortization, and write-downs.

For intangible assets and property, plant and equipment with limited useful lives, amortization and depreciation is generally determined using the rates permitted for tax purposes. Amortization/depreciation is calculated on a straight-line basis.

With regard to financial assets, shares in affiliated companies are carried at the lower of cost or market. Write-downs are recognized for permanent impairment.

Receivables and other assets are carried at their nominal value.

Any existing default risks are taken into account by recognizing appropriate valuation allowances.

Securities were recognized at acquisition cost in accordance with section 253 (4) HGB, using the principle of the lower of cost or market.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. They are recognized in the amount dictated by prudent business judgment. Provisions with remaining terms of more than a year are measured at present value and discounted at an interest rate in line with the terms of the provisions. Cost increases which are expected to have a future impact until the obligation has been fulfilled are taken into account. Provisions for variable components of remuneration for employees, including the USU Software AG Management Board, are based on the Management Board's individual opinion regarding the respective level of target achievement, taking into account the contractually agreed targets.

Liabilities are carried at their settlement amount.

Receivables and liabilities in foreign currencies are translated at the rate in effect on the transaction date. Gains/losses from exchange rate fluctuations are included in short-term receivables and liabilities in accordance with section 256a HGB by revaluation at the middle spot exchange rate at the end of the reporting period. For long-term receivables and liabilities in foreign currencies, the prudence and imparity principles are observed on the reporting date.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with section 274 HGB. Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting and taking into account the existing tax loss carryforwards. The Company has not exercised the option of utilizing deferred tax assets (section 274 (1) sentence 2 HGB). Deferred tax assets are measured using the Company's own tax rate (as at December 31, 2016: approximately 28.6%).

Subject to examination by the tax authority, the Company had corporate tax loss carryforwards in the amount of EUR 35,456 thousand and business tax loss carryforwards amounting to EUR 34,832 thousand at the end of the reporting period.

Deferred taxation, taking into account deferred taxes from taxable entities with subsidiaries, relates exclusively to tax loss carryforwards.

C. NOTES TO THE BALANCE SHEET

1. Non-current assets

The development of the individual items of non-current assets and depreciation and amortization for the fiscal year are shown in the statement of changes in non-current assets (annex to the single-entity financial statements).

Disclosures on participations

USU Software AG holds 100% of the shares in the following companies: The information on equity and net profit represents the amounts recognized in accordance with the respective national accounting standards:

	Shareholders' equity Dec. 31, 2016 in EUR thousand	Net profit/loss 2016 in EUR thousand
USU AG, Möglingen	20,958	6,557
LeuTek GmbH, Leinfelden-Echterdingen ¹⁾	1,380	1,815
Omega Software GmbH, Obersulm ¹⁾	970	259
Openshop Internet Software GmbH, Möglingen ¹⁾	-773	-1
Aspera GmbH, Aachen ¹⁾	300	4,265
B.I.G. Social Media GmbH, Berlin ¹⁾	1,706	-166
USU Consulting GmbH, Sursee, Switzerland	43	-12
Aspera Technologies Inc., Boston, USA	-2,033	-515

¹⁾ Net profit before/equity after profit transfer to USU Software AG

The following wholly-owned participations are held indirectly via USU AG, Möglingen.

	Shareholders' equity Dec. 31, 2016 in EUR thousand	Net profit/loss 2016 in EUR thousand
USU Software s. r. o., Brno, Czech Republic	1,010	139
USU (Schweiz) AG, Zug, Switzerland	-36	-5
USU Austria GmbH, Vienna, Austria	-616	48

2. Receivables and other assets

As in the previous year, all receivables and other assets have a remaining term of less than one year. Receivables from affiliated companies are attributable to profit transfers from subsidiaries in the amount of EUR 6,306 thousand and a short-term loan in the amount of EUR 1,897 thousand; the remaining amount relates to services.

