ANNUAL REPORT 2004

USU SOFTWARE AG

Contents

SUPERVISORY BOARD REPORT

Dear shareholders,

An eventful financial year is now over. For USU Software AG and the Group it was a highly important year in which the Group first broke even and then went on to generate net income. In the course of the financial year, the Supervisory Board remained in close contact with the Management Board and observed the functions required according to legislation and the articles of association in a comprehensive manner. The Management Board reported regularly on the development and situation of USU Software AG and the Group, including the risk situation and risk management as well as all key business transactions and projects. On its part, the Supervisory Board advised and monitored the Management Board and was directly involved in all decisions of material importance. After detailed examination and discussion, the Supervisory Board approved all legal transactions requiring its approval.

In the nine ordinary and two extraordinary meetings of the Supervisory Board, the focus was business development and planning as well as the asset, financial and earnings situation of USU Software AG and of the Group. Other specific issues were the special distribution by USU Software AG and the change in the shareholder structure as a result of a large share package in the Company being acquired by Udo Strehl Private Equity GmbH (USPEG) and the consequent mandatory offer to all shareholders in the Company. Furthermore, risk management at USU Software AG and the Group was discussed as was the implementation of the German Corporate Governance Code. On 13 December 2004, the Management Board and Supervisory Board issued the annual Declaration of Compliance in line with section 161 of the German Stock Corporation Act and made it permanently available on the Company’s homepage.

As of 31 October 2004, Markus Kress and Werner Preuschhof retired from the Supervisory Board. I wish to thank both of them for their commitment and energetic support in restructuring USU Software AG as a software and solution company. The businessmen Günter Daiss and Erwin Staudt were appointed by court as new members of the Supervisory Board on 2 November 2004.

As the Supervisory Board is composed of three members, no committees were established in the 2004 financial year. In line with the resolution of the Annual General Meeting, the Supervisory Board appointed Ernst & Young AG Wirtschaftsprüfungsgesellschaft as auditors for the 2004 financial and at the same time coordinated the focus of the audit for the 2004 financial year. Ernst & Young AG Wirtschaftsprüfungsgesellschaft audited the 2004 annual financial statements prepared in line with HGB, including the accounting, the IFRS 2004 consolidated financial statements and the management report on the Company and the Group for the period from 1 January to 31 December 2004 and granted an unqualified audit opinion.

The Supervisory Board was presented with the Management Board's documentation for the annual financial statements, including the consolidated financial statements and the management report on the Company and the Group as well as the auditor's reports in a timely manner. Following examination and comprehensive discussion with the Management Board and the auditor at the accounts meeting of 7 March 2005, the Supervisory Board concurred with the result of the auditor and raised no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The annual financial statements are thereby adopted.

Furthermore the Management Board of USU Software AG issued its related parties report for the 2004 financial year in line with section 312 of the German Stock Corporation Act. Ernst & Young AG Wirtschaftsprüfungsgesellschaft audited the report and granted 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,
2) the Company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Supervisory Board also examined the report, concurred with the result of the audit by Ernst & Young AG Wirtschaftsprüfungsgesellschaft and raised no objections against the report of the Management Board on related parties.

On behalf of the entire Supervisory Board, I wish to thank the members of the Management Board, the management and the employees of USU Software AG and its subsidiaries for their tireless commitment and loyalty. It is only with their active involvement and high commitment that the Company and the Group reached the targeted profitability in the 2004 financial year.

Möglingen, 7 March 2005

Udo Strehl
Chairman of the Supervisory Board

Management Report and Group Management Report for 2004
USU Software AG, Möglingen

Notes on the accounting treatment

In anticipation of the conversion of the accounting system to IFRS, which will be mandatory as at December 31, 2005, the USU Group (USU Software AG and its subsidiaries) converted its accounting system to IFRS as at December 31, 2004. The resulting changes from US-GAAP are shown in the Notes to the consolidated financial statements. All figures in the management report refer to the consolidated financial statements as per IFRS.

Economic development. According to research by the Arbeitsgemeinschaft deutscher wirtschaftswissenschaftlicher Forschungsinstitute e.V. (Working Group of German Economic Research Institutes), the global economy registered an upturn in 2004. This was primarily due to an above-average increase in economic production in East Asia and in North and Latin America as a consequence of strong demand from abroad, strong investment momentum and more private consumption. According to forecasts by the ifo Institut, gross domestic product in these regions rose by well over 4 % in 2004 as a whole. By and large the economic recovery in the Euro zone strengthened but it was essentially export driven. In Germany too, any economic impetus came primarily from strong exports while domestic demand continued to grow slowly. With macroeconomic growth of 1.8 % in the euro zone and 1.7 % in Germany, economic growth may have been better than the previous year according to ifo's figures but compared internationally growth remained below average.

Development of the industry. The recovery in the global economy was accompanied by an increase in demand for information technology. In this connection, the postponement of future-driven investments and the deferral of modernization and replacement investment from previous years have led to an urgent need to modernize corporate IT departments. According to research by the European Information Technology Observatory (EITO), the Western European IT market alone achieved growth of 2.3 % in 2004, following two years of falling market volumes. According to information from the Bundesverband Informationswirtschaft, Telekommunikation und Neue Medien e.V. (BITKOM – German Association for Information Technology, Telecommunications and New Media), the German market for information technology also overcame the poor growth of recent years and achieved growth of 1.9 % in 2004 following a fall of 2.1 % in the previous year.

Business development. In fiscal 2004, the USU Group achieved a positive consolidated result for the first time in its corporate history. In addition to the structural changes that were completed in 2003 and the resultant reduction in the cost base, progress in operating business also led to a significant improvement in results and thus to the Group breaking even. In this connection, the company reported a marked improvement in the utilization of consulting capacity in both Business Solutions and IT-Controlling over the course of 2004 so that it had to recourse to additional freelance staff. In this area the Group profited primarily from companies' increasing willingness to invest in information technology once more. On the other hand, sustained price competition both in consultancy and products continued to depress the sales margin. While license business failed to meet original expectations in full in this respect, license income again did rise slightly compared with the previous year. In the reporting period, partner business proved to be satisfactory. In addition to several orders from German-speaking countries, the first successes were recorded in Italy and the Czech Republic.

Development of sales and results. In fiscal 2004, the USU Group achieved group sales of EUR 18,686 k (PY: EUR 19,059 k). The fall in sales compared with the previous year is due primarily to weaker orders since the end of 2003 combined with falling market prices for IT products and services. By contrast, numerous orders for projects were generated in the course of 2004, which led to an increase in sales revenue in the second half of the reporting year.

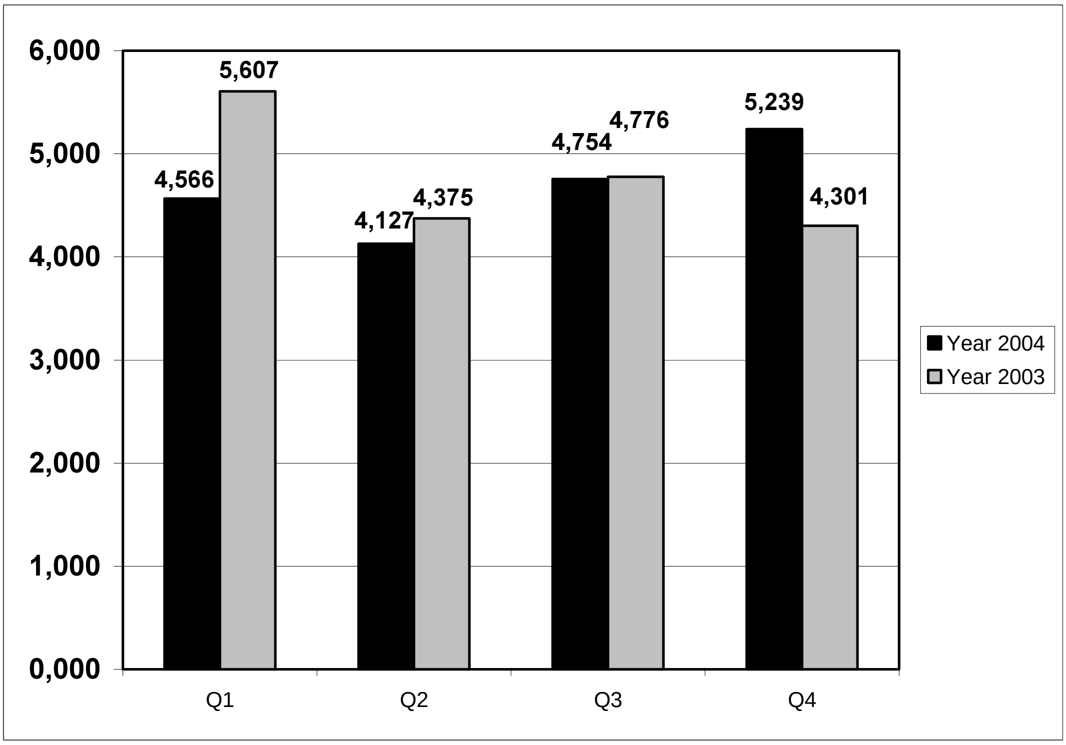

Diagram: Quarterly sales development for fiscal years 2004 and 2003 as per IFRS in EUR k

Of the group sales 72.6 % (PY: 72.6 %) was attributable to consulting business, 13.8 % (PY: 12.0 %) to license business and 10.2 % (PY: 10.6 %) to maintenance income. The remaining sales proceeds of 3.4 % (PY: 4.8 %) mainly comprise merchandise.

In fiscal 2004, sales attributable to Business Solutions amounted to EUR 10,210 k (PY: EUR 10,884 k). As a consequence of the under-utilization of consultants in the previous year, consulting staff capacity in this segment had already been reduced at the end of fiscal 2003 as part of the group wide restructuring measures. In the course of the reporting year, these measures in conjunction with new orders for solutions and projects led to a marked increase in the productive utilization of consulting staff to the end of the reporting period. This segment's knowledge-driven solution business proved to be particularly successful. IT-Controlling increased sales in comparison with the previous year to a total of EUR 8,516 k (PY: EUR 8,334 k). Consulting and service business had a positive impact on this segment as increasing use was made of freelance staff in addition to internal staff. While license and maintenance business failed to meet original expectations in full, pleasingly several orders were generated through the existing network of partners.

Compared with the previous year, the cost of sales fell by EUR 599 k to EUR 12,569 k (PY: EUR 13,168 k). This figure includes staff costs of EUR 5,675 k (PY: EUR 6,558 k) as well as fees for freelance staff and material costs totaling EUR 6,894 k (PY: EUR 6,610 k). Accordingly gross income from sales totaled EUR 6,117 k (PY: EUR 5,891 k).

Operating costs and goodwill. Group wide sales and marketing expenditure was cut by EUR 1,340 k to EUR 2,881 k (PY: EUR 4,221 k) in fiscal 2004. In the reporting period, pro rata staff costs for marketing and sales totaled EUR 1,832 k (PY: EUR 2,700 k). The cost of materials amounted to EUR 1,049 k (PY: EUR 1,521 k), including advertising costs as well as the costs of trade fairs and promotional events totaling EUR 446 k (PY: EUR 542 k). In addition to reinforcing partner management, sales were concentrated in a central department for both Business Solutions and IT-Controlling. In addition, marketing activities were focused on direct marketing combined with a targeted approach to customers through individual events.

Compared with the previous year, general and administrative expenditure fell by EUR 757 k to EUR 2,006 k (PY: EUR 2,763 k). The pro rata staff costs amounted to EUR 1,448 k (PY: EUR 1,885 k) and reflect the reduction in staff in central departments compared with the previous year. Savings in investor relations, legal and consulting costs, in commissioning external service providers as well as one-off tax effects contributed to the reduction in cost of materials from EUR 878 k to EUR 558 k.

Expenses in research and development declined by EUR 625 k to EUR 2,574 k (PY: EUR 3,199 k). In this functional area, the USU Group has a very low-cost and efficient development company with its Czech subsidiary USU Software s.r.o. In the reporting period, the pro rata staff costs stood at EUR 1,813 k (PY: EUR 2,280 k). The cost of materials amounted to EUR 761 k (PY: EUR 919 k) and includes depreciation on hard and software. The net figure for other income and expense stood at EUR 49 k (PY: EUR 105 k).

In the reporting period, the impairment test required under IFRS showed that the goodwill reported had retained its value in full and consequently there was no need to write down goodwill in fiscal 2004.

Development of earnings. The lower cost base, together with a stabilization in operating business, led to a marked improvement in the USU Group's operating income to EUR -1,295 k (PY: EUR -8,884 k). Earnings before interest, taxes and depreciation (EBITDA) amounted to EUR -633 k (PY: EUR -3,465 k). If write-downs on fixed assets and on goodwill in the previous year totaling EUR 662 k (PY: EUR 5,419 k) are included, earnings before interest and taxes (EBIT) stood at EUR -1,295 k (PY: EUR -8,884 k). The interest income of EUR 1,719 k (PY: EUR 1,930 k) was mainly due to investing the Group's financial assets in predominantly short-term interest-bearing investments. In the reporting period, interest income proved to be lower than in the previous year because of the fall in interest rates over the period combined with the need to reinvest securities as they matured. If account is taken of taxes on income and earnings of EUR 162 k (PY: EUR -65 k) the USU Group generated a post-tax profit of EUR 262 k (PY: EUR -6,870 k), which is the first annual net profit at Group level.

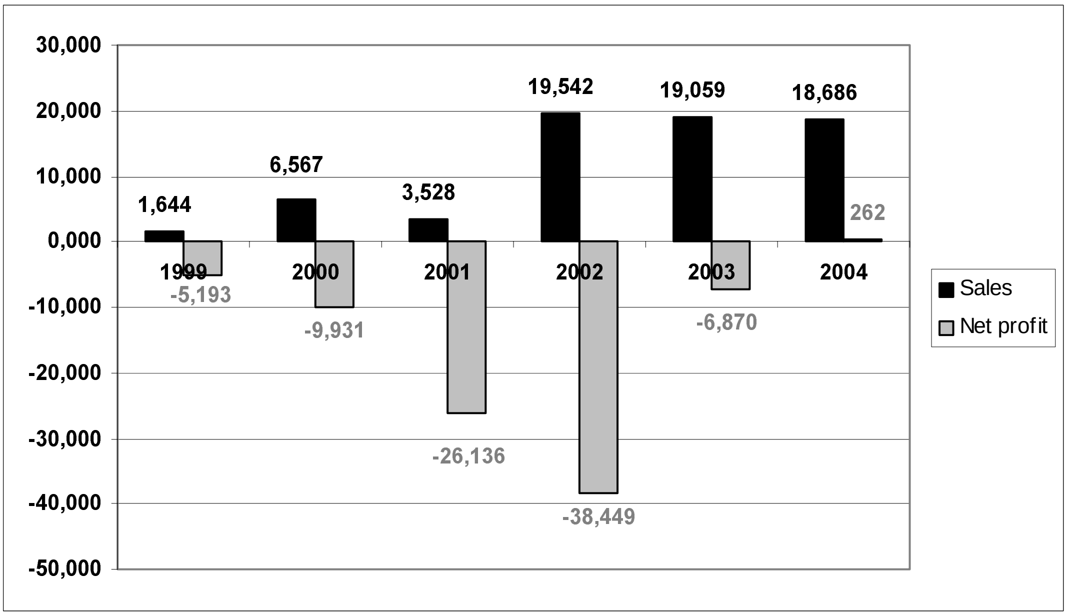

Diagram: Development of sales and earnings since 1999 in EUR k
(fiscal years 1999 - 2002 as per US-GAAP, fiscal years 2003 - 2004 as per IFRS)

With an average number of shares of 8,551,643 (PY: 8,497,778), earnings per share in fiscal year 2004 amounted to EUR 0.03 (PY: EUR -0.81), with the previous year's figure being adjusted to reflect the amalgamation of shares at a ratio of 2:1.

Assets and financial situation. The Group's capital structure was changed as part of USU Software AG's special distribution to shareholders and the capital measures associated therewith. Shareholders' equity was reduced following the conversion of part of the capital reserves into share capital and the reduction in share capital to EUR 33,145 k (December 31, 2003: EUR 67,125 k) required for the special distribution. In this connection the company's share capital was reduced to EUR 8,605,593 (PY: EUR 17,211,186), combined with the amalgamation of the shares of USU Software AG at a 2:1 ratio. In addition, the balance sheet loss by USU Software AG was netted off with the capital reserve within shareholders' equity.

As a consequence of the cash distribution fixed by law, the disbursement amount required of EUR 34,206 k was reported as a liability within other provisions and liabilities, which increased external capital to EUR 40,310 k (PY: EUR 8,160 k). With a balance sheet total of EUR 73,455 k (PY: EUR 75,285 k), this signifies a reduction in the equity ratio as at December 31, 2004 to 45.1 % (PY: 89.2 %). Following payment of the special distribution on February 18, 2005, the equity ratio will be back to well above 80 %.

Receivables and other assets declined to EUR 7,951 k (PY: EUR 9,105 k). While trade receivables rose slightly to EUR 4,613 k (PY: EUR 4,291 k), income tax claims fell sharply to EUR 1,831 k (PY: EUR 3,402 k). This is mainly due to the reimbursement of tax prepayments.

As part of the company's special distribution, fixed-interest securities had to be sold previous to maturity. In this connection, the balance sheet item had to be liquidated entirely and reclassified as short-term assets. As a result, securities held as current assets totaled EUR 40,088 k (PY: EUR 5,622 k) as the end of fiscal year 2004. If cash and short term investments totaling EUR 7,771 k (PY: EUR 7,656 k) are included, total cash and investments stood at EUR 47,859 k (PY: EUR 47,841 k) as at December 31, 2004 and were consequently slightly up on the figure for the previous year.

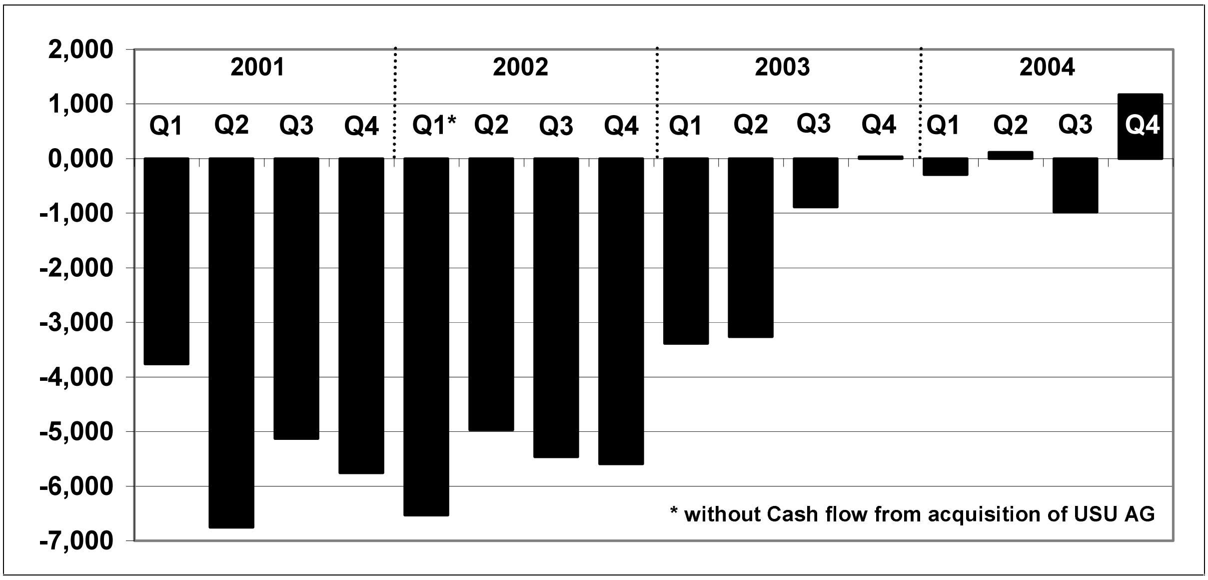

Diagram: USU Group inflows and outflows in EUR k (with reference to cash and investments) (fiscal years 2001 - 2002 as per US-GAAP, fiscal years 2003 - 2004 as per IFRS)

Cash flow and investments. In fiscal 2004, the USU Group achieved a positive cash flow from ordinary business operations of EUR 620 k (PY: EUR -5,674 k) thanks primarily to the improvement in the consolidated result. In the reporting period, cash flow from investment activities contributed EUR -440 k (PY: EUR 278 k) and primarily reflects investments in fixed assets and intangible assets, the majority of which were in replacing hardware and in software licenses. Cash flow from financing activities of EUR -65 k (PY: EUR 1,051 k) is the result of direct cash expenditure in connection with the special distribution by USU Software AG.

In total the USU Group posted an increase in cash of EUR 115 k (PY: EUR -4,345 k) to EUR 7,771 k (PY: EUR 7,656 k) in the reporting period.

Order development. As at December 31, 2004, the USU Group's orders on hand were at the level of the previous year at EUR 4,448 k (PY: EUR 4,475 k). The year-end order book shown on the reporting date shows the USU Group's future sales based on binding contracts that are already in place. It primarily comprises project related orders as well as maintenance agreements. Fluctuations within the year resulted primarily from the project-specific, seasonal situation that longer-term projects expired at the year-end and have not yet been fully covered by new or follow-up projects. A rise in incoming orders was evident at the beginning of 2005 and in this respect there was an escalating revival in the order situation.

Cooperations. The USU Group's network of partners was successfully extended in fiscal 2004. For example, new cooperations were concluded in IT-Controlling with Qualysoft and LANDesk via the subsidiary USU AG and in Business Solutions with intelligent views. A partnership was also agreed with Red Hat in the Czech Republic via the group subsidiary USU Software s.r.o.