3. Subscribed capital

The share capital of the Company reported as subscribed capital is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

Authorized capital

By resolution of the Annual General Meeting of July 18, 2012, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 5,261,885.00 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 17, 2017 (Authorized Capital 2012). Shareholders must be granted subscription rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the amount of the share capital attributable to the new shares does not exceed 10% – neither on the effective date nor on the date of exercise of this authorization – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category already traded on the stock exchange at the time of the final determination of the issue price. The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to shares issued or sold during the term of the Authorized Capital 2012 excluding shareholders' subscription rights pursuant to sections 71 (1) no. 8 sentence 5 and 186 (3) sentence 4 of the German Stock Corporation Act (AktG) and to the pro rata amount of the share capital that relates to option and/or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2012 in analogous application of section 186 (3) sentence 4 AktG.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of non-cash capital increases, particularly for the acquisition of participations, companies, or assets – as well as for exchanging shares – and in the case of mergers.

The shares may also be acquired by one or more banks or a company operating in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to the shareholders for subscription.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from authorized capital 2012, including the content of share rights and the conditions for the issuing of shares.

Contingent capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may be used only for

granting options to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2016.

4. Other provisions

Other provisions primarily include the cost of obligations under company law in the amount of EUR 208 thousand and bonus payment obligations totaling EUR 565 thousand.

5. Liabilities

Type of liability	Total		Remaining term up to 1 year		Remaining term up to 1-5 years	
	31.12.2016 EUR thsd.	31.12.2015 EUR thsd.	31.12.2016 EUR thsd.	31.12.2015 EUR thsd.	31.12.2016 EUR thsd.	31.12.2015 EUR thsd.
Trade payables	94	82	94	82	0	0
Liabilities to affiliated companies	21,589	21,072	464	7,662	21,125	13,410
Other liabilities (of which from taxes)	253 (134)	381 (161)	253 (134)	381 (161)	0 (0)	0 (0)
	21,936	21,535	811	8,125	21,125	13,410

Liabilities to affiliated companies primarily relate to loan liabilities and are secured in the amount of EUR 21,125 thousand by a global assignment of receivables.

6. Contingent liabilities

USU Software AG is jointly and severally liable for fulfilling the obligations arising from USU AG's rental agreement for the Spitalhof business premises.

Based on USU AG's current liquidity situation and sustained earnings power, the Management Board has reason to believe that there is no risk of the above contingent liabilities being utilized.

Furthermore, USU Software AG has provided a letter of comfort for Openshop Internet Software GmbH, Möglingen as well as for USU Consulting GmbH, Sursee, Switzerland (affiliated companies). Under the terms of these letters of comfort, USU Software AG, Möglingen, undertook to manage these subsidiaries in the 2016 and 2017 fiscal years and to provide them

with the necessary financial resources to fulfill their obligations. USU Software AG also subordinated all of its receivables from Openshop Internet Software GmbH, Möglingen, in the amount of EUR 779 thousand.

The Management Board assumes that there is no concrete risk of the contingent liabilities being utilized. The Company does not have any active business operations. It has sufficient cash and

cash equivalents to fulfill its existing payment commitments to third parties. USU Software AG's existing receivables were recognized in full as at the end of the reporting period.

7. Other financial commitments

As at the end of the reporting period, other financial commitments amounted to EUR 378 thousand. They were broken down as follows:

	due in 2017 EUR thousand	due in 2018 EUR thousand	due in 2019 or later EUR thousand	Dec. 31, 2016 Total EUR thousand	Dec. 31, 2015 Total EUR thousand
Operating leases					
Buildings	69	66	145	280	190
Office equipment	3	2	0	5	8
Cars	58	27	8	93	71
Total (nominal amount)	130	95	153	378	269

Transactions not recognized in the statement of financial position in the field of operating leases primarily relate to building rentals, vehicle leases and rental agreements for office equipment including IT hardware. These contracts constitute a financing alternative with which a liquidity and equity commitment and the transfer of significant economic risks can be avoided. Furthermore, planning and calculation security exists with regard to lease conditions that have been agreed for the term. One risk lies in the possibility that the items assumed may not be freely available in the case of a lack of utilization.

D. NOTES TO THE INCOME STATEMENT**8. Sales**

Sales in the amount of EUR 1,323 thousand primarily result from services for Group companies (EUR 1,047 thousand) and consulting services for third parties (EUR 276 thousand). They are generated almost exclusively in Germany.

9. Other operating income

This item contains prior-period income of EUR 274 thousand (2015: EUR 194 thousand) and income from currency translation of EUR 146 thousand (2015: EUR 0).

10. Other operating expenses

This item contains expenses from currency translation of EUR 10 thousand (2015: EUR 0) and other taxes of EUR 3 thousand (2015: EUR 1 thousand).

11. Income from profit transfer agreements/ expenses from loss absorption

The Company entered into a profit transfer agreement with Openshop Internet Software GmbH on March 2, 2000, and profit and loss transfer agreements with Omega Software GmbH on May 19, 2005, LeuTek GmbH on December 29, 2006 and Aspera GmbH on May 31, 2012, which were amended slightly in 2014 in view of tax requirements. USU Software AG entered into a profit and loss transfer agreement with B.I.G. Social Media GmbH on May 6, 2015. Under these agreements, the participating companies are required to transfer all of their profits to USU Software AG during the contractual term. Transfers to distributable reserves are permitted only with the approval of USU Software AG. In exchange, USU Software AG undertakes to offset every net loss incurred during the contractual term that cannot be offset by way of withdrawals from distributable reserves recognized during the same period.

Accordingly, the profit generated by LeuTek GmbH, Aspera GmbH, and Omega Software GmbH in the 2016 fiscal year was transferred to USU Software AG in line with the profit and loss transfer agreement concluded. The loss reported by Openshop Internet Software GmbH and B.I.G. Social Media GmbH in their single-entity financial statements was absorbed by USU Software AG.

12. Write-downs of non-current financial assets

This item contains write-downs of the shares in B.I.G. Social Media GmbH to their lower fair value. These represent extraordinary expenses for the fiscal year.

E. OTHER DISCLOSURES**13. Supervisory Board**

In the 2016 fiscal year, the Supervisory Board consisted of:

Udo Strehl, Chairman

Managing Director of AUSUM GmbH, Möglingen
Chairman of the Supervisory Board of USU AG, Möglingen

Günter Daiss, Vice Chairman

Managing Director of Daiss Agrar, Hungary
Managing Director of Green Kft., Hungary
Vice Chairman of the Supervisory Board of USU AG, Möglingen

Erwin Staudt,

Management consultant, Leonberg
Member of the Supervisory Board of Grenke AG, Baden-Baden
Member of the Board of Directors of Hahn Verwaltungs-GmbH, Fellbach
Member of the Board of Directors of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen

Total compensation of the Supervisory Board

The compensation paid to the Supervisory Board contains a fixed and a variable component. In the 2016 fiscal year, the fixed component amounted to EUR 85 thousand, while the variable component amounted to EUR 51 thousand.

14. Management Board

Bernhard Oberschmidt

(Chairman of the Management Board)

Bernhard Böhler

Dr. Benjamin Strehl

Total compensation of the Management Board

The total compensation paid to the Management Board in the 2016 fiscal year was EUR 1,026 thousand. Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2016 fiscal year.

15. Auditor's fees

Information on auditor's fees in accordance with section 285 no. 17 HGB can be found in the consolidated financial statements of USU Software AG.

16. Employees

An average of 19 people were employed by the Company during the 2016 fiscal year (2015: 10).

17. Group affiliations

USU Software AG is the parent of the companies contained in the list of participations. These are defined as the affiliated companies of USU Software AG. In accordance with section 315a (1) HGB, USU Software AG prepares the consolidated financial statements in accordance with IFRS for the smallest and the largest consolidated group. The consolidated financial statements and the Group management report are published in the electronic Bundesanzeiger (Federal Gazette) and can also be obtained on request from USU Software AG, Möglingen. They are also made available on USU Software AG's website at <http://www.usu-software.de>.

18. Events after the reporting date

On January 5, 2017, the Company acquired 100% of the shares in unitB technology GmbH, Berlin, an internationally oriented full-service agency for digital communications and IT.