The Qualysoft Group will market USU IT-Controlling products in Austria and Hungary on the basis of a project and reseller agreement. In addition to marketing the Valuemation product platform, Qualysoft will also carry out all services. As a result, the USU has expanded its market presence in Austria and simultaneously created the conditions for a market entry on the Hungarian IT market.

With the integration of the system management products of LANDesk software in the Valuemation product platform, the USU Group has expanded its portfolio with products to create an inventory of hardware and software, to distribute software and exert remote control. The LANDesk products will now be marketed under the USU Valuemation System Management Suite label.

The cooperation with intelligent views is aimed primarily at collaborating at a technical level in Knowledge Business. Both USU and intelligent views use semantic networks as basic technology for their applications and are market leader in the Knowledge Management growth market with a total of 250 customers and over 50,000 users. Through the combination of the complementary intelligent systems USU KnowledgeMiner and K-Infinity, both partners can deploy he most comprehensive Knowledge Management solution currently on the market.

The USU Group cooperates with the world's leading provider of Open Source and Linux solutions, Red Hat Inc., via the Czech development company USU Software s.r.o. The Czech group subsidiary in Brno has established a development team on behalf of Red Hat, developing exclusively for Red Hat. USU Software s.r.o. will also provide the complete IT infrastructure. The company operates two development centers with more than 50 employees in total in the Czech Republic at the plants in Brno and Prostejov, where the core USU products Valuemation and KnowledgeMiner are developed.

Research and development. In the fiscal year 2004, USU Software AG continued to focus its research and development activities on the Group's goals in both its segments. In Business Solutions the focus was primarily on the market launch of the USU KnowledgeMiner 4. The new version, which includes core functionalities based on the experience gained from various customer projects, was presented to both existing clients and large numbers of potential buyers at several roadshows. The USU KnowledgeMiner 4 guarantees rapid and context-related access to stored knowledge in all popular file formats. Apart from simple full text searches, the USU application also supports searches by category or data field and natural speech searches. The USU KnowledgeMiner has already been awarded prizes on numerous occasions. In IT-Controlling, development of version 2.3 of the Valuemation product suite was concluded as planned. This version was released on July 1, 2004. Valuemation offers all core products and modules needed to present, administer and manage the entire IT assets of a company or group and to allocate the costs involved per user on one platform. In this field, research and development work is now concentrated on developing version 3.0 of Valuemation, which will be launched on the market in the second quarter 2005.

As a result of concentrating the Group's software development activities in the Czech subsidiary USU Software s.r.o., research and development expenses fell in comparison to the previous year, amounting to EUR 2,574 k (PY: EUR 3,199 k) in the reporting period. All research and development expenses were expensed as in previous years and not capitalized.

Employees. As at December 31, 2004, the USU Group employed 189 staff group wide (PY: 212 staff). In essence, the fall in the headcount reflects the structural adjustments implemented within the Group in 2003. Broken down by functional unit, there were a total of 77 staff working in consulting and services, 61 employees in research and development, 27 employees in administration and finance and 24 employees in sales and marketing at the end of the fiscal year. Broken down by segment, the USU Group had 115 staff working in the IT-Controlling segment, 49 in Business Solutions and 25 in central administration and finance.

As in previous years, numerous training measures were carried out to improve employee qualifications. Apart from internal training sessions on professional issues such as strategic business process management, IT Infrastructure Library (ITIL) as well as the latest development technologies, various individual training sessions took place as required. In addition, the company wide Value Academy, USU Software AG's career plan and personal development model was continued as planned. Numerous staff events rounded off the range of measures to promote and motivate the USU Group's staff in the long term.

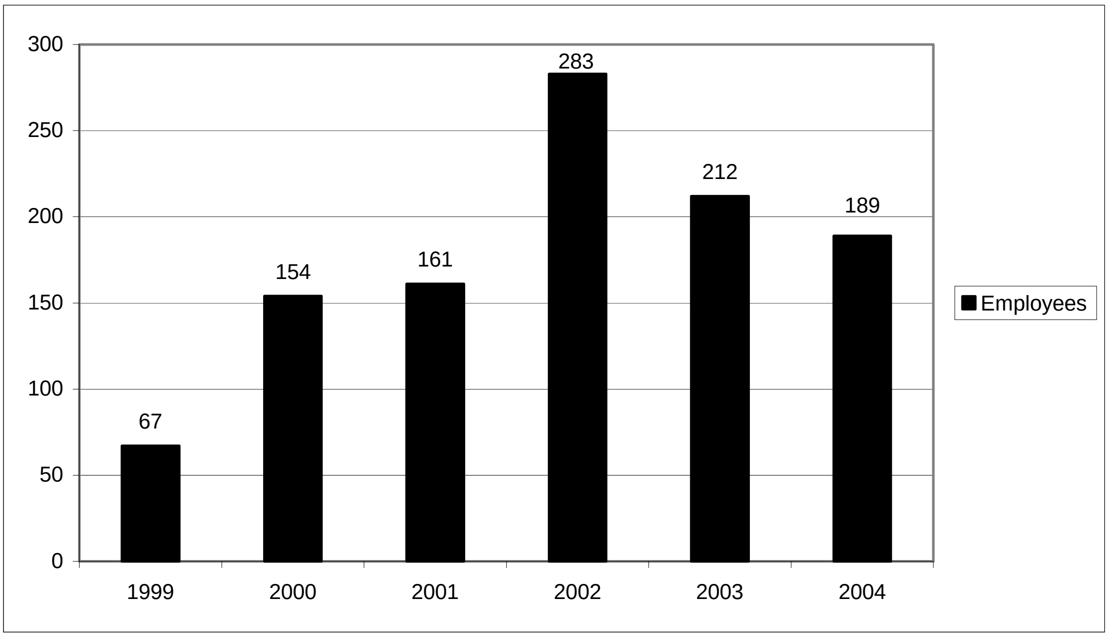

Diagram: The USU Group's employee development since 1999

Mandatory offer by Udo Strehl Private Equity GmbH. On June 8, Udo Strehl Private Equity GmbH (USPEG) announced that it had acquired 48.48 % of the company's shares and had acquired 71.97 % of the voting rights in USU Software AG because of a pool agreement with Mr. Udo Strehl. The founder of USU AG and current chairman of the Supervisory Board of USU Software AG, Udo Strehl, is also the majority shareholder is USPEG.

In accordance with the provisions of the Wertpapiererwerbs- und Übernahmegesetz (WpÜG = Securities Acquisition and Takeover Act) USPEG had to make a mandatory offer to all the shareholders in USU Software AG to acquire their shares. The mandatory offer by USPEG to the shareholders in USU Software AG was published on July 9 and ended on August 9, 2004. The offer price corresponded to the minimum price of EUR 3.36 per share calculated by the Federal Institute for Financial Services Supervision (BaFin) before the shares were amalgamated at a ratio of 2:1. The Management Board and Supervisory Board of USU Software AG promptly published their response to this mandatory offer on the company's home page under www.usu-software.de.

Changes in the Supervisory Board. With effect from October 31, 2004, the existing chairman of the Supervisory Board, Markus Kress, and the member of the Supervisory Board, Werner Preuschhof, retired from the Supervisory Board of USU Software AG. Their retirement was expected following the changes in the shareholder structure resulting from the takeover of the majority shareholding by Udo Strehl Private Equity GmbH.

The entrepreneurs Günter Daiss and Erwin Staudt were legally appointed as new members of the Supervisory Board. At its meeting on November 7, 2004, the Supervisory Board elected Udo Strehl as chairman and Günther Daiss as deputy chairman of the Supervisory Board.

Special distribution. On July 15, 2004, the Annual General Meeting of USU Software AG resolved among other things to make a special distribution from the existing capital reserve. In this connection, it was resolved to amalgamate the company's shares in a ratio of 2:1. The special distribution was set at EUR 2.00 per share previous to the amalgamation or EUR 4.00 per new share certificate post amalgamation.

These resolutions by the Annual General Meeting were registered in the company's entry in the Commercial Register on August 12, 2004. The district court published this entry on August 17, 2004. The provisions of company law stipulate a period of six months from this date to protect any creditors. The special distribution was paid immediately the six-month period expired on February 18, 2005.

The amalgamation of the 17,211,186 shares (before the reduction in the capital) in USU Software AG was carried out by the custodian banks and Clearstream Banking AG at a ratio of 2:1 after the stock exchange closed on August 31, 2004. For two shares with a notional share of the share capital of EUR 1 per share (ISIN DE0007804700), shareholders in USU Software AG received one converted share with a notional share in the share capital of EUR 1 also (ISIN DE000A0BVU28). Since September 1, 2004, the 8,605,593 converted shares have been traded on the Frankfurt stock exchange's regulated market (Prime Standard) and on the Baden-Württemberg stock exchange's regulated market (Gate-M).

USU Software share (WKN A0BVU2 // ISIN DE000A0BVU28). In 2004, share markets lacked sustained impetus to build on the sharp increase in prices of the previous year. In some cases the leading German indices, which were affected by a high degree of volatility over the course of the year, fell back to well below their level at the beginning of the year. At the year-end, share markets recovered once more, driven by incipient optimism regarding the economy based on strong export demand and positive news from companies. By and large the tech-based Technology All Share index (TECHALLSHARE) remained virtually unchanged in 2004 with an increase of 0.4 %, while the DAX put on 7.3 % in the same period. The USU Software share performed far better, recording an increase in value of 12.7 % in the period under consideration.

In 2004, movement in the company's share price was influenced significantly by the improvement in the USU Group's figures, the announcement of a special distribution, the publication of the mandatory offer by Udo Strehl Private Equity GmbH to shareholders in USU Software AG as well as the amalgamation of the shares in a ratio of 2:1 as part of the capital measures for the special distribution.

While the USU Software AG share price (adjusted for the split) stood at EUR 6.60 following the amalgamation of shares at the end of fiscal year 2003, the price rose to EUR 7.44 by December 31, 2004. The USU Software share continued to rise, due among other things to the imminent special distribution and the announcement of the takeover of OMEGA Software GmbH. On the date of the special distribution on February 18, 2005, the USU Software share (adjusted for the amount to be paid out of EUR 4.00 per share) was traded "ex capital repayment". On February 21, 2005, the date this Management Report and Group Management Report was fixed, the stock market price of the USU Software share stood at EUR 4.23 on the Xetra electronic trading system.

Since January 22, 2004, in addition to being listed on the Prime Standard segment of the Frankfurt stock exchange, USU Software AG shares have also been listed on the Gate-M segment of the Stuttgart stock exchange. The USU Software share is therefore listed in the TECHALLSHARE, PRIMEALL, CDAX segments and has also been listed in the German Entrepreneurial Index (GEX) since January 3, 2005. GEX is Deutsche Börse's new index for SMEs and contains all the companies listed in the Prime Standard, which are largely held by their founders, management boards or supervisory boards and which went public less than ten years ago. The GEX is therefore regarded as indicator for the growth in SMEs on the stock market.

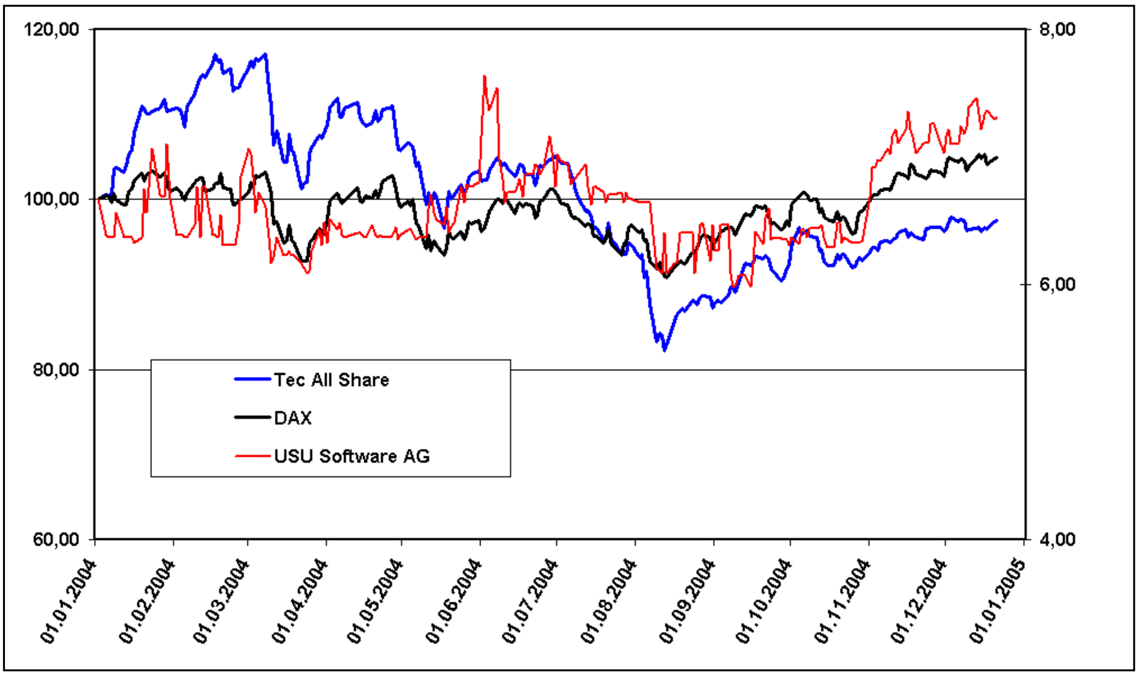

Diagram: Movement in the share price 2004 of USU Software AG-share

Events since December 31, 2004 – acquisition of OMEGA Software GmbH. With effect from February 16, 2005, USU Software AG acquired all the shares in OMEGA Software GmbH ("OMEGA"), Obersulm. For USU Software AG, the objective of the acquisition of OMEGA is expanding its target market and product range in the area of IT-Controlling, especially in the public sector and for SMEs. In addition to the Federal Labor Office and the German Aerospace Center, OMEGA's customer base of over 120 customers includes Weleda AG, Peter Hahn GmbH, Heckler und Koch GmbH and Drees und Sommer AG.

In the 2003/04 fiscal year (October 1, 2003 to September 30, 2004), OMEGA generated sales of approximately EUR 2 million and a positive net result.

The overall purchase price for OMEGA will be a low seven digit-figure in euros and will contain a considerable success related portion. The purchase price is to be paid partly in cash and partly in shares in USU Software AG from a capital increase which is yet to be implemented.

Corporate Governance. Corporate Governance encompasses the essential standards for the transparent and value-oriented management and control of listed companies. These standards were worked out by the Government Commission on the German Corporate Governance Code and summarized as recommendations to be implemented in the Corporate Governance Code (the "Code"). The Code came into effect in 2002 and was amended in 2003.

Pursuant to Article 161 of the German Stock Corporation Act, the management board and supervisory board of a listed company must make an annual declaration as to how far these recommendations have been and will be complied with.

The Management Board and Supervisory Board of USU Software AG have made an emphatic commitment to implementing the major recommendations of the Code and submitted the corresponding declaration on December 13, 2004. As in the previous year, the significant points of the Code were and will be implemented with a few exceptions. There are no changes in the recommendations that have not been adopted in full compared with the previous year and these were discussed in detail in the 2003 annual report. Both the current declarations and those of previous years are available at any time on the homepage of the company under http://www.usu-software.de.

Development and situation of the USU Software AG.

All the figures that follow relate to the accounts of USU Software AG compiled in accordance with HGB.

Having divested itself of the software and trademark rates relating to its former eCommerce activities in fiscal 2003, USU Software AG concentrated primarily on participation transactions in the reporting period. As a result, the company did not generate any sales (PY: EUR 588 k). In this connection, the workforce went down to one (PY: two) employee as of December 31, 2004. Other operating income of EUR 634 k (PY: EUR 885 k) mainly contains income from writing back provisions and loss of sales tax liabilities as well as cost allocation within the Group companies.

As a consequence of business activities being concentrated on the acquisition and holding of participations, no material costs were incurred in fiscal 2004 (PY: EUR 541 k). Personnel expenses amounted to EUR 74 k (PY: EUR 81 k). Other operating expenses of EUR 839 k (PY: EUR 1,489 k) primarily relate to stock exchange costs and costs for investor relations, legal and consultancy fees and the cost of services purchased.

Net interest income including write-downs on securities amounted to EUR 1,358 k (PY: EUR 1,738 k) and results in essence from investing the company's resources in short-term capital investments. Overall, the profit for the year in fiscal 2004 totaled EUR 1,082 k (PY: EUR 1,116 k).

In fiscal 2004, there were fundamental changes in the balance sheet because of the special distribution resolved by the Annual General Meeting and the capital measures associated therewith.

On the liabilities side, shareholders' equity as of December 31, 2004 fell to EUR 22,656 k (PY: EUR 55,781 k) mainly due to the conversion of part of the capital reserves into share capital and the subsequent reduction in the share capital in order to make a cash distribution to the shareholders. In this connection, the share capital of USU Software AG was reduced to EUR 8,605,593 (PY: EUR 17,211,186) in conjunction with the amalgamation of the company's shares in a ratio of 2:1. The net loss was also netted off against the capital reserve within the item for shareholders' equity, which fell to a total of EUR 13,656 k (PY: EUR 103,770 k). At the same time, the amount required for the special distribution of EUR 34,206 k was reported as a liability within the item for other liabilities, which meant that external capital increased to EUR 35,196 k (PY: EUR 2,429 k).

Given a balance sheet total of EUR 57,852 k (PY: EUR 58,210 k) the equity ratio fell accordingly to 39.2 % (PY: 95.8 %) but it will return to roughly the level of the previous year once the special distribution is completed.

On the assets side, a reclassification of the securities held as fixed assets to be sold for the special distribution as current assets was also associated with the special distribution. Because the funds for the cash distribution fell due, securities held as fixed assets sank to EUR 21,616 k (PY: EUR 34,639 k), while securities held as current assets rose to EUR 15,981 k (PY: EUR 3,344 k).

The reduction in receivables and other assets from EUR 8,465 k in the previous year to EUR 4,479 k is primarily the result of the partial repayment of the loan of EUR 2,071 k granted to the Group subsidiary USU AG. The corresponding inflow of funds contributed substantially to the increase in liquid funds to EUR 5,588 k (PY: EUR 1,585 k).

In future, USU Software AG's focus on participation transactions will make the company very dependent on the performance of its subsidiaries, particularly USU AG. Attention is drawn to the Group risk report with regard to the risks associated therewith.

Report on links with associated companies and related parties. In line with Article 312 of the German Stock Corporation Act, the Management Board at USU Software AG submitted a related parties report with the following concluding declaration:

"We declare that our Company, in line with the circumstances which were known to us at the relevant point in time at which legal transactions were undertaken, received an appropriate counterperformance for each legal transaction. Measures detrimental to our Company were not taken."

Risk reporting. The USU Group's risk management system has proved its worth in fiscal 2004 and established itself as a central tool for the strategic management and monitoring of the company. It is integrated in the structural and process organization of USU Software AG and its subsidiaries to ensure Group wide risk awareness. In this connection, use the Group's internally developed software Valuemation Risk Manager offers the option of mapping risks within the Group individually.

The process of risk management begins with the identification and recording of relevant risks by the Management Board, the management team and the relevant department manager. Risks are documented and assessed with regard to the potential loss they may generate and the likelihood of their occurring.

A risk matrix visualizes and classifies the results and, depending on the risk classification inferred, specific strategies are then implemented to manage and tackle risk.

All activities are summarized in a risk report by the company's Risk Manager. On the basis of this report the Management Board and management team monitor risks continuously and advise the Supervisory Board regularly on risks that might pose a threat to the company's continued existence or which could have a considerable impact on the company and on changes to risks.
It is clear from the company's risk report that there are no risks that might pose a threat to the company's continued existence either currently or in the foreseeable future. Nevertheless, the Management Board of USU Software AG cannot guarantee that several risks whose cumulative impact might pose a threat to the company's existence might not impact on the assets, liabilities, financial position or results of operations of USU Software AG and its Group subsidiaries. Pursuant to the regulations of the Gesetz zur Kontrolle und Transparenz im Unternehmesbereich (KonTraG = Corporation Supervision and Transparency Act), the risks that are classified as grave as part of the risk management or which could have a material effect on the company's net assets, financial position or results or operations are listed below:

Market risks and competitive risks. USU Software AG operates as a software and IT company in a market which has changed dramatically in recent years when the economy has been sluggish. While the IT market in Western Europe achieved annual growth rates of up to 12.1 % up to 2000, growth slumped in subsequent years and was negative in 2002 and 2003. The market has recovered slightly since 2004 and the EITO estimates that it will put on 4.2 % again in 2005.