With its 35 employees, unitB technology generated sales of EUR 3.6 million and an operating earnings margin of over 10% in 2015. The company's portfolio ranges from digital strategic consulting and service and UX design through to the realization of complex web portals, apps and intranets. Its particular strength lies in the systematic combination of strategy, creativity and IT technology. By establishing state-of-the-art digital solutions, unitB technology is laying the foundations for effective, customer-centered online communications and the optimization of its customers' digital transformation processes. Major companies from the banking, insurance and healthcare sectors in particular, including the Volksbanken and Raiffeisenbanken, direct line, FIDUCIA & GAD IT and Bayer, are already employing unitB technology's solutions with success. Thanks to unitB technology's digital consulting and UX expertise and state-of-the-art technical solutions, the acquisition adds important key components to USU's product and service range.

The cash purchase price includes a fixed and a variable component and will amount to between EUR 4,003 thousand (basic purchase price) and EUR 4,503 depending on future performance. The variable component of up to EUR 500 thousand is based on the EBIT of unitB technology GmbH for the 2016, 2017 and 2018 fiscal years. Incentives for the management of unitB technology GmbH have also been agreed in the amount of up to EUR 600 thousand.

19. Declaration on the German Corporate Governance Code in accordance with section 161 AktG

On December 13, 2016, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at <http://www.usu-software.de>. Further information

on the declaration of conformity can be found in the Management Report on the Company and the Group in these single-entity financial statements.

20. Appropriation of net profit

The Management Board proposes using the unappropriated surplus as of December 31, 2016 in the amount of EUR 7,594 thousand as follows:

- to pay a dividend of EUR 0.40 per share for 10,523,770 shares, amounting to a total of EUR 4,210 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 3,384 thousand to new account.

Möglingen, March 3, 2017
USU Software AG



Bernhard Oberschmidt
Chairman of the Management Board



Bernhard Böhler
Member of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

Statement of changes in fixed assets in the 2016 fiscal year

USU Software AG, Möglingen

	1.1.2016 EUR thousand	Acquisition/production cost		31.12.2016 EUR thousand
		Additions EUR thousand	Disposals EUR thousand	
I. Intangible assets				
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	226	16	0	242
II. Property, plant and equipment				
Other equipment, operating and office equipment	296	30	13	313
III. Financial assets				
1. Shares in affiliated companies	41,627	200	0	41,827
2. Loans to affiliated companies	1,100	0	1,100	0
	42,727	200	1,100	41,827
	43,249	246	1,113	42,382

	Cumulative depreciation and amortization			Carrying amounts		
	1.1.2016 EUR thousand	Additions EUR thousand	Disposals EUR thousand	31.12.2016 EUR thousand	31.12.2016 EUR thousand	31.12.2015 EUR thousand
	93	48	0	141	101	133
	259	47	13	293	20	37
	1,711	400	0	2,111	39,716	39,916
	0	0	0	0	0	1,100
	1,711	400	0	2,111	39,716	41,016
	2,063	495	13	2,545	39,837	41,186

Auditor's Report

We audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report of the **USU Software AG, Möglingen**, for the business year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law (and supplementary provisions of articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § [Article] 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

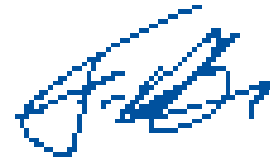
In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 3, 2017

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

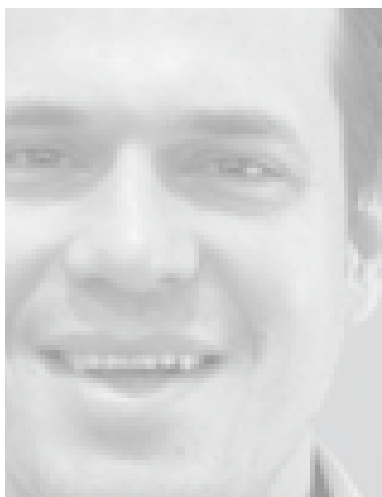


Schupeck
German Public Auditor

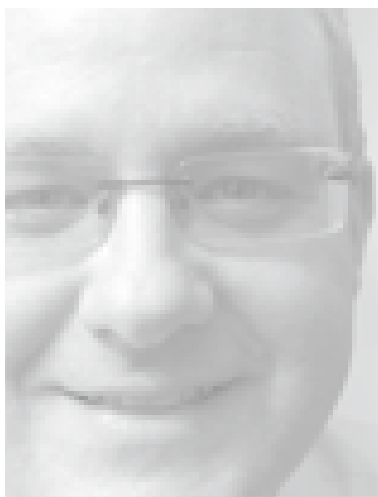


Barth
German Public Auditor

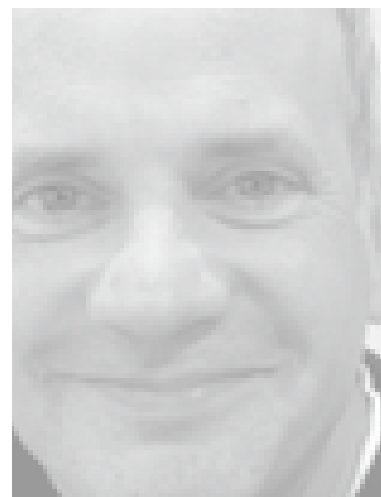
Management Board and Supervisory Board



Dr. Benjamin Strehl,
Member of the
Management Board



Bernhard Oberschmidt,
Chairman of the
Management Board



Bernhard Böhler,
Vice Chairman of the
Management Board



Udo Strehl,
Chairman of the
Supervisory Board



Günter Daiss,
Vice Chairman of the
Supervisory Board



Erwin Staudt,
Member of the
Supervisory Board

Financial Calendar

Financial calendar of 2017*

May 24, 2017 Publication three months' statement 2017

July 04, 2017 Annual General Meeting, Ludwigsburg

August 30, 2017 Publication six months' statement 2017

September 06, 2017 7. ZKK (Zurich capital market conferenz)

September 08,-10, 2017 13. IR-Fahrt 2017, Rüttbauer Research

November 23, 2017 Publication nine months' statement 2017

November 27,-29, 2017 German Equity Forum

** These are preliminary dates for the 2017 fiscal year.*

Any changes will be published on the Company's website at www.usu-software.de

Christian

» I simply sent in an
unsolicited application.«

Christian, born in 1981, has been with us since 2009. A computer science graduate, he knows that his discipline would like nothing better than to run the world with algorithms. But it can be even more rewarding to place your faith in whatever fate may have in store – although sometimes coincidences can also be carefully planned. After completing his studies, the son of a pastor simply took a chance and send in an unsolicited application. Just like that. All we can say is: **That's good for us.**

Glossary

AktG

Abbreviation for Aktiengesetz (German Stock Corporation Act).

Deferred tax assets/liabilities

Income tax to be received/paid in the future resulting from differences between the financial statements and the tax base.

App

Abbreviation for application. This term refers to any type of application software. However, it usually describes applications for smartphones and tablet computers.

Aspera

Abbreviation for Aspera GmbH. Aspera is a subsidiary of USU Software AG. As a highly specialized solutions provider for software license management, Aspera operates in a rapidly growing market segment. Aspera's product portfolio includes the → *SmartTrack* product, which is oriented towards the premium market.

Aspera Technologies

Abbreviation for Aspera Technologies Inc. Aspera Technologies is a subsidiary USU Software AG and was formed in Boston, USA, in 2012. The aim of the company is the sale, maintenance and implementation of USU solutions such as → *SmartTrack* in the USA.

Asset monitoring

See: Monitoring.

Audit

In the area of software license management, an audit refers to the inspection of the use of software on the customer's premises. Usage and purchased software licenses are examined in particular.

Adjusted EBIT

Adjusted EBIT describes the earnings before interest and taxes of USU Software AG not relating to → *IFRS* and adjusted for non-recurring acquisition-related effects.

BIG

Abbreviation for BIG Social Media GmbH. An international provider of → *SaaS* solutions in the area of → *social media* management, BIG is a subsidiary of USU Software AG. With its innovative product → *BIG CONNECT*, BIG helps customers to identify, manage and successfully utilize developments in social media.