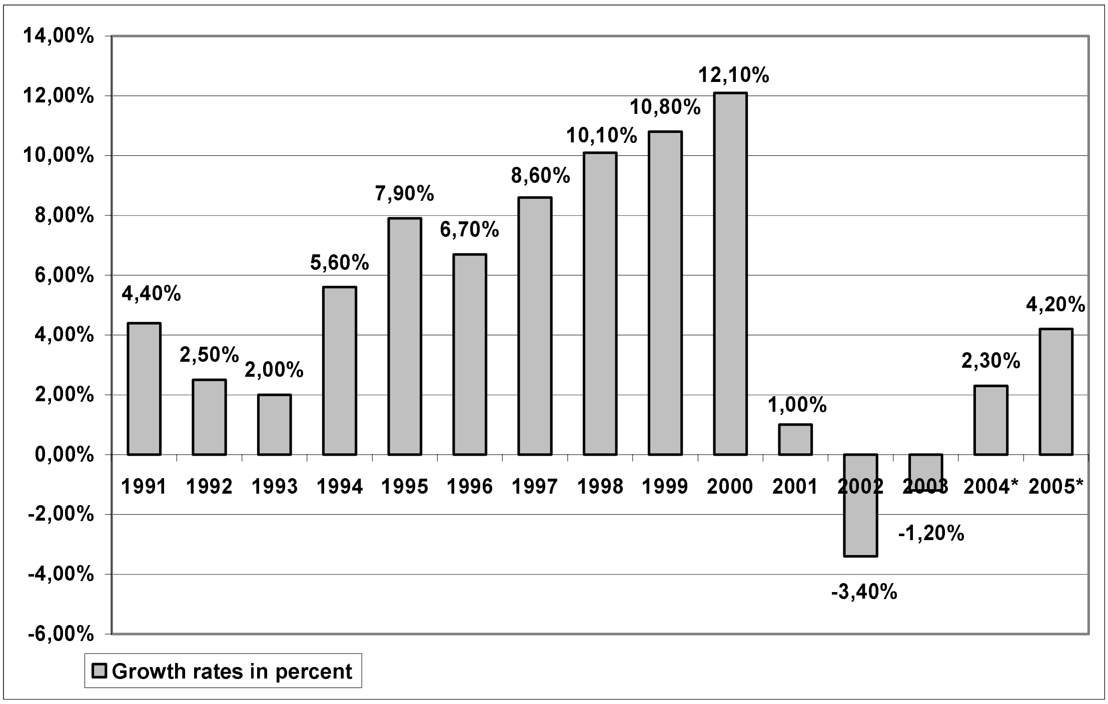

Diagram: Market for information technology in Western Europe

The sharp fall in demand since 2001 has led to increasing downward pressure on prices and a fight for survival. In addition, major software companies are trying to expand their own product range and open up new markets through diversification. Changing customer requirements are leading to ever-shorter innovation and development cycles. All this may impact adversely on the USU Group.

USU Software AG has reacted to these changes and restructured and refocused its operational business across the Group. In addition, the organizational structure has been geared to the changes in framework conditions. As a niche provider for knowledge driven solutions, the company is concentrating on promising future issues within information technology. Its long-standing relationships with and proximity to its customers also allow the USU Group to look at their respective problems more flexibly and provide more individual solutions.

Project experience and feedback from various customer events in the form of suggestions for improvements are rapidly incorporated in new releases of the company's own software products and solutions and thus form the basis for new and follow-up business in the future.
With these measures, USU Software AG was able to achieve the first annual net profit in fiscal 2004 since its foundation in 1998 and sees itself as well positioned to be able to operate successfully in the market in future.

Research and development risks. Increased competition and changing consumer attitudes have led to the necessity of reducing the development cycles for new product versions drastically in some cases and of including customer requirements in new releases very rapidly. At the same time, demands are increasing because of rapid, technological change.

To take account of this development, USU Software AG has combined its research and development activities in its own development company in the Czech Republic.
More than 50 employees work at continuously refining the Group's own software products in line with market developments and the demands of product management. The development process is rounded off with tests and quality management measures. Thanks to close contact with leading market analysts, any technical changes can be addressed rapidly. Thanks to its position at the cutting edge of technology, the USU Group also devises its own innovations to improve and extend its product portfolio.

Product, project-related and legal risks. The software developed and marketed by USU Software AG and software created individually as part of customer projects may, as with virtually any software, contain programming errors that may occur despite thorough checks and extensive tests. The resultant operational defects could lead to liability and warranty claims that may damage the USU Group.

The company's internally generated software is mainly used within the context of larger projects, where the company makes fixed, contractual commitments with regard to functionalities, development periods and project costs. There is a risk therefore that the planned timetable and cost estimates cannot be met because of product defects or defaults in performance, which in turn may lead to claims for damages by the client or a loss being made on the order in question. To avoid product and project risks of this kind, the USU Group has expanded and refined its internal quality management and project monitoring function. The Group is also covered by a third party liability insurance policy to minimize risk.

Personnel and management risks. The successful implementation of corporate strategy and the entrepreneurial success of USU Software AG and its subsidiaries depend to a significant degree on the performance of its professional staff and management. The company is therefore particularly reliant on highly qualified personnel 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 experts. This is why the promotion of employees as required is of major importance for the USU Group. Specific educational and training measures, a career and personal development model as well as numerous employee events also serve to bind professional and management staff to the company. A positive corporate culture also helps to attract and retain newly qualified employees.

IT risks. As a software and IT company, USU Software AG is particularly dependent on the long-term functionality and security of its computer center, its networks and the respective IT systems. A complete or partial breakdown of the IT infrastructure, as well as unauthorized access to the source codes of internally generated software products, to customer and project documentation or to other critical data could have a negative impact on the Group's performance. To avoid risks of this kind, an extensive risk prevention concept has been in place for several years to counter the IT risks facing the USU Software Group. This concept is integrated in the Group's risk management system.

Financial risks. Even after the special distribution, the USU Group has extensive financial resources for future investments, for potential acquisitions and to secure its operating business. These funds are currently deposited mainly in short-term investments to generate interest income. The Group is therefore exposed to the risk of a complete or partial loss of an investment or several investments. To limit the risk of financial loss, the Group therefore invests primarily in low-risk investments with short terms to maturity. It does not invest in speculative securities or shares.

Outlook and strategy. According to research by the ifo Institut, the global economy will continue its upward momentum in 2005. ifo is expecting real growth in the global domestic product (GDP) of 4.3 %. The most important growth regions will remain Asia and America. In the euro zone, growth in GDP of only 1.5 % is forecast for the current year. Apart from the sharp increase in the value of the euro and higher commodity prices, the relocation of production facilities abroad is continuing to lead to a lack of domestic investment. Growth in private consumption also remains very restrained. In 2005, Germany will also rank as one of the countries with the lowest growth in GDP. Despite indications of a revival in domestic demand, the upturn in business activity is expected to slow because of the slowdown in the growth of exports. German GDP is expected to grow by an average of 1.2 % in 2005.

According to forecasts by the European Information Technology Observatory (EITO), the IT market is expected to continue the positive trend of 2004 in the current year despite a slowdown in the economy as a whole. Accordingly the Western European market for information technology alone will record growth of 4.2 % in 2005, following an increase of 2.3 % in the previous year. This growth will be driven by the software and IT services segments in particular with growth of 5.6 % and 4.8 % respectively. According to forecasts by BITKOM, the German IT market should also report above average growth in 2005 with an increase in market volumes of 4.0 %.

Having achieved a net profit for the year, the Management Board expects the USU Group's positive performance to continue in fiscal 2005. With continuing strong utilization of consultancy services, the market penetration of the USU KnowledgeMiner 4 and the planned market launch of version 3 of Valuemation in spring 2005 should generate more growth in license business. At the same time, the Management Board expects to be able to provide a more efficient, integrated customer support service through the centralization of sales that was implemented at the end of 2004. The successes in partner business are to be gradually expanded in fiscal 2005.

OMEGA Software GmbH, which was acquired in February 2005, also offers additional opportunities for growth. OMEGA has specialized in SMEs and in the public sector and consequently extends the USU Group's target market ideally. The two companies complementary product ranges will be run under the joint umbrella "IT Management Solutions" in future. IT-Controlling will be renamed accordingly.

Taking account of the strategic measures listed and the positive forecasts for the IT market, the Management Board of USU Software AG is optimistic that it will be able to achieve a slight increase in Group sales and a further improvement in operating profits in fiscal 2005. The Group subsidiary USU AG will be the principal mainstay of sales.

USU Software AG alone will not generate many sales in fiscal 2005 and will concentrate primarily on the acquisition and holding of participations in other companies. As a result, the success of USU Software AG will be heavily dependent on the success of its subsidiaries. The company will also realize interest income with its existing holdings of cash and cash equivalents, which will, however, be far lower than in the previous year because of the special distribution on February 18, 2005. Overall the Management Board expects that USU Software AG will again achieve a net profit for the year in fiscal 2005. Taking account of the operating progress in the subsidiaries, a consolidated net profit is expected for the Group as a whole even without the interest income from the special distribution paid to shareholders. In the medium term, the Management Board plans to let USU Software AG shareholders participate in the Group's success in the form of a dividend payment.

Möglingen, February 21, 2005

Bernhard Oberschmidt
Spokesperson for the management board

USU Software AG, Möglingen
Consolidated Balance Sheet as of December 31, 2004 and 2003

A S S E T S

Assets

	Note	Dec. 31, 2004 EUR k	Dec. 31, 2003 EUR k
Non-current assets			
Intangible assets	10	1,187	1,555
Goodwill	11	14,938	14,926
Property, plant and equipment	12	410	373
Financial assets		0	270
Non-current investments	13	0	34,563
Other non-current assets		564	717
		17,099	**52,404**
Current assets			
Inventories		45	0
Work in process	14	501	498
Receivables and other assets			
Trade receivables	15	4,613	4,291
Income tax receivables	16	1,831	3,402
Other current assets	17	1,368	1,337
Prepaid expenses	18	139	75
Current investments	19	40,088	5,622
Cash on hand and bank balances	20	7,771	7,656
		56,356	**22,881**
		73,455	**75,285**

The following consolidated notes are an integral component of these consolidated financial statements

USU Software AG, Möglingen
Consolidated Balance Sheet as of December 31, 2004 and 2003

EQUITY AND LIABILITIES

Equity and liabilities

	Note	Dec. 31, 2004 EUR k	Dec. 31, 2003 EUR k
Equity	21		
Subscribed capital		8,606	17,211
Capital reserve		47,601	137,730
Treasury shares		-714	-714
Other comprehensive income		4	-25
Accumulated losses		-22,352	-87,077
		33,145	**67,125**
Non-current liabilities	22		
Pension provisions		**422**	**416**
Current liabilities			
Provisions for income taxes	23	122	73
Presonnel-related provisions and liabilities	24	1,751	1,523
Other provisions and liabilities	25	35,910	3,517
Payments on account	26	281	593
Liabilities to companies in which equity investments are held	27	0	267
Trade payables	28	1,056	921
Deferred income	29	768	850
		39,888	**7,744**
		73,455	**75,285**

The following consolidated notes are an integral component of these consolidated financial statements

USU Software AG, Möglingen
Consolidated Income Statement for Fiscal Years 2004 and 2003

	Note No.	2004 EUR k	2003 EUR k
Sales revenue	31	18,686	19,059
Cost of sales	32	-12,569	-13,168
Gross profit		6,117	5,891
Sales and marketing expenses	33	-2,881	-4,221
General administrative expenses	34	-2,006	-2,763
Research and development expenses	35	-2,574	-3,199
Impairments of goodwill	36	0	-4,416
Restructuring costs	37	0	-281
Other operating income and expenses, net	38	49	105
Profit/loss from ordinary operations		-1,295	-8,884
Losses from associates		0	-38
Other interest and similar income	39	1,719	1,930
Profit/loss before tax and minority interests		**424**	**-6,992**
Income taxes	40	-162	65
Net profit/loss before minority interests		**262**	**-6,927**
Minority interests		0	57
Net profit/loss for the year		**262**	**-6,870**
Earnings per shares (EUR)			
Basic and diluted		0.03	-0.81
Weighted average number of shares outstanding			
Basic and diluted		8,551,643	8,497,778

The following consolidated notes are an integral component of these consolidated financial statements

USU Software AG, Möglingen
Consolidated Cash Flow Statement for Fiscal Years 2004 and 2003

	2004 EUR k	2003 EUR k
Cash flow from ordinary operations:		
Net loss for the year before income taxes and interest income	-1,295	-8,865
Adjustments to reconcile the net loss for the year to expenses incurred for ordinary operating activities		
Minority interests	0	-57
Depreciation and amortization	662	952
Impairment losses	0	51
Impairment losses on goodwill	0	4,416
Other non-cash income and expenses	153	364
Income taxes paid	-107	43
Interest received	2,068	2,527
Change in working capital:		
Inventories	-45	0
Work in process	-3	-202
Trade receivables	-322	1,388
Prepaid expenses and other assets	1,347	-1,652
Trade payables	135	-1,103
Personnel-related provisions and liabilities and pension provisions	234	-2,421
Other provisions and liablilities	-2,207	-1,115
Net cash flow from operating activities	**620**	**-5,674**
Cash flow from investing activities		
Business acquisitions less cash and cash equivalents acquired	0	-2,466
Business acquisitions, subsequent acquisition cost	-12	0
Divestments less cash and cash equivalents disposed of	0	-20
Capital expenditure in property, plant and equipment	-266	-140
Capital expenditure in intangible assets	-84	-7
Sales of non-current assets	23	64
Sale of held-to-maturity securities	3,000	40,568
Sale of available-for-sale securities	321	1,635
Investments in held-to-maturity securities	0	-37,702
Investments in available-for-sale securities	-3,422	-1,654
Net cash flow from investing activities	**-440**	**278**
Cash flow from financing activities		
Repayments of convertible bonds	0	-94
Sale of treasury shares	0	1,145
Share repayments from reduction of capital	-65	0
Net cash flow from financing activities	**-65**	**1,051**
Net decrease/ increase of cash and cash equivalents	115	-4,345
Cash and cash equivalents at January 1	7,656	12,001
Cash and cash equivalents at December 31	7,771	7,656

The following consolidated notes are an integral component of these consolidated financial statements

USU Software AG, Möglingen

Consolidated Statement of Changes in Equity for Fiscal Years 2004 and 2003

	Subscribed capital		Capital reserve	Treasury shares	Acccumu-lated losses	Other comprehensive income: Currency Trans-lation	Other comprehensive income: Securities measured at fair value	Total
	No. of shares	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Consolidated equity at January 1, 2003	**17,211,186**	**17,211**	**137,730**	**-1,859**	**-80,207**	**-6**	**60**	**72,929**
Sale of treasury shares	0	0	0	1,145	0	0	0	1,145
Net loss for the year	0	0	0	0	-6,870	0	0	-6,870
Unrealized gains/losses on marketable debt instruments, net	0	0	0	0	0	0	-85	-85
Currency translation differences	0	0	0	0	0	6	0	6
Consolidated equity at December 31, 2003	**17,211,186**	**17,211**	**137,730**	**-714**	**-87,077**	**0**	**-25**	**67,125**
Capital increase	0	35,300	-35,300	0	0	0	0	0
Capital reduction	0	-43,905	9,699	0	0	0	0	-34,206
Share reduction at a ratio of 2 : 1	-8,605,593	0	0	0	0	0	0	0
Imputed costs from the capital reduction	0	0	-65	0	0	0	0	-65
Loss carryforward of USU Software AG offset against capital reserve	0	0	-64,463	0	64,463	0	0	0
Net profit for the year	0	0	0	0	262	0	0	262
Unrealized gains/losses on marketable debt instruments, net	0	0	0	0	0	0	16	16
Currency translation differences	0	0	0	0	0	13	0	13
Consolidated equity at December 31, 2004	**8,605,593**	**8,606**	**47,601**	**-714**	**-22,352**	**13**	**-9**	**33,145**

The following consolidated notes are an integral component of these consolidated financial statements

USU SOFTWARE AG, MÖGLINGEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR FISCAL YEARS 2004 and 2003

A THE COMPANY

The parent of the Group, USU Software AG has its registered offices in Spitalhof, 71696 Möglingen, Germany, and is registered in the commercial register of the district court of Ludwigsburg, Dept. B. no. 6442. USU Software AG and its subsidiaries (the "Group") develop and market holistic software solutions in two business segments – IT-Controlling for management and controlling of IT costs and Business Solutions for optimizing knowledge-intensive core processes within companies.
The Group comprises subsidiaries in Germany, Switzerland and in the Czech Republic. The Group also maintains a permanent establishment in Austria. The customers of the Group are mainly based in Germany in the fields of financial services, telecommunication, automobile and consumer goods, services and trade as well as the public sector.
The Company is listed in the Prime Standard" segment of the Frankfurt stock exchange as well as in the Gate-M" segment of the Baden-Württemberg stock exchange.
On June 8, 2004, USU Software AG was informed by Udo Strehl Private Equity GmbH ("USPEG"), Möglingen, that USPEG intends to offer all other shareholders of USU Software AG a mandatory bid pursuant to the provisions of the WpÜG ["Wertpapierhandelsgesetz": Securities Acquisition and Takeover Act] for acquisition of their shares. The offer was EUR 3.36 for each no-par value share. After expiry of the public offer, USPEG held 48.48 % of the voting rights in USU Software AG as of December 31, 2004.

B ACCOUNTING AND MEASUREMENT PRINCIPLES

1. Accounting policies

The consolidated financial statements of USU Software AG, Möglingen, were prepared for the first time according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London.

This involved observing all International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) applicable as of the balance sheet date and the corresponding interpretations of the IASB (International Financial Reporting Interpretations Committee (IFRIC) – formerly known as the Standing Interpretations Committee (SIC)). The financial statements of consolidated subsidiaries have all been uniformly prepared in accordance with IFRS.

Amendments to individual standards within the context of the Improvement Project of the IASB (including revisions of IAS 32 and IAS 39) were not considered. Of the IFRS standards released in fiscal year 2004:

- IFRS 2: Share-based Payment
- IFRS 3: Business Combinations
- IFRS 4: Insurance Contracts
- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6: Exploration for and Evaluation of Mineral Resources

only IFRS 2: Share-based Payment and IFRS 3: Business Combinations have been applied voluntarily in advance and retrospectively in accordance with IFRS 3.85 and in combination with the revised version of IAS 36: Impairment Tests and IAS 38: Intangible Assets. Reference is made to the comments under “Notes to the first-time application of IFRS”, “Consolidation principles” and “Stock-based compensation” with regard to the details.

The consolidated financial statements have been prepared in euro. All figures in the consolidated financial statements are stated in thousand euro (“EUR k”) except for per share figures. The balance sheet date is December 31.

The consolidated financial statements have been prepared on the basis of the historical cost convention apart from financial assets held-for-trading or classified as available for sale. These are reported at fair value.

First-time application of IFRS complies with IFRS 1 retroactively to January 1, 2003. The effects of transition as of January 1, 2003 were offset against equity without affecting profit in the IFRS opening balance sheet. Reference is made to the comments under "Notes on the first-time application of IFRS".

On February 25, 2005, the management board released the consolidated financial statements to the supervisory board.

2. Consolidation principles

The consolidated financial statements incorporate the financial statements of USU Software AG and all entities in which USU Software AG holds either directly or indirectly the majority of the voting rights. Equity investments in which the Company exerts significant influence but which it does not control, i.e. where the Company holds between 20 % and 50 % of equity, are accounted for as associates using the equity method.

Equity interests in subsidiaries are consolidated pursuant to IFRS 3 which replaced IAS 22 Business Combinations from March 31, 2004 onwards. USU Software AG applies the new standard in combination with IAS 36 (revised 2004) and IAS 38 (revised 2004) retrospectively with effect from January 1, 2003 as it had previously applied US-GAAP from January 1, 2002. US-GAAP contains conceptually similar accounting standards in the form of SFAS 141: Business Combinations and SFAS 142: Goodwill and Other Intangible Assets which have provided the Company with the information it needs to account for business combinations using purchase method accounting and to subject its intangible assets with indefinite useful lives and goodwill to an annual impairment test.

Equity interests in subsidiaries are consolidated using the purchase method. This method involves offsetting the acquisition cost of an investment against the percentage of equity acquired at the time of its foundation or acquisition.

The assets and liabilities acquired in the course of a business combination are measured at their fair value on the date of acquisition. Any debit difference remaining after offsetting is recorded as goodwill. If a business combination leads to a credit difference this is recognized immediately in profit or loss pursuant to IFRS 3.56.

Goodwill is subject to an annual impairment test and written down accordingly.

Intercompany sales, income and expenses and all intercompany receivables and liabilities and contingencies are eliminated.

3. Consolidated group

The Group is composed of USU Software AG and six German and foreign subsidiaries (2003: five subsidiaries). ValueSolution Software GmbH & Co. KG, Möglingen, which was consolidated at equity in the prior year was acquired in full during fiscal year 2004 in the course of a merger. This involved all shares in ValueSolution Verwaltungs-GmbH i.L. passing to the Group. Neither company has any active operations. This did not result in any material effects for the consolidated financial statements.
One other company was recognized at cost as in the prior year.

In addition to the parent, the following companies were consolidated:

Name and registered offices of the company	Equity investment in %	Subscribed capital EUR k	Equity Dec. 31, 2004 EUR k	Net income 2004 EUR k
USU AG, Möglingen	100.0	5,738	5,299	-795
Openshop Internet Software GmbH, Möglingen	100.0	40	-859	383
USU (Schweiz) AG, Zug, Switzerland	80.0	68	-367	-129
Gentner PROCommunication GmbH, Möglingen	100.0	51	-1,573	-5
USU Software s.r.o, Brno, Czech Republic	100.0	58	203	63
ValueSolution Verwaltungs-GmbH i.L., Möglingen	100.0	26	28	0

Quantum Solutions GmbH, Dortmund, in which the Company holds 30 % of the shares, was not consolidated, as insolvency proceedings were filed for this company and thus control can no longer be exercised. It was not possible to make any disclosures on equity and net income in this regard, as no up-to-date financial statements were available.

4. Currency and currency translation

Business transactions are generally translated at the exchange rate prevailing on the date of the transaction. Monetary items in foreign currencies are translated on every balance sheet date at their closing rates. Non-monetary items that are reported at their historical cost are translated at the rate as of the date on which the business transaction took place. Non-monetary items that are reported at their fair value are translated at the rate which was current at the time the fair value was derived. Differences arising from currency translations at closing rates have an impact on income.

The financial statements of consolidated entities prepared in foreign currency are translated on the basis of the functional currency concept using the modified closing rate method.