Big data

Big data describes the use of large volumes of data from various sources with high processing speed in order to generate economic benefit. Big data is defined on the basis of four characteristics: data volume, the variety of data sources, the speed of data production and the rising number of users that wish to exploit the potential of big data using analysis.

BIG CONNECT

Software product of the Group subsidiary → *BIG* used for → *social media* management.

GDP

Abbreviation for gross domestic product. GDP is used to measure the economic performance of an economy within a specific period. It measures the monetary value of all goods and services produced domestically. Real GDP refers to GDP adjusted for price developments. The rate of change in real GDP serves to measure the economic growth of an economy.

BMWi

Abbreviation for Bundesministerium für Wirtschaft und Energie (German Federal Ministry for Economic Affairs and Energy).

Bot

This term comes from the English word "robot". A bot is a computer program that performs repetitive tasks largely autonomously.

Gross income

Sales less cost of sales.

Chat

This term has been adopted to describe real-time electronic communication, typically on the Internet.

Chatbots

A chatbot is a software system that responds automatically to text prompts by human users. It acts as a virtual assistant, responding to user search requests for flights, prices, hotels and rental cars.

Cloud

See: Cloud computing.

Cloud computing

Refers to → *IT services* that can be obtained in the Internet "cloud". Users no longer need to buy the required hardware or software or install and maintain them on-site, but instead can flexibly obtain the desired services via the Internet and use them as a service when needed.

CMDB

Abbreviation for configuration management database. Information about all → *IT* equipment and resources is managed in this database, such as PCs and their software and hardware components, contracts, etc. Unlike conventional → *IT asset management* databases, the mutual dependencies of the managed objects are also shown.

Compliance

Commitment by a company and its managers to observe the rules prescribed by the law, shareholders or the Supervisory Board, including various ethical aspects of the corporate philosophy. The aim is to avoid a negative image and prevent cases of liability or actions for damages.

Ye-Sie

» I know it probably sounds really corny,
but home is wherever I lay my hat.«

Ye-Sie, born in 1989, has been with us since 2014. She and her parents moved from South Korea to Germany in 1994. She grew up here, went to school here, went to university here. And her path took her via Würzburg, Düsseldorf and Mönchengladbach to Aachen – and to us. **That's good for us.**

Configuration management

Configuration management provides the necessary information about the IT infrastructure and services for → [IT service management](#). Constantly updated and historical information about configuration items (CIs) is available in the configuration management database (→ [CMDB](#)).

Corporate governance

Describes the responsible management and controlling of a company with a view to long-term value creation. Key standards are compiled by the Government Commission for the German Corporate Governance Code and consolidated in the German Corporate Governance Code.

DAX

Abbreviation for the Deutscher Aktienindex (German Stock Index). As the most important stock index in Germany, the DAX reflects the development of the 30 largest companies with the strongest growth that are listed on the Frankfurt Stock Exchange.

Destatis

Abbreviation for the German Federal Statistical Office.

D&O insurance

Abbreviation for directors' and officers' liability insurance. D&O insurance is a property damage liability insurance for bodies such as the Management Board, Supervisory Board or senior managers of a company.

Directors' dealings

Reportable securities transactions conducted by the managers of a listed company in accordance with section 15a → [WpHG](#).

EBIT

Abbreviation for earnings before interest and taxes.

EBITDA

Abbreviation for earnings before interest, taxes, depreciation and amortization.

EBT

Abbreviation for earnings before taxes.

Equity ratio

The ratio of shareholders' equity in the statement of financial position to total assets. The higher a company's equity ratio, the lower its debt-to-equity ratio.

Facebook

A social network operated by the US company of the same name, Facebook Inc.

Gartner

Abbreviation for Gartner Inc., a US market research company.

GEISER

A project supported by the → [BMW](#) with the aim of creating intelligent services for various areas of application. Examples include intelligent parking space searches in major cities.

Goodwill

Goodwill is an intangible asset resulting from the acquisition of business operations and capital consolidation.