Consolidated foreign subsidiaries are viewed as being economically independent foreign entities because they are financially, economically and organizationally autonomous.

Corresponding to the functional currency concept, measurement is in local currency. Apart from equity, the balance sheet items in the financial statements of foreign subsidiaries are translated at the closing rate whereas the income statement is translated at the average exchange rate of the reporting year. All translation differences are reported under a reserve for currency translation under equity.

Goodwill and hidden reserves and burdens are translated at the historical rates prevailing on the date on which goodwill and hidden reserves were determined.

Translation of the financial statements of the most important subsidiaries not located in the euro zone into EUR was at the following exchange rates:

	Closing rate		Annual average	
Currency (= 1 EUR)	Dec. 31 2004	Dec. 31, 2003	2004	2003
Swiss francs (CHF)	1.5429	1.5608	1.5428	1.5543
Czech krone (CZK)	30.4640	32.3300	31.8780	31.8460

5. Use of significant estimates and assumptions

Preparation of the financial statements in compliance with IFRS requires the management board to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on balance sheet date and the reported amounts of revenues and expenses during the reporting period as well as the related disclosures in the notes to the financial statements. Actual results may differ from those estimates.

Areas requiring significant estimates include use of the percentage of completion method, allowance for doubtful debts, contingent liabilities, provisions for restructuring expenses and other provisions. In addition, significant estimates and assumptions are required to determine the fair value of the Company's property, plant and equipment and intangible assets and for testing goodwill for impairment.

6. 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 27.21.

6.1. Intangible assets and goodwill

Intangible assets and goodwill acquired for a consideration are measured at cost in line with IAS 38 (revised 2004). Intangible assets contain software and maintenance agreements which are amortized over their useful lives of between three to five years. Intangible assets with an indefinite useful life - these items include goodwill and trademarks and brands - are not amortized on a scheduled basis but are subject to an impairment test pursuant to IAS 36 (revised 2004).

6.2. Property, plant and equipment

Property, plant and equipment are measured at historical cost pursuant to IAS 16 less accumulated depreciation. Repair costs are expensed immediately.

Depreciation is measured on a straight-line basis over the prospective useful life of the assets. Useful lives are as follows:

IT hardware	3 years
Leasehold improvements	10 years
Other equipment, furniture and fixtures	3 to 11 years

6.3. Impairment tests

The recoverable value of all intangible assets with indefinite useful lives including goodwill is subject to an impairment test at the end of each fiscal year. The impairment test is performed annually on December 31. For all other intangible asset and property, plant and equipment, an impairment test is only carried out when there is an indication that the carrying amount of the asset is no longer recoverable.

There was no indication in fiscal years 2003 and 2004 that any items of property, plant and equipment and intangible assets with finite useful lives were impaired.

An impairment loss is recognized if the recoverable amount of the asset falls short of 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. Value in use is the present value of the future cash flows expected to be derived from an asset. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit (CGU") to which the asset belongs.

Impairment testing of intangible assets with indefinite useful lives is conducted on an item-by-item basis. These assets take the form of trademarks and brands.

Any goodwill acquired in the course of a business combination is allocated to the CGUs in order to conduct the annual impairment test. In accordance with the definition of a cash-generating unit, the smallest identifiable group of assets is identified that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Owing to the internal reporting structures, cash flows are planned at segment level with the consequence that the Business Solutions and IT-Controlling segments also represent its CGUs.

Basic assumptions must be made to determine the cash flows expected for each CGU. These include assumptions on the financial planning and the discount factors used to determine present value.

A reversal of impairment losses recognized in prior years is recorded where there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Any reversal is posted to income. A reversal or reduction of an impairment loss, however, may not be so high that it exceeds the carrying amount of the asset at amortized cost which would have resulted if no impairment losses had been recognized in prior periods.

Impairment losses recorded on goodwill are not reversed.

6.4. Financial instruments

Pursuant to IAS 39 financial instruments are broken down into the following categories:

(a) Financial assets held-for-trading

(b) Held-to-maturity investments

(c) Loans and receivables originated by the Company

(d) Available-for-sale financial assets

Financial assets with fixed or determinable payments and fixed maturity that the Company intends and has the ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity financial assets. Financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margins are classified as held-for-trading financial assets. All other financial assets apart from loans and receivables originated by the Company are classified as available-for-sale financial assets.

Held-to-maturity financial assets are disclosed under non-current assets unless they are due within 12 months of the balance sheet date. Held-for-trading financial assets are disclosed under current assets. Available-for-sale financial assets are disclosed under current assets if the management intends to sell them within 12 months of balance sheet date.

Purchases or sales of financial assets are accounted for using the trade date method.

The initial recognition of a financial asset is at cost, which corresponds to the fair value of the consideration given or received; transaction costs are included.

Changes in the fair value of held-for-trading financial assets are recorded in the net profit or loss for the period. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Held-to-maturity financial assets are measured at amortized cost using the effective interest rate method. If it is likely that the value of financial assets measured at amortized cost is impaired, the impairment is recorded against earnings. If an impairment loss recorded in a prior period decreases and the decrease in the impairment (i.e. a write-up) can be objectively related to an event occurring after the impairment loss, the write-up is included in net profit and loss. However, after reinstatement an asset may not be carried at an amount exceeding the carrying value that would have ensued had no impairment been recognized.

Loans and receivables originated by the entity that are not held-for-trading purposes are carried at the lower of amortized cost or fair value.

Available-for-sale-financial assets are carried at fair value. Unrealized gains and losses are reported net of taxes under "other comprehensive income". Gains and losses realized from the sale of securities are reported under interest income. The gain on sale is calculated on an item by item basis.

Financial instruments whose carrying amount approximates their fair value due to their highly liquid nature comprise cash and cash equivalents, securities, trade receivables and payables, as well as current liabilities to banks.

The fair value of marketable securities is based on market prices.

6.5. Financial assets

Equity investments are reported under financial assets. Equity investments carried in 2004 include shares in an unlisted entity which, owing to the lack of planning data, cannot be reliably measured at fair value and is therefore measured at amortized cost.

6.6. Other non-current assets

Other non-current assets are carried at amortized cost after allowing for any specific risks of non-collection.

6.7. Inventories

Inventories are carried at the lower of cost or net realizable value, with reference being made to prices on the sales market. Inventories are composed of software licenses from third-party providers.
Due consideration in the form of appropriate mark-downs is given to inventory risks relating to obsolescence. Inventories were not written down on balance sheet date as there had been no fall in their net realizable value.

6.8. Work in process

Work in process relating to service agreements and customer-specific construction contracts were accounted for using the percentage of completion method. This method involves determining the degree of completion by comparing the costs incurred to date to the estimated total costs of the contract. If in any one period it is found that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.

6.9. Receivables and other assets

All **receivables** and **other assets** are carried at amortized cost after allowing for any specific risks of non-collection.
The risks of default associated with **trade receivables** are recognized by a portfolio-based valuation allowance. This involves classifying all receivables on the basis of the number of days they are overdue. Depending on the number of days overdue, valuation allowances ranging from 25 % to 100 % are recorded on the basis of past experience.

6.10. Cash on hand and bank balances

These items contain cash and on-call deposits as well as current fixed term and overnight deposits. The carrying amount of these items approximates their fair value.

6.11. Minority interests

The minority interests item in equity reports the minority interests held in the equity of the respective subsidiary. No minority interests are reported in those cases where accumulated losses have exhausted the equity of the subsidiary.

6.12. Deferred taxes

Deferred taxes are calculated using the balance-sheet-oriented liability method pursuant to IAS 12. This involves creating deferred taxation items for all substantial temporary differences between recognition and measurement pursuant to IFRS and the tax base. Deferred tax assets are also recognized for unused tax losses where it can be reasonably assumed that they can be utilized in future. Deferred taxes are measured taking into account the respective national income tax rates which apply in the individual countries at the time of realization or which are expected (basis: applicable tax law).

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.

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

6.13. Pension provisions

The Company maintains a pension plan for a former management board and a current member of the supervisory board. This defined benefit plan guarantees the beneficiaries a vested right to pay-out of a life-long monthly pension.

The pension provision was calculated using the projected unit credit method pursuant to IAS 19. The future benefit obligation has been valued using actuarial calculations. These were based on the 1998 mortality tables assuming employee turnover of 0 % p.a. (prior year: 0 % p.a.), an interest base of 5.0 % (prior year: 5.5 %) and annual pension increases of 2.0 % (prior year: 2.0 %). During the service period it is assumed that subsequent contributions will rise by an annual amount of 1.0 %. Retroactive adjustments to the plan for unrecognized past service cost and actuarial gains and losses are recognized in full against income in the year they originate. The pension obligation has been measured as of December 31.

The annual return on plan assets is projected to be 3.5 %.

It is the business policy of the Company to take out insurance policies with insurance companies to cover the actuarial present value of the pension obligation. As these insurance policies are deemed “qualifying insurance policies”, their fair value on the balance sheet date must be offset against the defined benefit obligation to arrive at the defined benefit liability of the Company pursuant to IAS 19.54.

6.14. Other provisions

Other provisions are only created when the entity has a present obligation (legal or constructive) 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 a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted in those cases where the time value of money is significant.

6.15. Liabilities

Liabilities are measured at amortized cost.

6.16. Payments received on account

Payments on account received from customers that are not related to services already rendered are recognized as liabilities. Where they relate to services already rendered on a project, they are deducted from contract costs plus unbilled contract revenues.

6.17. Contingent liabilities and subsequent events

Contingent liabilities are potential or existing commitments which relate to past events and which are not expected to result in an outflow of resources. They are not recorded on the face of the balance sheet. The commitments disclosed in these notes correspond to the potential liability as of balance sheet date.

Events after the balance sheet date that provide evidence of conditions that existed at the balance sheet are known as adjusting events and are considered in the consolidated financial statements. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are known as non-adjusting events and are not considered in the consolidated balance sheet but are disclosed in the notes if material.

6.18. Leases

Lease payments on operating leases are recorded as an expense in the income statement 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 substantially transfer all risks and rewards incidental to ownership to the entity.

All leases are reviewed regularly to assess whether they meet the classification criteria as operating or finance leases.

6.19. Sales revenue

The Group generates sales revenue from licensing the rights to use its software products to end users, and from the sale of professional services, and service contracts (post-contract customer support - "PCS"). Professional services comprise consulting services for software and training. PCS services include rights to updates and telephone support.

If these services are rendered individually, the revenue from software licenses is recognized when (i) delivery has occurred, (ii) the sales price has been fixed or is determinable, (iii) collection is reasonably assured and (iv) evidence of an agreement exists. Revenues allocated to professional services are recognized upon performance of the service. Revenue generated by PCS is recognized over the term of the contract (normally one or two years).

The Group offers combinations of its services in single agreements (multiple-element agreement) or in several separate agreements (bundle of contracts). Whether in a multiple-element agreement or in a bundle of contracts, the customer acquires a combination of software, professional services and PCS. Where a bundle of contracts or a multiple-element arrangement does not constitute a contract in the sense of IAS 11, the Group recognizes the revenue ensuing from these arrangements at the fair value of their components (customary prices). The customary price is defined as the price which would be demanded if the service was sold separately.

For PCS the customary price is determined on the basis of the renewal rates for PCS of equivalent duration. If these are not available, the price list issued by the management board of the Group is used. In those cases where the services or PCS in the bundle of contracts exceeds the customary price, the difference on any license revenues already realized from the services or PCS is deferred and released over the term of the service contract or PCS.

In cases where the license fee payments are contingent upon the performance of services which constitute a major modification or extension of the functionality of the software, the sales revenue for the software license and service elements is deferred and recognized using the percentage of completion method. The percentage of completion is measured principally by comparing the volume of services already performed to the total estimated volume of services needed to complete the contract.

Work in process also includes amounts which the Company seeks or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price, or other customer-related causes of unanticipated additional contract costs, claims and pending change orders. These amounts are only recognized to the extent that they are likely to be realized and when they can be reliably estimated. Pending change orders involve the use of estimates. Therefore it is possible that revisions to the estimated recoverable amounts need to be made in future for the reasons stated above.

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

The PoC method is based on the use of estimates. Due to the uncertainties inherent in the estimation process, it is possible that completion costs, including those arising from contract penalty provisions and warranties, will need to be subsequently revised. Such revisions to costs and income are recognized in the period in which the revisions are determined.

6.20. Cost of sales

The cost of sales includes all costs which can be directly or indirectly allocated to sales revenue. This includes wages and salaries, and any fees and royalties paid for third party licenses.

6.21. Research and development expenses

Research and development expenses are incurred by the Group in association with the development of software. Pursuant to IAS 38 (revised 2004) research expenses may not be recognized as assets. Development expenses by contrast, may be recognized provided that all the recognition criteria are met. Software development expenses may be recognized in the development phase once the software has become technically feasible. The development phase ends when the software version has been placed on the market. The Group identifies technical feasibility with production of a corresponding working model. Owing to the short time spans between technical feasibility and the date on which the software is launched on the market, no development expenses were recognized for the period as such costs are immaterial. The Group has expensed all its research and development expenditure for the period.

6.22. Finance cost

Finance cost is expensed as incurred.

6.23. Share-based compensation

With the release of IFRS 2: Share-based Payments in February 2004, IFRS now has clear standards governing the accounting of stock option plans. As the stock option plans of the Company were passed by resolution prior to November 7, 2002, application of IFRS 2 is not mandatory. Reference is made to “Options Issued to Employees” with regard to the disclosures required by IFRS 2.

7. Disclosures on the first-time application of IFRS

7.1. Accounting and measurement

The first-time application of International Financial Reporting Standards has been conducted pursuant to IFRS 1. This involves recognizing all assets and liabilities in the IFRS balance sheet whose recognition is required by IFRS. Apart from certain options, the accounting and measurement of these assets and liabilities is performed retroactively considering those IFRS whose application was mandatory on the balance sheet date of the first set of financial statements prepared in accordance with IFRS (December 31, 2004).

During the transition to IFRS, the Group has merely made use of the option in IFRS 1.15 to retain the accounting treatment for business combinations made prior to January 1, 2003.

Significant differences between IFRS and US-GAAP accounting policies include:

- The **classification of the income statement, the balance sheet, the cash flow statement and the statement of shareholders’ equity** is based on the requirements of IAS 1 unless other standards require more precise treatment. Classification under IFRS is based on maturity (US-GAAP is based on liquidity).

- The provisions of IAS 36 governing **impairment testing** are fundamentally comparable to those of SFAS 141 and SFAS 142 used in the past, however the method of calculation differs to a certain extent. For this reason, it is possible that differences in the amount of the impairments recorded arise due to the differing methods used to calculate impairment losses under IFRS and US-GAAP even though identical figures and assumptions are used.

- Pursuant to IAS 19, insurance policies qualify as “plan assets” and are offset against the **benefit obligation** (in US-GAAP these assets are capitalized).

- The US-GAAP treatment of **revenue recognition** for software companies is much more detailed and more restrictive in some respects than that of IFRS, but, except for those individual rulings that conflict with IFRS, has been retained by the Company in conjunction with IAS 1.22 as supplementary accounting policy.

- Prior to release of IFRS 2 in February, stock option programs were not governed by IFRS, in contrast to the very detailed treatment under US-GAAP. As the Company’s stock option programs were granted prior to November 7, 2002, IFRS 2 was not applied other than for those disclosures required by IFRS 2.44-45.

- The concept underlying **segment reporting** pursuant to IAS 14 is significantly different to the treatment required by SFAS 131. Whereas the “management approach” is a fundamental aspect of SFAS 131, by which segment reporting should reflect the financial information used by management for decision-making purposes, IAS 14 applies the “risks and rewards approach” by which the segment reporting is based on the risks and rewards associated with the products and services of a segment for the group. The management approach is merely referred to in IFRS. In addition, IAS 14 contains detailed requirements on the scope of the information required. IAS 14 makes a distinction between primary and secondary segment reporting in the notes.

7.2. Transition of the consolidated balance sheet as of January 1, 2003

To make the transition between US-GAAP where the balance sheet is classified in terms of liquidity, the balance sheet was reclassified in terms of maturity (as required by IFRS) without changing the names of the balance sheet items in the process.

Where differences in the recognition, disclosure and measurement of individual balance sheet items arose, these were posted to either equity or income as can be seen in the detailed reconciliation contained in Attachment B to theses notes.

The adjusting entries were as follows:

Adjustments not affecting earnings:

(A) Separate disclosure of prepaid expenses and tax receivables
Under US-GAAP the balance sheet item “Prepaid expenses and other current assets” contained both prepaid expenses of EUR 303 k and tax receivables of EUR 2,827 k. These two items are reported separately under IFRS.

(B) Offsetting plan assets against the pension provision
Pursuant to IAS 19, insurance policies of EUR 183 k qualify as “plan assets” and are offset against the benefit obligation (in US-GAAP these assets are capitalized). No adjustments were necessary from measuring the plan assets at cash surrender value.

Adjustments with an effect on earnings:

(C) Stock option programs
Pursuant to IFRS 2, the stock option programs of the Group are not subject to mandatory recognition. As a consequence, the increase of EUR 119 k in additional paid-in capital under US-GAAP recorded in prior years and the expenses from prior periods of EUR 97 k related to the stock option program and which are contained in the loss carryforward were eliminated accordingly. The balance of these two items was offset against the outstanding expense related to the stock option program of EUR 22 k recorded under US-GAAP.

(D) Goodwill
The mandatory impairment test of goodwill on January 1, 2003 pursuant to IFRS 1 did not result in any need to write down goodwill more than that already recorded in the US-GAAP balance sheet as of December 31, 2002.

7.3. Reconciliation of the consolidated balance sheet as of December 31, 2003 and the consolidated income statement for the fiscal year 2003.

To make the transition between US-GAAP where the balance sheet is classified in terms of liquidity, the balance sheet was reclassified in terms of maturity (as required by IFRS) without changing the names of the balance sheet items in the process as shown in the reconciliation as of December 31, 2003 (Attachment C).

The consolidated income statement for fiscal year 2003 pursuant to US-GAAP was reclassified as of balance sheet date, while retaining the names of the items, and compared to the classification required by IFRS (Attachment D).

Where differences in the recognition, disclosure and measurement of individual items arose, these were distinguished as adjustments affecting earnings or as adjustments not affecting earnings as can be seen in the detailed reconciliation contained in Attachments C and D to theses notes.

The adjusting entries were as follows:

Adjustments not affecting earnings:

(A) Separate disclosure of prepaid expenses and tax receivables
Under US-GAAP the balance sheet item, "Prepaid expenses and other current assets" contained both prepaid expenses of EUR 75 k and tax receivables of EUR 3,402 k. These two items are reported separately under IFRS.

(B) Offsetting plan assets against the pension provision
Pursuant to IAS 19, insurance policies measured at their cash surrender value of EUR 494 k (c.f. Adjustment (G)) qualify as "plan assets" and are offset against the pension provision in the balance sheet of EUR 494 k (under US-GAAP these assets are capitalized).

(C) Adjustment of the loss carryforward
The adjustment in the loss carryforward is associated with Adjustment (C) as of January 1, 2003 and rolls forward the adjustment in the accumulated losses recorded under US-GAAP accordingly. This adjustment was made to eliminate the costs of the stock option program from the loss carryforward. Reference is made to Adjustment (H) for the impact of this adjustment on fiscal year 2003.

(D) Reclassification of depreciation between cost centers of the Group
Parallel to the transition to IFRS, the Company changed its internal cost accounting in 2004 in respect of depreciation. To improve comparison with the prior year, the figures for fiscal year 2003 were adjusted retrospectively. This involved reducing the depreciation expense contained in administrative expenses by EUR 486 k and increasing the depreciation expenses included in the cost of sales by EUR 297 k and in selling expenses by EUR 101 k and development expenses by EUR 88 k.

(E) Reclassification of impairment losses recorded on non-current assets
The impairment losses on long-lived assets of EUR 40 k reported in the US-GAAP consolidated income statement have been included in the IFRS consolidated income statement for fiscal year 2003 under cost of sales.

(F) Reclassification of other income and expenses (net)
The other income and expenses reported after the loss from ordinary activities in the US-GAAP consolidated income statement of EUR 105 k (net) have been recognized in the IFRS consolidated income statement for fiscal year 2003 under the loss from ordinary activities.

Adjustments with an effect on earnings:

(G) Measurement of plan assets at their cash surrender value
The insurance policies held for the pension provision were measured at their cash surrender value.

(H) Stock option programs
The income from the employee stock option program of EUR 97 k reported separately in the US-GAAP consolidated income statement was eliminated for IFRS purposes with an effect on earnings.

(I) Impairment testing of goodwill
The impairment losses as of December 31, 2003 required pursuant to IAS 36 (revised 2004) are EUR 541 k lower despite use of identical assumptions, interest rates and financial projections. Reference is made to the comments under “Impairment testing” with regard to the impairment testing applied by the USU Group pursuant to IFRS. The difference between the impairment tests required by US-GAAP on the same balance sheet date result from the difference in the method applied (a one-step process under IFRS as opposed to a two-step approach under US-GAAP).

(J) Impairment testing of trademarks and brands
The impairment losses as of December 31, 2003 required pursuant to IAS 36 (revised 2004) are EUR 11 k higher despite the use of identical assumptions, interest rates and financial projections. Reference is made to the comments under “Impairment testing” with regard to the impairment testing applied by the Group pursuant to IFRS.

7.4. Notes on the adjustments to the consolidated cash flow statement for fiscal year 2003

Pursuant to IAS 7, any interest and taxes paid are represented as cash flows. Pursuant to US-GAAP (SFAS 95) this information is merely disclosed as a footnote to the cash flow statement. As a consequence, the starting point for the IFRS cash flow statement is the earnings before interest and taxes whereas US-GAAP takes the net profit of the Group for the year.
All other changes within the cash flow statement are a result of the adjustments to the balance sheet items discussed above. These have no material impact on the cash flow from operating activities, investing activities or financing activities.

C CHANGES IN THE GROUP'S ORGANIZATION

8. *Mergers and acquisitions*

VALUESOLUTION GMBH & CO. KG, MÖGLINGEN

In fiscal year 2004 all other partners of ValueSolution GmbH & Co. KG, Möglingen, retired from the partnership. As a consequence, the assets of ValueSolution GmbH & Co. KG passed to USU AG by merger pursuant to Sec. 738 (1) BGB ["Bürgerliches Gesetzbuch": German Civil Code]. Owing to the fact that ValueSolution GmbH & Co. KG held the shares in the general partner, ValueSolution Verwaltungs-GmbH, Möglingen, the shares in this entity were also transferred to the Group in the course of the merger with ValueSolution GmbH & Co. KG. Both of these entities had ceased operating at this time. The merger resulted in income of EUR 2 k which was recorded under other income.

OMEGA Software GmbH, Obersulm

On February 16, 2005 all of the equity and voting rights in OMEGA Software GmbH ("OMEGA") were acquired. The primary business activities of OMEGA are rendering services and selling products in the field of IT service management. The activities of OMEGA complement those of the IT-Controlling segment of the Group.

The acquisition costs are composed of two major price components. A portion of the purchase price is to be settled in a cash payment of at least EUR 650 k. In addition there is a variable portion of not more than EUR 1,200 k. The second major portion of the purchase price is to be settled by issue of 529,410 shares from the authorized capital of USU Software AG. The value of this component will be determined by the fair value of the shares issued. The increase in capital will not be made until the proceeds arising from the capital reduction have been returned to the shareholders. Incidental acquisition costs of EUR 80 k have been incurred with regard to the acquisition.

All further disclosures required by IFRS 3.67 with regard to the acquisition in 2005 are currently impracticable as it was not possible to prepare interim financial statements of OMEGA as of the date of acquisition in the little time available prior to preparation of the consolidated financial statements.

9. *Equity investments valued at cost*

In fiscal year 2003, insolvency proceedings were opened on the assets of Quantum Solutions GmbH, Dortmund. As a consequence, the Company no longer exercises a significant influence on Quantum Solutions GmbH. As a result of this, Quantum Solutions GmbH was as of December 31, 2003 no longer carried at equity but at historical cost due to the fact that no reliable information on its fair value was available.

D NOTES TO THE CONSOLIDATED BALANCE SHEET

10. Intangible assets

Reference is made to the disclosures in the Consolidated Statement of Changes in Non-Current Assets (Attachment A) with regard to developments of intangible assets.

Intangible assets include trademarks and brands of EUR 461 k (2003: EUR 461 k). From a legal perspective, the trademarks and brands have indefinite economic lives. And from a commercial perspective, the end of their useful life cannot be discerned at this stage.

The annual impairment test of trademarks and brands is done on an item-by-item basis in terms of their value in use. The value in use is calculated as the present value of the cash flows from an assumed license of the trademarks and brands to a third party. License income is determined on the basis of the license revenues forecast in the financial and mid-term planning of the management. Reference is made to our comments on goodwill with regard to the development of the financial and mid-term planning and associated valued added factors (note 11). License revenues are calculated as a constant percentage of sales revenue over the planning period.

The present value was determined using a discount rate of 11.5 % (prior year: 13.5 %). The respective discount rates are composed of a risk-free rate and a market risk premium weighted to reflect the risk structure of the Group.

In the prior year, an impairment of EUR 51 k was recorded on trademarks and brands because the actual cash flows from these assets were lower than projected. No need to record an impairment was identified in fiscal year 2004. The trademarks and brands relate to both the IT-Controlling segment as well as the Business Solutions segment.

Past impairment losses were posted to the cost of sales in the income statement.

11. Goodwill

Goodwill contains amounts from the transfer of business operations (asset deals) as well as from capital consolidation. These amounts have been allocated to the two cash generating units (CGUs), Business Solutions and IT-Controlling, and compared with the value in use of the CGUs in the course of impairment testing.

Value in use is determined on the basis of the present value of the respective CGU. The financial planning of the respective CGU as approved by the supervisory board for the following fiscal period has been used as a basis for determining the cash flows needed to calculate present value. This is extrapolated by the management of the Group to arrive at the mid-term planning. The planning period for the financial planning and the mid-term planning amounts to a total of five years. The detailed financial planning is derived by the management of the Group from expected sales revenues and related cash flows. Projected sales revenues define the number of consultants required and the associated cash outflows. This is based on past experience and also external market data on sales projections. Payments associated with fixed costs are rolled forward on the basis of past experience. The most significant value drivers in the planning are projected sales revenues and EBIT calculated on this basis. The EBIT margin is mainly determined by projected revenues from licensing the Company’s own software products. Moreover, EBIT projections consider future wage and salary increases and rising costs for freelance workers.

Based on the mid-term planning, management has forecast a terminal value which assumes annual growth of 1.0 %.

A weighted discount factor of 8.9 % was used to determine the present value of the Business Solutions CGU (prior year: 10.0 %) and a weighted discount factor of 10.65 % for the IT-Controlling segment (prior year: 11.75 %). The respective discount rates are composed of a risk-free rate and a market risk premium weighted to reflect the risk structure of the Group and the CGU concerned. The risk-free base rate and the market risk premium correspond to the interest rates prevailing on the respective balance sheet dates.

Owing to the back-log in customer demand and the increase in price pressure in the software market, both the results from operations and the cash flow in fiscal year 2003 were lower than projected. The impairment test conducted in fiscal year 2003 pursuant to IAS 36 (revised 2004) resulted in a need to record an impairment loss of EUR 4,416 k on goodwill owing to the fall in the value in use of the Business Solutions CGU.

The changes in goodwill for each reporting entity in fiscal years 2003 and 2004 are shown in the following table:

	Business Solutions EUR k	IT-Controlling EUR k	Group EUR k
January 1, 2003	12,454	4,825	17,279
Acquisitions during 2003	612	1,451	2,063
Impairment of goodwill	-4,416	0	-4,416
December 31, 2003	8,650	6,276	14,926
Subsequent expenditure	7	5	12
December 31, 2004	8,657	6,281	14,938

Impairments of goodwill are reported as a separate item in the income statement.

12. Property, plant and equipment

Scheduled depreciation of property, plant and equipment in fiscal year 2004 amounted to EUR 216 k (EUR 394 k in 2003). There are no restrictions on the Group's power to dispose of property, plant and equipment. Nor have any items been assigned as collateral.
Reference is made to the disclosures in the Consolidated Statement of Changes in Non-Current Assets (see Attachment A) with regard to the classification of property, plant and equipment.

13. Non-current investments

The non-current investments reported in the balance sheet as of December 31, 2003 all qualify as held to maturity financial instruments and break down as follows:

in EUR k	Acquisition cost	Face value	Carrying amount	Fair value
2003	34,692	34,100	34,563	34,659

Securities which were carried in this category in fiscal year 2003 and which cannot be held until maturity owing to the extraordinary distribution related to the reduction of capital were reclassified as available-for-sale financial instruments in fiscal year 2004. The need to liquidate securities classified as held-to-maturity prior to their maturity led to this category no longer being carried in the balance sheet. As a result, all financial instruments previously allocated to this category were reclassified as available-for-sale and allocated to current investments accordingly.

14. Work in process

The following table summarizes the work in process carried as of December 31, 2004 and 2003 and the associated billings:

	2004 EUR k	2003 EUR k
Contract costs plus unbilled contract earnings	1,090	984
of which agreements for services pursuant to IAS 18	344	688
of which construction contracts pursuant to IAS 11	746	296
less progress billings	-870	-1,079
Balance	220	-95
of which: future receivables	501	498
of which: liabilities	-281	-593

Sales revenues of EUR 1,940 k were realized in fiscal year 2004 as a result of construction contracts pursuant to IAS 11 (2003: EUR 1,786 k).

15. Trade receivables

All trade receivables are due in the short term. This item breaks down as follows:

	2004 EUR k	2003 EUR k
Trade receivables	4,920	5,027
Valuation allowance as of January 1	-736	-2,610
Utilizations in the fiscal year	316	1,476
Valuation allowances in the fiscal year	0	-191
Reversals of valuation allowances	113	589
Valuation allowance as of December 31	-307	-736
	4,613	4,291

16. Income tax receivables

Income tax receivables result from tax on investment income and the solidarity surcharge on interest income.

17. Other current assets

Other current assets are composed of the following items:

	2004 EUR k	2003 EUR k
Deferred interest income	1,192	1,136
Short-term loans, gross	510	510
Impairments	-510	-510
Short-term loans, net	0	0
Other receivables	176	201
	1,368	1,337

18. Prepaid expenses

Prepaid expenses primarily contain expenses associated with service contracts and insurance.

19. Current investments

Current investments comprise shares in investment funds, available-for-sale bonds and bonds carried as held-to-maturity in the prior year with a residual term of less than 12 months.

This item breaks down as follows:

	2004 EUR k	2003 EUR k
Available-for-sale securities	40,088	2,621
Held-to-maturity securities	0	3,001
	40,088	5,622

The available-for-sale bonds carried on December 31, 2004 break down as follows:

in EUR k Year	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
2004	40,102	145	-159	40,088
2003	2,646	28	-53	2,621

As of December 31, 2004 EUR 38,313 k (2003: EUR 696 k) of the available-for-sale bonds mature within one year, EUR 1,775 k (2003: EUR 1,814 k) between one and five years and EUR 0 k (2003: EUR 111 k) in more than ten years.

Cash received from the sale of available-for-sale securities in fiscal year 2004 contain gross gains of EUR 0 k (2003: EUR 135 k) and gross losses of EUR 2 k (2003: EUR 5 k).

The held-to-maturity securities reported under this item as of December 31, 2003 break down as follows:

in EUR k Year	Face value	Acquisition cost	Carrying amount	Fair value
2003	3,000	3,009	3,001	3,001

20. Cash on hand and bank balances

This item breaks down as follows:

	2004 EUR k	2003 EUR k
Fixed term and overnight deposits	6,960	6,546
On-call deposits	810	1.109
Cash	1	1
	7,771	7,656

As of December 31, 2004 the Company had unrestricted credit lines available totaling EUR 248 k (2003: EUR 248 k). The underlying loan agreements grant the Company the right to take out loans at an interest rate of 8.25 % p.a. (2003: 8.25 % p.a.). There are no restrictions on the purpose for which the loans must be used.

As of December 31, 2004 and 2003 these credit lines had not been availed of.

21. Equity

21.1. Subscribed capital and shares

As of December 31, 2003, the subscribed capital of the Company amounted to EUR 17,211 k and was divided into 17,211,186 no-par bearer shares with an imputed share in subscribed capital of EUR 1.00 each.

By resolution of the annual general meeting on July 15, 2004 the subscribed capital of the Company was increased pursuant to the provisions of the AktG [“Aktiengesetz ”: German Stock Corporation Act] from the Company's own funds by EUR 35,300 k to a total of EUR 52,511 k divided into 17,211,186 no-par value bearer shares. The capital increase was performed by converting EUR 35,300 k of the capital reserve into subscribed capital without issuing any new shares.

Thereafter, also by resolution of the annual general meeting on July 15, 2004 the subscribed capital was reduced pursuant to the provisions of the AktG by EUR 43,905 k to EUR 8,606 k. This resulted in a reduction of the number of shares at a ratio of 2:1.

The capital reduction was made to execute a repayment of capital to the shareholders in the form of a cash distribution of EUR 4.00 per share (EUR 34,206 k) and to add the remainder to the capital reserve (EUR 9,699 k).

As of December 31, 2004, the subscribed capital of the Company amounts to EUR 8,606 k and is divided into 8,605,593 no-par bearer shares with an imputed share in subscribed capital of EUR 1.00 each.

21.2. Authorized capital

At the annual general meeting of July 4, 2002 the management board was authorized to increase capital by up to EUR 8,600,000.00 by issuing new shares in return for a cash contribution or a contribution in kind any time up to and including July 3, 2007 subject to approval of the supervisory board (authorized capital). The shareholders must be granted subscription rights to any such increase. The management board is authorized, subject to approval of the supervisory board, to exclude the statutory subscription rights of the shareholders for fractional amounts to the extent required to grant bearers of convertible bonds or subscription rights issued by the Company new shares to which they are entitled by exercise of their conversion or subscription rights. The management board was also authorized, with the approval of the supervisory board, to preclude the subscription rights of the shareholders to capital increases paid in cash up to a maximum of 10 % of the capital stock at the time of the first exercise of the authorized capital, provided the issue price of the new shares does not fall materially short of the market price for shares in the same category. The management board is further authorized, with the approval of the supervisory board, to exclude the subscription right of the shareholders for capital increases in return for contributions in kind for the purpose of acquiring entities or stakes in entities.

By resolution of the annual general meeting on July 15, 2004 authorized capital was reduced by EUR 4,300,000.00 to EUR 4,300,000.00. As of December 31, 2004, the Company had authorized capital of EUR 4,300,000.00 available.

21.3. Contingent capital

The subscribed capital of the Company was conditionally increased by shareholder resolution of March 2, 2000 by EUR 756,911.00 by issuing 756,911 no-par bearer shares.

The contingent increase of capital serves to grant option rights to members of the management board and employees of the Company as well as members of management and employees of affiliated entities. The contingent capital increase is only carried out to the extent that the bearers of the options issued exercise their rights. The new shares participate in profits from the beginning of the fiscal year in which the options are exercised.

By resolution of the annual general meeting on July 15, 2004 contingent capital was increased in the same proportion as the increase in subscribed capital, by EUR 1,552,418.00 from EUR 756,911.00 to EUR 2,309,329.00 and reduced likewise by EUR 1,930,874.00 from EUR 2,309,329.00 to EUR 378,455.00.

21.4. Treasury shares

By resolution of the annual general meeting dated July 15, 2004, the management board of the Company was once again authorized pursuant to Sec. 71 (1) No. 8 AktG to acquire treasury shares in one or more installments, subject to approval of the supervisory board, at any time up to and including January 14, 2006.

As of December 31, 2003 the Company held 107,901 treasury shares with an imputed share in subscribed capital of EUR 107,901.00 or 0.6 % of subscribed capital as of December 31, 2003.

In fiscal year 2004, pursuant to a resolution of the annual general meeting on July 15, 2004, the shares were reduced at a ratio of 2 : 1. In the course of this transaction, one treasury share was sold.

As of December 31, 2004 the Company held 53,950 treasury shares with an imputed share in subscribed capital of EUR 53,950.00 or 0.6 % of subscribed capital as of December 31, 2004.

21.5. Earnings per share

Basic earnings per share for the separate periods is calculated by dividing the Group's net profit for the year by the number of shares outstanding.

		2004	2003
Net profit:	in EUR k	262	-6,870
Annual average number of shares		8,551,643	8,497,778
Basic earnings per share	in EUR	0.03	-0.81

The number of shares outstanding can be determined as follows:

	2004 No.	2003 No.
Number of shares as of January 1	17,211,186	17,211,186
Treasury shares as of January 1	-107,901	-292,580
Sale of treasury shares during the year (weighted)	0	76,950
	17,103,285	16,995,556
Reduction of shares at a ratio of 2 : 1	8,551,643	8,497,778

The share reduction at a ratio of 2 : 1 was conducted pursuant to IAS 33.20 as if the reduction had been conducted at the beginning of fiscal year 2003.

When calculating the diluted earnings per share, common shares that may result from the exercise of subscription rights and the conversion of other rights to shares of USU Software AG are additionally taken into account. At USU Software AG this only concerns the outstanding stock options granted to employees. As the exercise price of employee stock options in all tranches is above the fair value of shares in USU Software AG these outstanding options do not have a dilutive effect and were consequently not considered in the calculation of diluted earnings per share. Thus, diluted earnings per share correspond to basic earnings per share.

21.6. Employee stock options

The Company has a stock option plan for employees of the Company. The objectives of the plan include attracting and retaining personnel and promoting the success of the Company by providing employees the opportunity to acquire common stock.

The Company has issued stock options to employees in several tranches. Each tranche expires six years after the grant date. The options entitle the bearer to purchase common shares in the Company at a price which is equal to 115 % of the share price at the time of issue. The options can be exercised in installments of 25 % in years 2 – 5 after the date of issue on the same calendar date on which they were issued. Exercise on these dates is contingent on the share price of USU Software AG exceeding, on any particular day prior to exercise, 115 % of the share price on the date of issue.

In 2000 the Company issued two tranches of stock options to employees (tranche 1 and tranche 2) and four tranches in 2001 (tranches 3, 4, 5, and 6). No options were issued in fiscal years 2002 and 2003. All options issued in tranches 3 and 6 lapsed on December 31, 2002.

The exercise criteria for tranche 1 were met in fiscal year 2000. As of December 31, 2004 the share price had not risen sufficiently to meet the exercise criteria for tranches 2 to 6 inclusive.

The number of outstanding shares in fiscal year 2004 was reduced at a ratio of 2 : 1. As a result of the share reduction and with regard to §9 of the year 2000 stock option plan, the number of subscription rights associated with the respective tranches were reduced at the same ratio. The exercise prices defined in the plan were doubled accordingly.

As a result, the status of the Company’s employee stock option plans as of December 31, 2004 can be summarized as follows:

	Tranche 1	Tranche 2	Tranche 4	Tranche 5
Date of issue	Mar. 20, 2000	Oct. 31, 2000	May 1, 2005	Jun. 1. 2001
Strike price in EUR	124.20	44.86	14.92	15.54
Outstanding as of January 1, 2003	2,509	11,314	2,500	16,560
Granted	0	0	0	0
Exercised	0	0	0	0
Lapsed	-1,457	-10,220	0	-16,560
Outstanding as of December 31, 2003	1,052	1,094	2,500	0
Adjusted	0	0	0	16,560
Granted	0	0	0	0
Exercised	0	0	0	0
Lapsed	0	0	0	0
Outstanding as of December 31, 2004	1,052	1,094	2,500	16,560
Exercisable as of December 31, 2004	1,052	0	0	0

22. Pension provision

The Company maintains a pension plan for a former management board member and a current member of the supervisory board. The guaranteed monthly pension upon retirement is a fixed monthly amount.

The Group places the contributions with an insurance company to cover the present value of the benefit obligation. As of December 31, 2004, the value of this reinsurance amounted to EUR 639 k (2003: EUR 494 k) and was offset against the pension obligation.

The changes of the liability shown in the balance sheet and the expenses associated with the pension obligation were as follows:

	2004 EUR k	2003 EUR k
Present value of benefit obligation as of January 1	909	775
Interest cost	50	46
Actuarial losses	102	89
Pension expenses	152	135
Present value of benefit obligation as of December 31	1,061	910
Qualifying insurance policies	-639	-494
Pension provision	422	416

The provision for company pensions disclosed in the balance sheet represents the net present value of the benefit obligations. Actuarial gains and losses are immediately posted to earnings in full.

Pension expenses are reported under general administrative expenses.

In fiscal year 2004, the “qualifying” reinsurance policy generated income of EUR 19 k (2003: EUR 6 k).

The movements in the pension provision recognized in the balance sheet were as follows:

	2004 EUR k	2003 EUR k
Net liability as of January 1	416	592
Pension expense recorded in profit and loss	133	129
Contributions to plan assets (insurance)	-127	-305
Net liability as of December 31 (pension provision)	422	416

A pension commitment was made to the management board members of the subsidiary of USU AG. This pension commitment was covered by an insurance policy. This defined contribution plan does not result in any further liability for the Group than the premiums payable to the insurer. The sum of all defined contribution pension expenses excluding social security contributions amounts to EUR 34 k in the fiscal year (2003: EUR 6 k).

23. Provisions for income taxes

The provisions for income taxes mainly contain the outstanding tax obligations from former periods.

24. Personnel-related provisions and liabilities

The provisions and liabilities recognized for employee-related issues are all current and comprise the following items:

	2004 EUR k	2003 EUR k
Vacation and variable remuneration	1,347	1,105
Social security contributions and wage tax	404	418
	1,751	1,523

25. Other provisions and liabilities

Other provisions and liabilities are all due within one year.

Other provisions and liabilities include the following items:

	2004 EUR k	2003 EUR k
Outstanding equity repayment from reduction of capital	34,206	0
Outstanding invoices	859	1,867
Sundry other liabilities	389	894
Other liabilities	35,454	2,761
Other provisions	456	756
	35,910	3,517

Other provisions mainly comprise provisions for the costs of preparing the financial statements and other specific discernible risks. Other provisions developed as follows in fiscal year 2004:

in EUR k	Balance Jan. 1, 2004	Additions	Utilizations	Releases	Balance Dec. 31, 2004
Rental commitments and restoration obligations	235	0	98	0	137
Operating obligations	117	243	39	94	227
Other obligations	404	0	307	5	92
	756	243	444	99	456

All provisions will lead to a cash outflow expected for the most part in the coming fiscal year.

26. Payments on account

This item is a result of the payments received on account which exceed the services rendered on a particular contract. Reference is made here to our comments on work in process (note 14). All payments on account qualify as current liabilities.

27. Liabilities to companies in which equity investments are held

All liabilities to companies in which equity investments are held are due within 12 months.

28. Trade payables

All trade payables are due within 12 months.

29. Deferred income

Deferred income comprises the income from maintenance and support agreements for software billed in the reporting period but relating to services to be rendered in the following period. These agreements generally have a term of one year.