HGB

Abbreviation for Handelsgesetzbuch (German Commercial Code).

IFRS

International Financial Reporting Standards are designed in particular to ensure that accounting methods and disclosures in financial statements are internationally comparable and to improve confidence in the financial markets and investor protection.

Impairment test

An impairment test is used to examine non-current assets in order to identify whether the recognition of an impairment loss is necessary. Instead of amortization, impairment testing is performed at least once a year for the → [goodwill](#) reported in the consolidated statement of financial position in accordance with → [IFRS](#) 3, among other things. Impairment testing can result in either the confirmation of the reported goodwill or in an impairment loss that serves to reduce net profit for the period.

ISIN

Abbreviation for International Securities Identification Number. The ISIN is a twelve-digit international identification number for securities that allows a security traded on the stock market to be clearly identified.

IT

Abbreviation for information technology.

IT analytics

This term describes the overarching analysis, monitoring and controlling of information from all relevant → [IT service management](#) systems and → [ITIL](#)® processes.

IT asset management

Comprises the automated management of all IT components and their relationships over the entire lifecycle, including all financial, procurement-related and contractual information.

ITIL®

IT infrastructure library – a collection of expert methodical principles to optimize → [IT service processes](#). ITIL was developed by the CCTA (Central Computer and Telecommunications Agency) in the late 1980s based on practical experience. It constitutes a manufacturer-independent set of rules that describe a systematic procedure for the introduction, operation and management of → [IT](#) and its services. ITIL defines processes, functions, roles, responsibilities and design elements that form the basis and requirements for efficient and effective IT operations.

Andrej

» I have been here since October 2016. But it feels like I've never been anywhere else.«

Andrej, born in 1995, has been with us since 2016. More specifically, the computer scientist works for LeuTek as part of a team that delves deep into the technology behind the software. Which might be precisely why they appreciate the human side of things. The fact that he was a national math champion in his schooldays is something he only mentions in passing. He finds it far more important to keep expanding his specialist expertise. But that's something his colleagues take care of every day. **That's good for us.**

IT service

Provision of one or more technical or non-technical systems (hardware, software, employees) required to conduct business processes.

ITSM

Abbreviation for → *IT service management*.

IT service management

The sum of all tried and tested measures and methods that are required to achieve the best possible support for business processes by means of the IT organization. IT service management describes the transition of → *IT* towards customer and service orientation while taking into account economic objectives. By integrating organization-wide knowledge into the company's core processes with a view to creating value, USU also offers its customers the potential to further optimize and operate their business processes in a cost-efficient manner using a consistent basis of information.

Knowledge database

Knowledge databases are special databases for knowledge management. They provide the basis for gathering information. Organizations use them to make their ideas, solutions, articles, processes, user guides and other content available to all authorized parties. Knowledge databases require carefully structured classifications, formatted content and user-friendly search functions.

Knowledge management

A summary term for all strategic and operational activities and management tasks aimed at handling knowledge as effectively as possible.

Deferred taxes

See: Deferred tax assets/liabilities.

LeuTek

Abbreviation for LeuTek GmbH. LeuTek is a subsidiary of → *USU* Software AG. It is a software company that develops and distributes standard software in the field of → *systems management*, such as the internally developed → *ZIS-System* software.

License metrics

License metrics describe how license requirements for software usage are measured. Typical metrics include the number of installations, the number of users, the duration of usage etc.

Monitoring

Describes the monitoring of operations on individual computers, servers or entire data centers.

myCMDB

The current product suite of the subsidiary → *OMEGA*. With myCMDB, the → *USU* Group offers a standard software solution in the field of → *IT service management* for SMEs and public administrations.

OMEGA

Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. It primarily performs services and distributes products such as the → *myCMDB* product suite.

Prime Standard

Admission and market segment of the Frankfurt Stock Exchange for companies wishing to position themselves internationally. Prime Standard companies are required to meet strict international transparency requirements that go far beyond the minimum statutory requirements for the regulated market.

Proof of concept

Describes evidence of a software manufacturer's viability in the context of a market evaluation. This generally relates to the development of a prototype with the required core functionality.