30. Deferred taxes

The deferred taxes recognized in the balance sheet break down as follows:

	2004 EUR k	2003 EUR k	Impact on profit and loss 2004 EUR k
Deferred tax assets			
from balance sheet items			
Provisions	107	330	-223
Prepaid expenses	78	27	51
Financial instruments	5	0	0
Other	30	45	-15
from unused tax losses	925	730	195
Deferred tax assets, gross	1,145	1,132	8
Deferred tax liabilities			
Intangible assets	332	379	47
Treasury shares	119	138	19
Work in process	150	220	70
Financial instruments	54	10	-44
Consolidation	490	385	-105
Deferred tax liabilities, gross	1,145	1,132	-13
Net deferred taxes reported in the balance sheet			
Deferred tax assets	0	0	
Deferred tax liabilities	0	0	

As of December 31, 2004 no deferred tax assets were recognized on unused German tax losses of approx. EUR 56,900 k (2003: EUR 57,300 k) as it is not expected that adequate taxable income will be generated in the near future. For the same reason, no deferred tax assets were recognized on unused foreign tax losses of approx. EUR 430 k (2003: EUR 300 k).

Tax losses of EUR 39,609 k have not been recognized by the tax authorities to date and are not included in the total unused tax losses as a result. Unused tax losses for German income tax can be carried forward indefinitely although there are restrictions under German tax law on the amount which can be used to offset taxable income. The unused tax losses on foreign income taxes can be carried forward for a maximum of seven years.

E NOTES TO THE CONSOLIDATED INCOME STATEMENT

31. Sales revenue

A breakdown of sales revenues by segment can be found in the section on segment reporting (Section G of the notes).

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

	2004 EUR k	2003 EUR k
Consulting	13,568	13,846
Licenses	2,587	2,291
Service and maintenance	1,898	2,012
Other	633	910
	18,686	19,059

32. Cost of sales

The cost of sales includes the following expenses:

	2004 EUR k	2003 EUR k
Personnel expenses	5,675	6,558
Fees for freelancers and hired workers	4,059	2,492
Depreciation and impairment losses	308	506
Other expenses	2,527	3,612
	12,569	13,168

33. Sales and marketing expenses

Sales and marketing expenses include the following expenses:

	2004 EUR k	2003 EUR k
Personnel expenses	1,832	2,700
Depreciation and impairment losses	15	116
Other expenses	1,034	1,405
	2,881	4,221

34. General administrative expenses

General administrative expenses include the following:

	2004 EUR k	2003 EUR k
Personnel expenses	1,448	1,885
Depreciation and impairment losses	77	127
Other expenses	481	751
	2,006	2,763

35. Research and development expenses

Research and development expenses comprise:

	2004 EUR k	2003 EUR k
Personnel expenses	1,813	2,280
Depreciation and impairment losses	262	254
Other expenses	499	665
	2,574	3,199

36. Impairments of goodwill

Reference is made to the notes on impairment testing (note 6.3) and on goodwill (note 11).

37. Restructuring costs

Restructuring expenses of EUR 281 k were reported in the prior year composed of EUR 746 k in severance payments and continued wage payments associated with employee terminations and EUR 131 k in unused office space. These costs were offset by the release of provisions of a total of EUR 596 k created in fiscal year 2002.

38. Other operating income and expenses, net

Other operating income and expenses consist of:

	2004 EUR k	2003 EUR k
Other operating income		
Income from the termination of contracts	0	300
Gains from the disposal of assets	23	64
Insurance indemnifcation payments	26	84
Other income	133	165
	182	613
Other operating expenses		
Expenses from the termination of contracts	0	249
Losses from the disposal of assets	18	85
Other expenses	115	174
	133	508
Net other income	49	105

39. Other interest and similar income

This item is chiefly composed of interest income and gains realized on financial assets. Owing to the fact that no lines of credit were availed of, no interest expenses were incurred.

40. Income taxes

Income taxes break down as follows:

	2004 EUR k	2003 EUR k
Income taxes		
for the fiscal year	-7	65
for prior periods	-150	0
Deferred taxes	-5	0
	-162	65

Tax expenses for prior periods mainly relate to tax back-payments for fiscal years 1996 to 1999.

The income generated by the Company is subject to a corporate income tax rate of 25 % (2003: 26.5 %) plus the solidarity surcharge of 5.5 % of corporate income tax and an effective municipal trade tax rate of 10.9 % (2003: 10.9 %). The compounded tax rate including the solidarity surcharge and the effective trade tax rate amounts to 37.3 % (2003: 38.8 %).

The following table reconciles the current income tax expense to the tax expense using the theoretical tax rate of the parent:

	2004 EUR k	2003 EUR k
Profit before income taxes	424	-6,992
Theoretical tax expense 37.2 % (2003: 38.8 %)	-158	2,713
Changes in the theoretical tax expense owing to:		
Impairment of goodwill	0	-1,713
Changes in tax rates	0	-37
Unrecognized deferred tax assets		
on unused tax losses	196	-863
Tax back-payments for other periods	-150	0
Non-deductible expenses	-47	-20
Other	-3	-15
Tax expenses	-162	65

The decrease in the theoretical tax rate in relation to the prior year is due to the fact that the prior-year rate includes the temporary increase for the calendar year 2003 in the corporate income tax rate from 25 % to 26.5 % on account of the German flood victim assistance act.

41. Other notes to the income statement

The **average headcount** in the fiscal year breaks down as follows:

	2004	2003
Consulting and services	74	91
Research and development	61	73
Administration and finance	28	50
Sales and marketing	26	32
	189	246

Personnel expenses break down as follows:

	2004 EUR k	2003 EUR k
Wages and salaries	9,123	11,341
Social security, pensions and other benefit costs	1,645	2,092
of which pensions EUR 39 k (EUR 37 k in 2003)		
	10,768	13,433

The cost of sales includes **cost of materials** related to the purchase of licenses held-for-trading purposes of EUR 280 k (2003: EUR 52 k).

F NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the cash funds of the Group have changed in the course of the reporting year as a result of cash inflows and outflows. The effects of acquisitions and other changes in the consolidation group have been eliminated. When purchased subsidiaries are included for the first time, only the actual cash flows are shown in the cash flow statement. In accordance with IAS 7, a distinction is made between cash flows from operating, investing, and financing activities. The cash and cash equivalents reported in the financial planning correspond to the cash on hand and bank balances item in the balance sheet (see note 19). Investments in securities are made with a view to profit with less focus on liquidity. For this reason securities are not included in cash and cash equivalents.

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

The increase in Company funds (EUR 35,300 k) is a non-cash transaction involving a reclassification between two items of equity and has been eliminated from the cash flow statement. The same applies to the reduction of capital (EUR 43,905 k) to the extent is was used to increase the capital reserve (EUR 9,699 k). As of December 31, 2004, the capital reduction had not resulted in a pay-out to the shareholders (EUR 34,206 k). This transaction therefore also represents a non-cash reclassification under equity and has also been eliminated from the cash flow statement.

In fiscal year 2004 securities valued at amortized cost of EUR 34,315 k were reclassified from held-to-maturity under non-current assets to available-for-sale financial instruments under current assets. This transaction is also a non-cash transaction that has been eliminated from the cash flow statement accordingly.

G SEGMENT REPORTING

A breakdown of asset, capital and income figures and other financial indicators by business segment pursuant to IAS 14 is shown in the attached summary, 'Segment reporting'. Primary segment reporting is by business segment.

The product portfolio of the Business Solutions segment includes professional services (portal solutions, EAI integration solutions and software engineering), public solutions for centralized activities such as eGovernment, budget management or crisis management and knowledge solutions integrating various knowledge sources in business processes such as call center environments or in quality assurance.

The IT-Controlling segment offers goods and services related to infrastructure management (efficient management of IT resources, contracts and software licenses), service/change management (compliance and formalizing IT service processes including procurement, support and maintenance) as well as finance management (transparency, planning, budgeting and accurate charging of IT costs and services)

In fiscal years 2004, 8.8 % (2003: 6.3 %) of consolidated sales revenue was generated outside of Germany. Likewise 0.8 % (2003: 0.7 %) of the consolidated assets were located outside of Germany. For this reason the Company has refrained from providing any more information on the geographical data pursuant to IAS 14 (secondary reporting format).

	Business Solutions		IT-Controlling		Not allocated		Consolidation		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
External sales	10,136	10,380	8,516	8,334	34	345	0	0	18,686	19,059
Intersegment sales	74	464	0	0	0	0	-74	-464	0	0
Total sales	10,210	10,844	8,516	8,334	34	345	-74	-464	18,686	19,059
EBIT	1,319	1,010	-134	-1,980	-2,480	-7,914	0	0	-1,295	-8,884
Net financial income	-	-	-	-	1,719	1,930	0	0	1,719	1,930
Taxes	-	-	-	-	-162	65	0	0	-162	65
Losses from associates	-	-	-	-	0	-38	0	0	0	-38
Minority interests	-	-	-	-	0	57	0	0	0	57
Net profit/loss for the Group	1,319	1,010	-134	-1,980	-923	-5,900			262	-6,870
Segment assets / Group assets	11,891	10,653	11,371	12,303	50,193	52,329	0	0	73,455	75,285
of which goodwill	8,657	8,650	6,281	6,276	0	0	0	0	14,938	14,926
Segment liabilities / Group liabilities	2,188	2,014	2,271	3,151	35,851	2,995	0	0	40,310	8,160
Capital expenditure	91	43	213	82	46	22	0	0	350	147
Depreciation and amortization	104	4,845	371	427	187	147	0	0	662	5,419
of which goodwill	0	4,416	0	0	0	0	0	0	0	4,416
Non-cash income and expenses excl. depreciation and amortization	-	-	-	-	195	364	0	0	195	364
Employees (as of Dec. 31, 2004/2003)	49	62	115	118	25	32	0	0	189	212

Inter-segment sales are measured at transfer prices. These have been derived from market prices for the same or similar goods or services delivered to third parties.
Segment assets and liabilities can be reconciled to consolidated assets and liabilities as follows:

	2004 EUR k	2003 EUR k
Segment assets	23,262	22,956
Unallocated assets		
Non-current investments	0	34,563
Current investments	40,088	5,622
Cash on hand and bank balances	7,281	7,227
Income taxes	1,831	3,402
Other assets	993	1,515
	50,193	52,329
Group assets	73,455	75,285

	2004 EUR k	2003 EUR k
Segment liabilities	4,459	5,165
Unallocated assets		
Liabilities from capital reduction	34,206	0
Pension provisions	422	416
Liabilities to tax authorities	189	343
Provisions associated with the squeeze out at USU AG	0	583
Other liabilities	1,034	1,653
	35,851	2,995
Group liabilities	40,310	8,160

H OTHER DISCLOSURES

42. Related parties

According to IAS 24 related parties are people or entities who control the Group or who can exercise a significant influence on it, including members of the management and supervisory boards or any people or entities over whom the Group can exercise significant influence. Entities which are already fully consolidated do not qualify as related parties.

According to IAS 24.3, the top management and the members of the supervisory board are seen as related parties. In fiscal year 2004 there were no material business relationships with members of the management board or members of the supervisory board or the entities included in the consolidated financial statements other than those described below.

The management board confirms that all the related party transactions described below were carried out at arm's length.

42.1. Landesbank Baden-Württemberg

Pursuant to Sec. 20 (1) AktG, Landesbank Baden-Württemberg ("LBBW") informed the Company on October 12, 2001 that it held more than 25 % of the capital stock of the Company.

As of December 31, 2004, cash and cash equivalents and short-term investments contained fixed-term deposits of EUR 2,715 k (2003: EUR 1,362 k) which are held at the LBBW. These fixed term deposits have terms of up to three months.

The total value of services performed by LBBW in the fiscal year amounts to EUR 108 k (2003: EUR 262 k).

42.2. Udo Strehl / Udo Strehl Private Equity GmbH

There are no trading obligations between the Group and the Chairman of the supervisory board, Udo Strehl, and Udo Strehl Private Equity GmbH. Payments to Udo Strehl and Udo Strehl Private Equity GmbH are a result of cost reimbursements and compensation of out-of-pocket expenses. In fiscal year 2004, net payments of EUR 6 k were made in favor of Udo Strehl and EUR 8 k in favor of Udo Strehl Private Equity GmbH.

42.3. Karin Weiler-Strehl

Karin Weiler-Strehl is the wife of Udo Strehl, chairman of the supervisory board of the Group and major shareholder of the parent of the Group, USU Software AG. The Company engages the consulting services of Ms. Weiler-Strehl on a project-by-project basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 23 k in the fiscal year (2003: EUR 28 k).

The subsidiary of USU AG has rented an office building from Ms. Weiler-Strehl since April 1996. The rental payments in the fiscal year ending December 31, 2004 amounted to EUR 232 k (2003: EUR 226 k). In a supplement to the rent agreement, USU AG granted Ms. Karin Weiler-Strehl a subsidized construction loan of EUR 183 k for construction expenses. Should the rent agreement be terminated prior to December 31, 2007 for whatever reason, the subsidized construction loan will lapse and be repayable in full. In the event that the rent agreement is terminated on December 31, 2007 as agreed, or renewed, the subsidized construction loan bears interest of 2.5 % p.a.. Due to the low interest rate, the subsidized construction loan has been discounted to its present value and will be compounded over its term to arrive at the full amount repayable when it matures. As of December 31, 2004, the receivable from this subsidized construction loan amounted to EUR 211 k (2003: EUR 201 k). The interest income from compounding the loan amounted to EUR 10 k in the fiscal year ending December 31, 2004 (2003: EUR 6 k).

42.4. Remuneration of management and the supervisory board

Management of the Group's business is the responsibility of the following people:

Bernhard Oberschmidt (Chief Executive Officer)

Klaus Bader (Executive Vice President)

Bernd Wagner (Executive Vice President)

Frank Dreher (Senior Vice President)

Gerald Lamatsch (Senior Vice President)

Remuneration of this upper management circle totaled EUR 776 k in fiscal year 2004 (2003: EUR 746 k) and breaks down as follows:

Fixed remuneration: EUR 566 k (2003: EUR 543 k)

Variable remuneration: EUR 210 k (2003: EUR 203 k)

In the fiscal year 2004, total remuneration of the supervisory board totaled EUR 67 k (2003: EUR 70 k).

Reference is made to the comments in note 22 with regard to the pension provision set up for a member of the supervisory board.

43. Other notes

43.1. Contingent liabilities

	2004 EUR k	2003 EUR k
Guarantees and warranties	164	324
Security provided for third-party liabilities	0	415
	164	739

43.2. Other financial obligations

The Company has leased some of its office and operating equipment as well as its vehicles (operating leases). The interest rates stipulated in the lease agreements are customary market rates. There are no bargain purchase or renewal options contained in the lease agreements for office and operating equipment or for leased vehicles. There were no sale and lease-back transactions in either of the fiscal years.

The annually expected minimum payments for leases and rent agreements as well as purchase commitments and other financial obligations break down as follows:

	2004 EUR k	2003 EUR k
Obligations from operating leases		
in one year	365	305
in more than one to five years	499	35
in more than five years	0	0
	864	340
Other financial obligations		
in one year	417	449
in more than one to five years	617	959
in more than five years	0	0
	1,034	1,408
	1,898	1,748

Expenses for operating leases and rent agreements amounted to EUR 992 k in fiscal year 2004 (2003: EUR 1,236 k).

43.3. Litigation, other contingent liabilities and subsequent events

In the course of its ordinary operations, the Company can become involved in legal disputes, claims for damages, criminal investigations, court cases and product liability disputes and commercial law cases. The outcome of currently pending and/or future litigation cannot be predicted with certainty so that expenses may be incurred as a result of decisions that will not be fully covered by insurance and that may have significant effects on the business, its financial position and its operating results. According to the estimates of the Company and its legal counsel as of December 31, 2004, decisions that will significantly influence the net assets, financial position and the results of operations of the Group are not to be expected from litigation currently pending.

There were no significant events prior to release of the consolidated financial statements by the management board to be reported.

44. Company boards

44.1. Management board

The members of the management board of the parent company in fiscal year 2004 were:

Bernhard Oberschmidt, Spokesperson of the management board
Diplom-Ökonom

The remuneration paid to former members of the management board from the cancellation of stock options amounted to EUR 0 k (2003: EUR 19 k).

44.2. Supervisory board

Members of the supervisory board in fiscal 2004 were:

Udo Strehl, Chairman — Chairman since November 7, 2004
Managing director of Udo Strehl Private Equity GmbH
Chairman of the supervisory board of USU AG, Möglingen

Erwin Staudt, Diplom-Volkswirt — since November 2, 2004
Chairman of VfB Stuttgart
Member of the supervisory board of PROFI Engineering Systems AG, Darmstadt
Member of the supervisory board of USU AG, Möglingen

Günter Daiss, Versicherungskaufmann — since November 2, 2004
Chairman of the management board of G. W. Barth AG, Freiberg a. N.
Member of the supervisory board of USU AG, Möglingen

Markus Kress, Diplom-Wirtschaftsingenieur, Chairman — until October 31, 2004
Member of the management board of tecways AG, Munich
General manager of Brill Gartengeräte GmbH, Witten
Member of the supervisory board of IWL AG, Ulm
Member of the supervisory board of USU AG, Möglingen (until October 31, 2004)

Werner Preuschhof, Diplom-Kaufmann — until October 31, 2004
Management consultant
Chairman of the supervisory board of Planbusiness Market Enabling AG, Hamburg
Chairman of the supervisory board of Novomind AG, Hamburg
Member of the supervisory board of s24 direkt AG, Hamburg
Member of the supervisory board of USU AG, Möglingen (until October 31, 2004)

The remuneration paid to former members of the supervisory board from the cancellation of stock options amounted to EUR 0 k (2003: EUR 39 k).

45. Financial risk management

The Group is subject to various risks that are assessed, managed and monitored by a systematic risk management system.

The Group's management of credit risks, liquidity exposures and market risks (exchange rates, interest rates, share prices) is explained below.

45.1. Credit risks

The Group is exposed to credit risks associated 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 default. As no collateral has been issued, the maximum risk of default is the amount carried in the balance sheet.

The risk of default for trade receivables is minimized by constant monitoring of the credit worthiness of the counterparty. As no general netting agreements are concluded with customers, the sum of the amounts reported under assets also represents the maximum credit risk. In the event that the Group becomes aware of any indications that the ability of a certain customer to meet its financial obligations is impaired, the Group recognizes a specific bad debt allowance to reduce the net amount of the receivable to the amount deemed most likely to be recovered. Moreover, the Group recognizes the risks of non-collection by means of a portfolio-based measurement of receivables.

45.2. Liquidity risks

In order to meet its financial obligations, the Group needs cash and cash equivalents which, owing to the two IPOs, are available to it. Moreover, the Company has credit lines to cover any liquidity bottlenecks.

45.3. Stock market risks

By investing its financial assets, the Company is exposed to stock market fluctuations. Specifically, there is a risk of financial loss due to changes in stock market prices. One way of countering this risk is through diversification of the investment portfolio. When selecting bonds, a minimum rating of BBB (Standard & Poor’s) is generally required.

45.4. Interest rate risks

Interest rate risk is the exposure of the Company to the negative effects on its net assets and results of operations caused by changes in interest rates. As the Company is not highly geared, its interest rate exposure relates solely to income from securities. This risk is countered by pursuing an investment policy with a short to mid-term horizon (up to 18 months).

45.5. Exchange rate risks

The Company performs insignificant transactions in foreign currency and is therefore subject to exchange rate fluctuations which have an effect on the assets and income of the Company listed in euro. Transaction risks are also incurred on financial assets denominated in foreign currencies.

I INVESTMENTS OF THE COMPANY'S BOARD MEMBERS

46. Shares, convertible bonds, and stock options held by members of the Company’s boards

In conjunction with the public disclosures in the interim financial statements of USU Software AG, the following table summarizes the securities held by members of the Company's boards, including their former members. As of December 31, 2004, shares held by members of the Company's boards in USU Software AG, Möglingen, were as follows: no stock options or convertible bonds issued by USU Software AG were held. The reduction in share capital by a ratio of 2 : 1 was already considered in the notes to the financial statements as of December 31, 2003.

Shareholdings subject to mandatory disclosure	2004 Shares (No.)	2003 Shares (No.)
Management board		
Bernhard Oberschmidt	18,696	18,696
Supervisory board		
Udo Strehl*	2,021,319	2,021,319
Erwin Staudt	0	0
Günther Daiss	0	0
Markus Kress**	41,886	141,886
Werner Preuschhof**	0	0

* An additional 4,172,348 voting rights in USU Software AG can be allocated to Udo Strehl, as the majority shareholder of the company via Udo Strehl Private Equity GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

** Final notification as of October 31, 2004.

47. Public notices

The number of voting rights disclosed in the following public notices relates to the period prior to the reduction of share capital. As a consequence, the reduction in the number of shares using a ratio of 2 : 1 is not reflected in the following notices. Reference is made here to our comments on equity (note 21).

Börsenzeitung No. 110 dated June 11, 2004

"Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen, informed us pursuant to Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] on June 8, 2004 that its voting rights in USU Software AG, Spitalhof, 71696 Möglingen, passed the 5 percent, 10 percent, 25 percent, and 50 percent thresholds on June 8, 2004, and now amount to 71.97 percent. This is equivalent to 12,387,334 voting rights.

This share contains 7,223,696 voting rights (41.97 percent) which can be allocated to Udo Strehl Private Equity GmbH pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG and 4,042,638 voting rights (23.49 percent) which can be allocated to Udo Strehl Private Equity GmbH pursuant to Sec. 22 (2) WpHG."

Börsenzeitung No. 110 dated June 11, 2004

"Udo Strehl, Eichenweg 8, 71679 Asperg, informed us pursuant to Sec. 21 (1) WpHG on June 8, 2004 that his voting rights in USU Software AG, Spitalhof, 71696 Möglingen, passed the 25 percent and 50 percent thresholds on June 8, 2004, and now amount to 71.97 percent. This is equivalent to 12,387,334 voting rights.

This share contains 1,121,000 voting rights (6.51 percent) which can be allocated to Mr. Udo Strehl pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and 7,223,696 voting rights (41.97 percent) which can be allocated to Mr. Udo Strehl pursant to Sec. 22 (1) Sentence 1 No. 5 WpHG."

Börsenzeitung No. 114 dated June 17, 2004

SüdKA SüdKapitalanlagegesellschaft mbH, Schillerstrasse 27, 60313 Frankfurt am Main, informed us in a letter dated June 11, 2004 that:

"We herewith inform you pursuant to Sec. 22 (1) WpHG that the voting rights in USU Software AG held by the investment fund under our management fell below the 5 % threshold on June 7, 2004 and now amount to 4.382 %."

Börsenzeitung No. 156 dated August 14, 2004

On August 12, 2004, Mr. Udo Strehl, Eichenweg 8, 71679 Asperg, informed us that:

"I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of my voting rights in USU Software AG, Spitalhof, 71696 Möglingen, exceeded the threshold of 75 percent on August 6, 2004 and now amounts to 76.74 percent. This is equivalent to 13,207,957 voting rights.

This share contains 820,623 voting rights (4.77 percent) which can be allocated to me pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG and 8,344,696 voting rights (48.48 percent) which can be allocated to me pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG.

In this regard, I make reference to No. 3.2.1. of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": Securities Acquisition and Takeover Act] made by Udo Strehl Private Equity GmbH, Möglingen, to the shareholders of USU Software AG, Möglingen."

Börsenzeitung No. 156 dated August 14, 2004

On August 12, 2004, Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen informed us:

"We are writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in USU Software AG, Spitalhof, 71696 Möglingen, exceeded the threshold of 75 percent on August 6, 2004 and now amounts to 76.74 percent. This is equivalent to 13,207,957 voting rights.

This share contains 820,623 voting rights (4.77 percent) which can be allocated to us pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG and 4,042,638 voting rights (23.49 percent) which can be allocated to us pursuant to Sec. 22 (2) WpHG.

In this regard, we make reference to No. 3.2.1. of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG made by Udo Strehl Private Equity GmbH, Möglingen, to the shareholders of USU Software AG, Möglingen."

Börsenzeitung No. 164 dated August 26, 2004

On August 24, 2004, Mr. Udo Strehl, Eichenweg 8, 71679 Asperg, informed us that:

"I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of my voting rights in USU Software AG, Spitalhof, 71696 Möglingen, fell below the threshold of 75 percent on August 19, 2004 and now amounts to 71.97 percent. This is equivalent to 12,387,334 voting rights. This share contains 8,344,696 voting rights (48.48 percent) which can be allocated to me pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG via Udo Strehl Private Equity GmbH ("USPEG"), Möglingen.

As stated in No. 3.2.1 of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG made by USPEG, Möglingen, to the shareholders of USU Software AG, Möglingen, on July 2, 2004, USPEG does not intend to hold more than 48.48 percent in the common stock carrying voting rights. On the basis of two agreements for the sale of shares dated June 8, 2004 USPEG acquired a holding of 8,344,696 shares with as many voting rights (48.48 percent) in USU Software AG.

As announced on August 12, 2004, USPEG acquired an additional 820,623 shares (4.77 percent) of USU Software AG within the framework of the mandatory bid. For this reason, on August 19, 2004 USPEG assigned 820,623 shares (4.77 percent) in USU Software AG back to one of the vendors of the share package which was acquired on June 8, 2004."

Börsenzeitung No. 164 dated August 26, 2004

On August 24, 2004, Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen informed us:

"As stated in No. 3.2.1 of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG made by Udo Strehl Private Equity GmbH ("USPEG"), Möglingen, to the shareholders of USU Software AG, Möglingen, on July 2, 2004, USPEG does not intend to hold more than 48.48 percent of the common stock of USU Software AG carrying voting rights. On the basis of two agreements for the sale of shares dated June 8, 2004, USPEG acquired a holding of 8,344,696 shares with as many voting rights (48.48 percent) in USU Software AG.

In addition, owing to a pooling agreement with Mr. Udo Strehl, Asperg, a further 4,042,638 shares with voting rights (23.49 percent) in USU Software AG can be allocated to USPEG pursuant to Sec. 22 (2) WpHG.

As announced on August 12, 2004, USPEG acquired an additional 820,623 shares (4.77 percent) of USU Software AG within the framework of the mandatory bid. On August 19, 2004 USPEG assigned a total of 820,623 shares (4.77 percent) in USU Software AG back to one of the vendors of the share package which was acquired on June 8, 2004.

Owing to the retransfer of 820,623 shares (4.77 percent) in USU Software AG by USPEG, we are writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in USU Software AG, Spitalhof, 71696 Möglingen, fell below the threshold of 75 percent on August 19, 2004 and now amounts to 71.97 percent. This is equivalent to 12,387,334 voting rights. This share contains the 4,042,638 voting rights (23.49 percent) which can be allocated to us pursuant to Sec. 22 (2) WpHG."

J ADDITIONAL LOCAL DISCLOSURE REQUIREMENTS

48. Exemption from the duty to prepare consolidated financial statements pursuant to German accounting provisions in conjunction with Sec. 292a HGB

As a publicly listed company, the parent has elected the option of preparing its consolidated financial statements pursuant to IAS/IFRS in accordance with Sec. 292a HGB which exempts it from the duty to prepare consolidated financial statements in accordance with German law, i.e. Secs. 290 et seq. HGB.

In accordance with the interpretation by the German Accounting Standards Committee (GASC) in GAS 1, the reporting of the parent company corresponds to Directive 83/349/EEC.

49. Significant differences between IFRS and HGB accounting

The significant differences between IAS/IFRS and HGB accounting with respect to the consolidated financial statements of USU Software AG are described below.

49.1. Revenue recognition

According to HGB accounting, work in process is recognized when the services have been realized whereas IFRS accounting recognizes profit on an proportionate basis in accordance with the percentage of completion method.

When recognizing revenues from the sale of software and services, IFRS places additional requirements on valuing individual deliveries at fair value which may go beyond the customary criteria for revenue recognition under the German Commercial Code (HGB) which is generally the transfer of risk.

49.2. Intangible assets (including goodwill)

According to HGB and IFRS intangible assets acquired for a consideration should be recognized. By contrast, intangible assets which have not been acquired for a consideration or have been internally generated may not be recognized under HGB.

Under IFRS, development expenses are recognized as assets provided that the criteria in IAS 38 are met.

IFRS 3 contains extensive rules on capitalizing intangible assets acquired in the course of a business combination. This also applies to items which do not meet the commercial criteria of an asset.

According to IFRS 3, goodwill is no longer amortized on a scheduled basis but is subject to an annual impairment test and written down if needed. In comparison, HGB allows goodwill to be capitalized and amortized on a scheduled basis or offset against reserves without affecting income.

49.3. Unrealized profits

Under HGB, only unrealized losses may be recognized under the imparity principle. In IFRS unrealized profits must also be considered. This can be seen in the following items:

Receivables and liabilities denominated in foreign currency:
Under HGB, receivables and liabilities in foreign currency that have not been hedged are measured at cost or at the less favorable exchange rate on the balance sheet date. Under IFRS, however, all receivables and liabilities in foreign currency are translated at the rate prevailing on the balance sheet date. As a result, unrealized exchange gains are recognized in the income statement.

Current and non-current investments:
Under HGB rules, securities are measured at the lower of cost or market on balance sheet date. Under IFRS, securities are measured depending on their allocation to certain categories. Available-for-sale securities reported in consolidated financial statements are always measured at market value on balance sheet date, and therefore include any unrealized gains. Changes in market value are recorded in equity without affecting income.

Securities with a maturity upon acquisition of less than three months are reported as current financial investments under cash and cash equivalents. They are measured at market value, with fluctuations in market value being posted to net financial income in the income statement.

49.4. Deferred taxes

Under HGB all timing differences between the tax balance sheet and the consolidated balance sheet must be determined if these have had an affect on income. This calculation uses the current tax rate.

Under IFRS, deferred taxes must be recognized for all temporary differences between the tax carrying amounts and the carrying amounts in the consolidated financial statements (temporary concept). For temporary differences that do not affect income, IFRS provides for the related deferred taxes also to be set up without affecting income. This concept does not exist in the German accounting provisions.

49.5. Provisions

The option to set up provisions is much more restrictive under IFRS than under HGB. Under IFRS, provisions must be set up when an entity has a legal or constructive obligation to a third party, it is probable that claims will be made and a reliable estimate can be made of the amount of the obligation. If the interest effect is material, non-current provisions must be discounted under IFRS.

HGB permits setting up provisions for future expenses without obligations to third parties.

In contrast to HGB accounting principles, the calculation of pension provisions under IFRS includes expected wage and salary increases. The calculation under IFRS is not based on the discount rate of 6 % applicable in German tax law, but on a maturity-based interest rate derived from high-quality, fixed interest corporate bonds on the market.

49.6. Minority interests

Under IFRS all minority interests are reported in a separate item outside of equity whereas under HGB minority interests are reported as a separate item under equity.

49.7. Balance sheet classification

The balance sheet items were classified into current and non-current assets and liabilities in accordance with IFRS. Items not due within a year are disclosed as non-current assets and non-current liabilities. In addition, deferred taxes are disclosed as non-current assets and liabilities.

For accounting under German commercial law, balance sheet classification is governed by Sec. 266 HGB.

50. Group management report

The group management report has been prepared in accordance with Sec. 315 HGB.

51. *Declaration by the management board and supervisory board of USU Software AG pursuant to Sec. 161 AktG of compliance with the German Corporate Governance Code*

The management board and supervisory board of USU Software AG issued the declaration of compliance with the German Corporate Governance Codex pursuant to Sec. 161 AktG on December 13, 2004 and have made it permanently available to the shareholders on the internet site of USU Software AG at http://www.usu-software.de. Further details of compliance are contained in the combined management report attached to these consolidated financial statements.

Möglingen, February 21, 2005

Bernhard Oberschmidt
Spokesperson for the management board

USU Software AG, Möglingen

Consolidated Statement of Changes in Non-Current Assets for 2004 (Attachment A)

	Historical cost				Accumulated depreciation and amortization						Carrying amount	
	Jan. 1, 2004 EUR k	Additions EUR k	Disposals EUR k	Dec. 31, 2004 EUR k	Jan. 1, 2004 EUR k	Impair-ments EUR k	Additions EUR k	Disposals EUR k	Currency EUR k	Dec. 31, 2004 EUR k	Dec. 31, 2004 EUR k	Dec. 31, 2003 EUR k
Intangible assets												
Software acquired for a consideration	3,913	84	1,774	2,223	2,989	0	390	1,772	4	1,611	612	924
Trademarks and brands	982	0	0	982	521	0	0	0	0	521	461	461
Maintenance agreements	280	0	0	280	110	0	56	0	0	166	114	170
	5,175	84	1,774	3,485	3,620	0	446	1,772	4	2,298	1,187	1,555
Goodwill	34,560	12	0	34,572	19,634	0	0	0	0	19,634	14,938	14,926
	34,560	12	0	34,572	19,634	0	0	0	0	19,634	14,938	14,926
Property, plant and equipment												
Land and buildings	79	5	0	84	40	0	9	0	0	49	35	39
Other equipment, furniture and fixtures	1,073	261	469	865	739	0	207	456	0	490	375	334
	1,152	266	469	949	779	0	216	456	0	539	410	373
Financial assets												
Equity investments in associates	270	0	270	0	0	0	0	0	0	0	0	270
	270	0	270	0	0	0	0	0	0	0	0	270
Non-current investments												
Held-to-maturity securities	34,692	0	34,692	0	129	0	248	377	0	0	0	34,563
	34,692	0	34,692	0	129	0	248	377	0	0	0	34,563
Other non-current assets												
Construction subsidy	201	10	0	211	0	0	0	0	0	0	211	201
Custodial account	516	0	163	353	0	0	0	0	0	0	353	516
	717	10	163	564	0	0	0	0	0	0	564	717
	76,566	**372**	**37,368**	**39,570**	**24,162**	**0**	**910**	**2,605**	**4**	**22,471**	**17,099**	**52,404**

USU Software AG, Möglingen
Reconciliation of the US-GAAP Consolidated Balance Sheet as of January 1, 2003
to the IFRS Consolidated Balance Sheet as of January 1, 2003 (Attachment B)

	Jan. 1, 2003 US-GAAP EUR k	Non-operating/ Non-adjusting entries in EUR k	Operating/ equity adjusting entries in EUR k	Ref. no. adjustment	Jan. 1, 2003 IFRS EUR k	
ASSETS						**ASSETS**
Non-current assets						**Non-current assets**
Other intangible assets	2,199				2,199	Other intangible assets
Goodwill	17,279				17,279	Goodwill
Property, plant and equipment, net	649				649	Property, plant and equipment, net
Financial assets	311				311	Financial assets
Bonds, held-to-maturity	0				0	Held-to-maturity financial instruments
Other non-current assets	193				193	Other non-current assets
Total non-current assets	20,631	0	0		20,631	
Current assets						**Current assets**
Work in process	296				296	Work in process
Trade receivables net of valuation allowances of EUR 3,097 k as of January 1, 2003	5,680				5,680	Trade receivables
		2,827		(A)	2,827	Income tax receivables
Prepaid expenses and other assets	4,460	-3,313		(A), (B)	1,147	Other current assets
		303		(A)	303	Prepaid expenses
Current investments	43,344				43,344	Current investments
Cash and cash equivalents	12,001				12,001	Cash on hand and bank balances
Total current assets	65,781	-183	0		65,598	
	86,412	-183	0		86,229	

This reconciliation is an integral component of the consolidated financial statements.

USU Software AG, Möglingen
Reconciliation of the US-GAAP Consolidated Balance Sheet as of January 1, 2003 to the IFRS Consolidated Balance Sheet as of January 1, 2003 (Attachment B)

	Jan. 1, 2003 US-GAAP EUR k	Non-operating/ Non-adjusting entries in EUR k	Operating/ equity adjusting entries in EUR k	Ref. no. adjustment	Jan. 1, 2003 IFRS EUR k	
EQUITY AND LIABLITIES						**EQUITY AND LIABLITIES**
Equity						**Equity**
Subscribed capital (number of authorized shares 25,811,186, shares issued 17,211,186, shares outstanding 17,103,285)	17,211				17,211	Subscribed capital (number of authorized shares 25,811,186, shares issued 17,211,186, shares outstanding 17,103,285)
Capital reserve	137,848		-119	(C)	137,729	Capital reserve
Treasury shares	-1,859				-1,859	Treasury shares
Accumulated losses	-80,304		97	(C)	-80,207	Accumulated losses
Other comprehensive loss	54				54	Other comprehensive loss
Outstanding expenses from employee stock option program	-22		22	(C)	0	
Equity	72,928	0	0		72,928	
Minority interests	469				469	**Minority interests**
Non-current provisions and liabilities						**Non-current liabilities**
Pension provisions	775	-183		(B)	592	Pension provisions
Convertible bonds	94				94	Convertible bonds
Non-current provisions and liabilities	869	-183	0		686	
Current provisions and liabilities						**Current provisions and liabilities**
Tax liabilities	302				302	Tax liabilities
Personnel-related provisions and liabilities	3,759				3,759	Personnel-related provisions and liabilities
Other provisions and liabilities	4,641				4,641	Other provisions and liabilities
Payments received on account	222				222	Payments received on account
Liabilities to companies in which equity investments are held	228				228	Liabilities to companies in which equity investments are held
Trade payables	2,063				2,063	Trade payables
Deferred income	931				931	Deferred income
Current provisions and liabilities	12,146	0	0		12,146	
	86,412	-183	0		86,229	

This reconciliation is an integral component of the consolidated financial statements.

USU Software AG, Möglingen
Reconciliation of the US-GAAP Consolidated Balance Sheet as of December 31, 2003
to the IFRS Consolidated Balance Sheet as of December 31, 2003 (Attachment C)

	Dec. 31, 2003 US-GAAP EUR k	Non-operating/ Non-adjusting entries in EUR k	Operating/ equity adjusting entries in EUR k	Ref. no. adjustment	Dec. 31, 2003 IFRS EUR k	
ASSETS						**ASSETS**
Non-current assets						**Non-current assets**
Other intangible assets	1,566		-11	(J)	1,555	Intangible assets
Goodwill	14,385		541	(I)	14,926	Goodwill
Property, plant and equipment, net	373				373	Property, plant and equipment
Financial assets	270				270	Financial assets
Bonds, held-to-maturity	34,563				34,563	Held-to-maturity financial instruments
Other non-current assets	1,273	-494	-62	(B), (G)	717	Other non-current assets
	52,430	-494	468		52,404	
Current assets						**Current assets**
Work in process	498				498	Work in process
Trade receivables net of valuation allowances of EUR 736 k as of December 31, 2003	4,291				4,291	Trade receivables
		3,402		(A)	3,402	Income tax receivables
Prepaid expenses and other assets	4,814	-3,477		(A)	1,337	Other current assets
		75		(A)	75	Prepaid expenses
Current investments	5,622				5,622	Current investments
Cash and cash equivalents	7,656				7,656	Cash on hand and bank balances
	22,881	0	0		22,881	
	75,311	-494	468		75,285	

This reconciliation is an integral component of the consolidated financial statements.

USU Software AG, Möglingen
Reconciliation of the US-GAAP Consolidated Balance Sheet as of December 31, 2003
to the IFRS Consolidated Balance Sheet as of December 31, 2003 (Attachment C)

	Dec. 31, 2003 US-GAAP EUR k	Non-operating/ Non-adjusting entries in EUR k	Operating/ equity adjusting entries in EUR k	Ref. no. adjustment	Dec. 31, 2003 IFRS EUR k	
EQUITY AND LIABLITIES						**EQUITY AND LIABLITIES**
Equity						**Equity**
Subscribed capital (number of authorized shares 25,811,186, shares issued 17,211,186, shares outstanding 17,103,285)	17,211				17,211	Subscribed capital
Capital reserve	137,730				137,730	Capital reserve
Treasury shares	-714				-714	Treasury shares
Accumulated losses	-87,545	97	371	(C), (G), (H), (I), (J)	-87,077	Accumulated losses
Other comprehensive loss	-25				-25	Other comprehensive income
	66,657	97	371		67,125	
Non-current provisions and liabilities						**Non-current liabilities**
Pension provisions	910	-494		(B)	416	Pension provisions
	910	-494	0		416	
Current provisions and liabilities						**Current provisions and liabilities**
Tax liabilities	73				73	Tax liabilities
Personnel-related provisions and liabilities	1,523				1,523	Personnel-related provisions and liabilities
Other provisions and liabilities	3,517				3,517	Other provisions and liabilities
Payments received on account	593				593	Payments received on account
Liabilities to companies in which equity investments are held	267				267	Liabilities to companies in which equity investments are held
Trade payables	921				921	Trade payables
Deferred income	850				850	Deferred income
	7,744	0	0		7,744	
Total equity and liabilities	75,311	-397	371		75,285	

This reconciliation is an integral component of the consolidated financial statements.

USU Software AG, Möglingen
Reconciliation of the Consolidated Income Statement Pursuant to US-GAAP for the Fiscal Year 2003 to the Consolidated Income Statement Pursuant to IFRS for the Fiscal Year 2003 (Attachment D)

	2003 US-AAP EUR k	Non-operating/ Non-adjusting entries in EUR k	Operating/ equity adjusting entries in EUR k	Ref. no. adjustment	2003 IFRS EUR k	
Sales revenue	19,059				19,059	Sales revenue
Cost of sales					0	Cost of sales
	-12,820	-337	-11	(D), (E), (J)	-13,168	
Gross profit	6,239	-337	-11		5,891	Gross profit
Sales and marketing expenses	-4,120	-101		(D)	-4,221	Sales and marketing expenses
General administrative expenses	-3,187	486	-62	(D), (G)	-2,763	General administrative expenses
Research and development expenses	-3,111	-88		(D)	-3,199	Research and development expenses
Impairments of goodwill	-4,957		541	(I)	-4,416	Impairments of goodwill
Personnel expenses from employee stock option program	97		-97	(H)		
Restructuring expenses	-281				-281	Restructuring expenses
		105		(F)	105	Other income and expenses, net
Impairment losses on non-current assets	-40	40		(E)		
Loss from ordinary operations	-9,360	105	371		-8,884	Loss from ordinary operations
Other interest and similar income	1,930				1,930	Other interest and similar income
Profits/losses from associates	-38				-38	Losses from associates
Other income and expenses, net	105	-105		(F)		
Loss before tax and minority interests	-7,363	0	371		-6,992	**Loss before tax and minority interests**
Income taxes	65				65	Income taxes
Net loss for the year before minority interests	-7,298	0	371		-6,927	**Net loss for the year before minority interests**
Minority interests	57				57	Minority interests
Net loss for the year	-7,241	0	371		-6,870	**Net loss for the year**

This reconciliation is an integral component of the consolidated financial statements.

Audit Opinion

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by USU Software AG, Möglingen, for the fiscal year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the International Financial Reporting Standards (IFRS), based on our audit.

We conducted our audit of the consolidated financial statements in accordance with the German auditing requirements and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 amounts and disclosures in the consolidated financial statements are examined 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRS.