Release

Describes the finished and released version of a piece of software. This involves a change in the version name, typically an increment in the version number.

Root cause analysis

Root cause analysis is one of the key tools of business management. It includes the identification of errors, their causes and the statistical evaluation of this data, which is followed by evaluation and the derivation of error prevention measures.

SaaS

Abbreviation for → *software as a service*.

SAM

Abbreviation for → *software asset management*.

Self-service

Provides users with easy, intuitive access to the solution to their inquiry or problem. This simplifies and accelerates processes and increases user satisfaction.

Service level agreement

Describes the measurable description of an IT service to be rendered, including the level of quality to be achieved and the measurement parameters to be applied.

SLA

Abbreviation for → *service level agreement*.

Roland

» We are basically all individualists –
with kind hearts.«

Roland, born in 1963, joined us in 2006. The physician, who works as a developer at Aspera, sees himself and his colleagues as a "cool bunch". A group of people who are allowed to show their human side. For example, he occasionally picks up his trusty baritone saxophone and spontaneously plays "Happy Birthday" to mark USU's 40th anniversary. Whether solo or in a big band, he is a master of both kinds of performance. **That's good for us.**

SmartTrack

Software license management solution of the Group subsidiary → **Aspera** ensuring audit-proof adherence to → **compliance** guidelines concerning the use of software licenses and the realization of extensive cost savings through license optimization. Customers who use SmartTrack save a large proportion of their expenditure on software licenses and can demonstrate compliance at all times.

Social media

This term encompasses a wide range of media, including Facebook, Twitter and various specialized forums. Social media allows users to exchange views and create media content individually or as a community. In this respect, it is an everyday communication and information medium that is becoming increasingly important for companies, from marketing and sales to the acquisition of new employees.

Software as a service

Describes the flexible, scalable provision of software as a service on the Internet. Customers can use the required software via the Internet as required and no longer have to install it locally. In this respect, SaaS constitutes a sub-area of → **cloud computing**.

STEP

A project supported by the BMWi with the aim of automating processes in technical customer service to the greatest possible extent. Examples include integrated spare parts ordering in the ERP system or optimal route planning for service trips.

Systems management

The centralized administration, monitoring, visualization, automation and management of all systems and processes of a company or group that are required for IT operations.

unitB technology GmbH

A subsidiary of → **USU** since January 2017. unitB technology is a full-service agency specializing in digital media and IT that develops IT and marketing solutions for corporate websites, product marketing and customer communications. It supplements the Group portfolio in areas such as USU portal solutions.

USU

Abbreviation for the entire USU Group, i.e. the parent company USU Software AG and its subsidiaries, including USU AG, → **Aspera**, → **Aspera Technologies**, → **BIG**, → **LeuTek**, → **OMEGA** and → **unitB technology GmbH**. The USU Group has strategically positioned itself on the market for → **IT** and knowledge management software.

USU KnowledgeCenter

USU AG's modular web-based product suite for the provision of information in knowledge-intensive business processes. USU KnowledgeCenter's patented technology has received numerous awards.

USU - U Step Up

USU's career model aimed at the continuous development and training of its workforce.

Valuation

USU's Valuation product suite supports organizations by providing comprehensive modular solutions for operational → **IT service management** and enterprise service management.

Loss carryforward

The transfer of tax losses to future fiscal years in order to offset them against future profits.

Visualizer

A function for the clear graphical presentation of data and information.

WKN

Abbreviation for Wertpapier-Kenn-Nummer (German Securities Code Number). The WKN serves to clearly identify securities in Germany. As part of the global standardization of securities identification, the WKN has been superseded by the International Securities Identification Number or → **ISIN**.

WpHG

Abbreviation for Wertpapierhandelsgesetz (German Securities Trading Act).

XETRA

Abbreviation for the exchange electronic trading system of the Frankfurt Stock Exchange.

ZIS / ZIS-System

Software product of the Group subsidiary → **LeuTek** for the monitoring, visualization, automation and controlling of all systems and processes required for IT operations.

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