Our audit, which also extends to the combined management report prepared by the management board for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. In our opinion the combined management report and the other disclosures made in the consolidated financial statements provide overall a suitable understanding of the Group's position and suitably present the risks to future development. In addition, we confirm that the consolidated financial statements and the combined management report for the fiscal year from January 1 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Stuttgart, February 25, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Viering
Wirtschaftsprüfer
[German Public Auditor]

Burkard
Wirtschaftsprüfer
[German Public Auditor]

USU Software AG, Möglingen

Balance Sheet as of December 31, 2004

ASSETS	Note	Dec. 31, 2004 EUR	Dec. 31, 2004 EUR	Dec. 31, 2003 EUR k
A. FIXED ASSETS				
Financial assets	(1)			
1. Shares in affiliated companies		10,188,132.40		10,176
2. Long-term investments		21,615,580.00		34,639
			31,803,712.40	44,815
			31,803,712.40	44,815
B. CURRENT ASSETS				
I. Receivables and other assets	(2)			
1. Trade receivables		32,016.00		86
2. Receivables from affiliated companies		2,189,734.71		4,509
3. Other assets		2,257,394.68		3,870
			4,479,145.39	8,465
II. Securities				
1. Treasury shares	(3)	394,914.00		344
2. Other securities		15,586,003.53		3,000
			15,980,917.53	3,344
III. Cash on hand and bank balances			5,587,949.63	1,585
			26,048,012.55	13,395
			57,851,724.95	58,210

USU Software AG, Möglingen

Balance Sheet as of December 31, 2004

EQUITY AND LIABILITIES	Note	EUR	EUR	Dec. 31, 2003 EUR k
A. EQUITY				
I. Subscribed capital	(4)		8,605,593.00	17,211
II. Capital reserve	(7)		13,655,992.47	103,770
III. Revenue reserve				
Reserve for treasury shares	(8)		394,914.00	344
IV. Retained earnings/accumulated loss	(9)		0.00	-65,544
			22,656,499.47	55,781
B. ACCRUALS				
Other accruals	(10)		521,632.60	1,565
C. LIABILITIES	(11)			
1. Trade payables		43,203.77		56
2. Liabilities to affiliated companies		232,265.00		112
3. Other liabilities		34,398,124.11		696
			34,673,592.88	864
			57,851,724.95	58,210

USU SOFTWARE AG

USU Software AG, Möglingen
Income Statement for Fiscal Year 2004

		Note	EUR	EUR	2003 EUR k
1.	Sales revenue	(14)	0.00		588
2.	Other operating income	(15)	633,676.54		885
				633,676.54	1,473
3.	Cost of materials				
	a) Cost of raw materials, consumables and supplies and of purchased merchandise		0.00		49
	b) Cost of purchased services		0.00		492
4.	Personnel expenses				
	a) Wages and salaries		60,365.28		56
	b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 0.00 (prior year: EUR 0 k)		13,593.11		25
5.	Other operating expenses	(16)	838,855.93		1,489
				912,814.32	2,111
6.	Income from profit transfer agreements		0.00		361
7.	Other interest and similar income of which from affiliated companies EUR 112,500.00 (prior year: EUR 71 k)		1,797,918.61		1,923
8.	Amortization of financial assets and securities classified as current assets	(17)	436,770.00		542
9.	Interest and similar expenses		2,777.52		4
				1,358,371.09	1,738
10.	Result from ordinary activities			1,079,233.31	1,100
11.	Extraordinary income	(18)	0.00		16
12.	Extraordinary result			0.00	16
13.	Other taxes		2,598.43		0
				2,598.43	0
14.	Net income for the year			1,081,831.74	1,116
15.	Loss brought forward from prior year			-65,544,403.73	-67,434
16.	Drawings from capital reserve			64,513,281.99	0
17.	Drawings from reserve for treasury shares			0.00	774
18.	Income from reduction of capital	(19)		43,905,593.00	0
19.	Additions to capital reserve as a result of ordinary capital reduction			-9,699,021.00	0
20.	Additions to reserve for treasury shares			-50,710.00	0
21.	Repayment obligations to shareholders due to capital reduction			-34,206,572.00	0
22.	Retained earnings/accumulated loss			0.00	-65,544

USU Software AG, Möglingen

Notes to the Financial Statements for Fiscal Year 2004

A. General

These financial statements have been prepared in accordance with Secs. 242 et seq. and Secs. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. As a publicly listed company, the Company is regarded as a large corporation pursuant to Sec. 267 (3) Sentence 2 HGB. The classification of the notes to the financial statements is therefore in line with the requirements for large corporations.

The income statement has been prepared using the cost-summary method.

B. Accounting and valuation methods

The following accounting and valuation methods, which have remained unchanged in comparison to the prior year, have been used to prepare the financial statements.

With regard to **financial assets**, equity investments and securities are recorded at the lower of cost or net realizable value. These items are written down to reflect any impairment losses.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. **Foreign currency receivables** are generally stated at the lower of the exchange rate on the transaction date and that of the balance sheet date.

Securities classified as current assets have been stated at the lower of cost or net realizable value in accordance with Sec. 253 (3) HGB.

Other accruals account for all contingent liabilities and potential losses from pending transactions. They are recorded at the amounts required according to prudent business judgment.

Liabilities are recorded at the amount repayable. **Foreign currency liabilities** are stated at the higher of the exchange rate on the transaction date and that of the balance sheet date.

C. Notes to the balance sheet

1. Fixed assets

The development of the individual fixed asset items, including depreciation and amortization for the fiscal year, is shown in the analysis of fixed assets.

Long-term investments which are intended to be sold prior to maturity have been reclassified as "Other securities" under current assets. A short-term loan previously reported under other assets was reclassified to other loans owing to the intention to prolong the agreement. Owing to the high risk of non-collection of the loan, this was written off in full in the prior year.

Information on equity investments

	Share in %	Equity Dec. 31, 2004 in EUR k	Net income for the year 2004 in EUR k
USU AG, Möglingen	100.0	5,299	-795
OpenShop Internet Software GmbH, Möglingen	100.0	-859	383
Quantum Solutions GmbH, Dortmund [1)]	30.0	4	-171

[1)] Insolvency proceedings were filed for Quantum in fiscal year 2003. No information in this regard was available for fiscal year 2004. The data shown here originate from the financial statements of December 31, 2002. Owing to the lack of control, the shares in Quantum were reclassified as equity investments.

The following equity investments are held indirectly via USU AG, Möglingen:

	Share in %	Equity Dec. 31, 2004 in EUR k	Net income for the year 2004 In EUR k
Gentner PROCommunication GmbH, Möglingen	100.0	-1,573	-5
USU Software s.r.o., Brno, Czech Republic	100.0	203	63
USU (Schweiz) AG, Zug, Switzerland	80.0	-367	-129
ValueSolution Verwaltungs GmbH i.L., Möglingen	100.0	28	0

2. Receivables and other assets

As in the prior year, receivables and other assets do not include any items that have a remaining term of more than one year.

3. Treasury shares

By resolution of the annual general meeting dated July 15, 2004, the Company's management board was authorized again to acquire treasury shares in one or several steps with the approval of the supervisory board in the period until January 14, 2006 pursuant to Sec. 71 (1) No 8 AktG.

As of December 31, 2003, the Company held 107,901 treasury shares with an imputed share in the capital stock of EUR 107,901.00, i.e. 0.6 % of the capital stock as of December 31, 2003.

In fiscal year 2004, the number of shares was reduced by a ratio of 2 : 1 by resolution of the annual general meeting on July 15, 2004. One share was sold in the course of this transaction.

As of December 31, 2004, the Company held 53,950 treasury shares with an imputed share in the capital stock of EUR 53,950.00, i.e. 0.6 % of the capital stock as of December 31, 2004.

The treasury shares acquired by the Company are valued in agreement with the lower of cost or market principle and are recorded as treasury shares worth EUR 394,914.00 as of December 31, 2004.

4. Subscribed capital

The subscribed capital of the Company amounted to EUR 17,211,186.00 on December 31, 2003 and is divided into 17,211,186 bearer shares of no-par value with an imputed share in subscribed capital of EUR 1.00 each. Of this amount, the Company holds 107,901 as treasury shares.

By resolution of the annual general meeting on July 15, 2004, the subscribed capital of the Company was increased by EUR 35,300,000.00 from company funds to EUR 52,511,186.00 divided into 17,211,186 no-par value bearer shares. The capital increase was executed by converting EUR 35,300,000.00 of the capital reserve into subscribed capital without issuing any new shares.

Thereafter, also by resolution of the annual general meeting on July 15, 2004 the subscribed capital was reduced pursuant to the provisions of the AktG regarding ordinary capital reduction by EUR 43,905,593.00 to EUR 8,605,593.00. This resulted in a reduction of the number of shares at a ratio of 2:1.

The capital reduction was made to execute a repayment of capital to the shareholders in the form of a cash distribution of EUR 4.00 per share (EUR 34,206,572.00) and to add the remainder to the capital reserve (EUR 9,699,021.00).

As of December 31, 2004, the subscribed capital of the Company amounts to EUR 8,605,593.00 and is divided into 8,605,593 no-par bearer shares with an imputed share in subscribed capital of EUR 1.00 each. The Company holds 53,950 shares of this total as treasury shares.

5. Authorized capital

At the annual general meeting of July 4, 2002 the management board was authorized to increase capital by up to EUR 8,600,000.00 by issuing new shares in return for a cash contribution or a contribution in kind any time before July 3, 2007 subject to approval of the supervisory board (authorized capital). The shareholders must generally be granted subscription rights to any such increase. The management board is authorized, subject to approval of the supervisory board, to exclude the statutory subscription rights of the shareholders for fractional amounts to the extent required to grant bearers of convertible bonds or subscription rights issued by the Company new shares to which they are entitled by exercise of their conversion or subscription rights. The management board was also authorized, with the approval of the supervisory board, to preclude the subscription rights of the shareholders to capital increases paid in cash up to a maximum of 10 % of the capital stock at the time of the first exercise of the authorized capital, provided the issue price of the new shares does not fall materially short of the market price for shares in the same category. The management board is further authorized, with the approval of the supervisory board, to exclude the subscription right of the shareholders for capital increases in return for contributions in kind for the purpose of acquiring companies or stakes in companies.

By resolution of the annual general meeting on July 15, 2004 authorized capital was reduced by EUR 4,300,000.00 to EUR 4,300,000.00. As of December 31, 2004, the Company had authorized capital of EUR 4,300,000.00 available.

6. Contingent capital

The subscribed capital of the Company was conditionally increased by shareholder resolution of March 2, 2000 by EUR 756,911.00 by issuing 756,911 no-par bearer shares. The contingent increase of capital serves to grant option rights to members of the management board and employees of the Company as well as members of management and employees of affiliated companies. The contingent capital increase is only carried out to the extent that the bearers of the options issued exercise their rights. The new shares participate in profits from the beginning of the fiscal year in which the options are exercised.

By resolution of the annual general meeting on July 15, 2004 contingent capital was increased in the same proportion as the increase in subscribed capital, by EUR 1,552,418.00 from EUR 756,911.00 to EUR 2,309,329.00 and reduced likewise by EUR 1,930,874.00 from EUR 2,309,329.00 to EUR 378,455.00.

In connection with the contingent capital a stock option agreement was concluded with several persons, according to which 21,206 shares are still outstanding as of the balance sheet date.

The main conditions are set out in the following table:

	Tranche 1	Tranche 2	Tranche 4	Tranche 5
Date of issue	Mrz. 20, 2000	Okt. 31, 2000	Mai. 1, 2001	Jun. 1, 2001
Strike price in EUR	124.20	44.86	14.92	15.54
Outstanding as of January 1, 2003	2,509	11,314	2,500	16,560
Issued	0	0	0	0
Exercised	0	0	0	0
Lapsed	-1,457	-10,220	0	-16,560
Outstanding as of December 31, 2003	1,052	1,094	2,500	0
Adjusted	0	0	0	16,560
Issued	0	0	0	0
Exercised	0	0	0	0
Lapsed	0	0	0	0
Outstanding as of December 31, 2004	1,052	1,094	2,500	16,560
Exercisable as of December 31, 2004	1,052	0	0	0

The reduction in stock options and associated doubling of the strike price resulting from the share reduction in fiscal year 2004 was adjusted in the above summary to aid comparison with prior years.

7. Capital reserve

Capital reserve developed as follows in the fiscal year 2004:

	EUR
Capital reserve as of January 1, 2004	103,770,253.46
Capital increase from company funds	-35,300,000.00
Addition to reserve for treasury shares	-50,710.00
Drawings to offset accumulated loss	-64,462,571.99
Addition from company funds associated with the capital reduction	9,699,021.00
Capital reserve as of December 31, 2004	13,655,992.47

8. Reserve for treasury shares

Corresponding to the treasury shares reported under the item 'treasury shares', a reserve for treasury shares was set up at EUR 394,914.00. The reserve for treasury shares developed as follows in fiscal year 2004:

	EUR
Reserve for treasury shares as of January 1, 2004	344,204.00
Withdrawal from the capital reserve	50,710.00
Reserve for treasury shares as of December 31, 2004	394,914.00

9. Retained earnings/accumulated loss

The accumulated loss contains a loss carryforward of EUR 65,544 k (prior year: EUR 67,434 k).

10. Other accruals

Other accruals mainly comprise costs for the annual general meeting and other outstanding invoices.

11. Liabilities

As in the prior year, all liabilities have a remaining term of less than a year.

Other liabilities contain liabilities of EUR 1 k for social security (prior year: EUR 3 k) and EUR 190 k for taxes (prior year: EUR 692 k).

In addition, other liabilities contain a liability to shareholders of EUR 34,207 k. This obligation arose from the capital reduction of EUR 43,906 k of which EUR 34,207 k is to be repaid to shareholders and EUR 9,699 k paid into the capital reserve.

12. Contingent liabilities

USU Software AG issued a letter of comfort for Openshop Internet Software GmbH, Möglingen. According to the letter, USU Software AG, Möglingen, is obliged to manage the subsidiary in fiscal 2005 and equip it with sufficient financial resources to meet its liabilities. Above and beyond that, USU Software AG issued a letter of subordination for all its receivables of a total of EUR 790 k to the benefit of Openshop Internet Software GmbH.

The Company entered into a profit and loss transfer agreement with Openshop Internet Software GmbH on March 2, 2000. Openshop Internet Software GmbH is obliged to transfer all profit to USU Software AG for the duration of the agreement. It may only make additions to its free reserves upon approval from USU Software AG. In return, USU Software AG is obliged to offset any net loss for the year incurred during the term of the agreement if the loss cannot be covered through the reversal of the company's free reserves set up during the term of the agreement.

13. Other financial obligations

There are no other financial obligations as of the balance sheet date.

D. Notes to the income statement

14. Sales

The Company did not generate any sales revenue in the reporting year. Prior-year sales comprise services rendered in Germany of EUR 492 k and revenue from other licenses of EUR 96 k. Of the latter, EUR 30 k was generated abroad.

15. Other operating income

Other operating income consists chiefly of income from other periods related to the reversal of a VAT liability (EUR 348 k) and the reversal of accruals (EUR 136 k).

16. Other operating expenses

Other operating expenses mostly include costs connected to investor relations or costs linked to the annual general meeting (EUR 224 k). Costs were also incurred for services provided by the subsidiary USU AG (EUR 232 k) and legal and consulting costs (EUR 184 k).

17. Amortization of financial assets and securities classified as current assets

Amortization of shares in affiliated companies amounted to EUR 200 k in the prior year. Write-downs of securities classified as current assets and long-term investments amount to EUR 437 k (prior year: EUR 120 k). Reference is made to the analysis of fixed assets.

18. Extraordinary income

The extraordinary income results from the merger in the prior year of the subsidiaries PSS Informationssysteme GmbH, Ludwigsburg, and Openshop Capital GmbH, Möglingen, with USU Software AG.

19. Income from capital reduction

By resolution of the annual general meeting on July 15, 2004, the subscribed capital of the Company was reduced by EUR 43,905,593.00. Pursuant to Sec. 240 Sentence 1 AktG this amount was reported as income from the capital reduction. In accordance with the resolution of the annual general meeting, the amount to be repaid to shareholders was reported as a “repayment liability to shareholders due to capital reduction” of EUR 34,206,572.00 and the addition to the capital reserve as an “addition to the capital reserve due to capital reduction” of EUR 9,699,021.00.

E. Other notes

20. Supervisory board

Members of the Company's supervisory board in fiscal year 2004 were:

Udo Strehl, Chairman — Chairman since November 7, 2004
Managing director of Udo Strehl Private Equity GmbH
  Chairman of the supervisory board of USU AG, Möglingen

Erwin Staudt, Diplom-Volkswirt — since November 2, 2004
Chairman of VfB Stuttgart
  Member of the supervisory board of PROFI Engineering Systems AG, Darmstadt
  Member of the supervisory board of USU AG, Möglingen

Günter Daiss, Versicherungskaufmann — since November 2, 2004
Chairman of the management board of G. W. Barth AG, Freiberg a. N.
  Member of the supervisory board of USU AG, Möglingen

Markus Kress, Diplom-Wirtschaftsingenieur, Chairman — until October 31, 2004
Member of the management board of tecways AG, Munich
General manager of Brill Gartengeräte GmbH, Witten
  Member of the supervisory board of IWL AG, Ulm
  Member of the supervisory board of USU AG, Möglingen (until October 31, 2004)

Werner Preuschhof, Diplom-Kaufmann — until October 31, 2004
Business consultant
  Chairman of the supervisory board of Planbusiness Market Enabling AG, Hamburg
  Chairman of the supervisory board of Novomind AG, Hamburg
  Member of the supervisory board of s24 direkt AG, Hamburg
  Member of the supervisory board of USU AG, Möglingen (until October 31, 2004)

21. Management board

Bernhard Oberschmidt, Diplom-Ökonom
  Spokesperson of the management board

22. Total remuneration of the management board

The Company has elected to exercise the protective clause of Sec. 286 (4) HGB with regard to the total remuneration paid to the management board.

23. Total remuneration of the supervisory board

The remuneration of the supervisory board amounted to EUR 67 k (prior year: EUR 70 k) and is composed entirely of fixed payments.

24. Reporting obligation pursuant to Sec. 160 AktG

Börsenzeitung No. 110 dated June 11, 2004

"Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen, informed us pursuant to Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] on June 8, 2004 that its voting rights in USU Software AG, Spitalhof, 71696 Möglingen, passed the 5 percent, 10 percent, 25 percent, and 50 percent thresholds on June 8, 2004, and now amounts to 71.97 percent. This is equivalent to 12,387,334 voting rights.

This share contains 7,223,696 voting rights (41.97 percent) which can be allocated to Udo Strehl Private Equity GmbH pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG and 4,042,638 voting rights (23.49 percent) which can be allocated to Udo Strehl Private Equity GmbH pursuant to Sec. 22 (2) WpHG."

Börsenzeitung No. 110 dated June 11, 2004

"Udo Strehl, Eichenweg 8, 71679 Asperg, informed us pursuant to Sec. 21 (1) WpHG on June 8, 2004 that his voting rights in USU Software AG, Spitalhof, 71696 Möglingen, passed the 25 percent and 50 percent thresholds on June 8, 2004, and now amounts to 71.97 percent. This is equivalent to 12,387,334 voting rights.

This share contains 1,121,000 voting rights (6.51 percent) which can be allocated to Mr. Udo Strehl pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and 7,223,696 voting rights (41.97 percent) which can be allocated to Mr. Udo Strehl pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG."

Börsenzeitung No. 114 dated June 17, 2004

"SüdKA SüdKapitalanlagegesellschaft mbH, Schillerstrasse 27, 60313 Frankfurt am Main, informed us by letter dated June 11, 2004 that:

We herewith inform you pursuant to Sec. 22 (1) WpHG that the voting rights in USU Software AG held by the investment fund under our management fell below the 5 % threshold on June 7, 2004 and now amounts to 4.382 %."

Börsenzeitung No. 156 dated August 14, 2004

On August 12, 2004, Mr. Udo Strehl, Eichenweg 8, 71679 Asperg, informed us that:

“I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of my voting rights in USU Software AG, Spitalhof, 71696 Möglingen, exceeded the threshold of 75 percent on August 6, 2004 and now amounts to 76.74 percent. This is equivalent to 13,207,957 voting": rights.

This share contains 820,623 voting rights (4.77 percent) which can be allocated to me pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG and 8,344,696 voting rights (48.48 percent) which can be allocated to me pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG.

In this regard, I make reference to No. 3.2.1. of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": German Securities Acquisition and Takeover Act] made by Udo Strehl Private Equity GmbH, Möglingen, to the shareholders of USU Software AG, Möglingen.”

Börsenzeitung No. 156 dated August 14, 2004

On August 12, 2004, Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen informed us:

“We are writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in USU Software AG, Spitalhof, 71696 Möglingen, exceeded the threshold of 75 percent on August 6, 2004 and now amounts to 76.74 percent. This is equivalent to 13,207,957 voting rights.

This share contains 820,623 voting rights (4.77 percent) which can be allocated to us pursuant to Sec. 22 (1) Sentence 1 No. 5 WpHG and 4,042,638 voting rights (23.49 percent) which can be allocated to us pursuant to Sec. 22 (2) WpHG.

In this regard, we make reference to No. 3.2.1. of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG made by Udo Strehl Private Equity GmbH, Möglingen, to the shareholders of USU Software AG, Möglingen.”

Börsenzeitung No. 164 dated August 26, 2004

On August 24, 2004, Mr. Udo Strehl, Eichenweg 8, 71679 Asperg, informed us that:

“I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of my voting rights in USU Software AG, Spitalhof, 71696 Möglingen, fell below the threshold of 75 percent on August 19, 2004 and now amounts to 71.97 percent. This is equivalent to

12,387,334 voting rights. This share contains 8,344,696 voting rights (48.48 percent) which can be allocated to me pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG via Udo Strehl Private Equity GmbH (“USPEG”), Möglingen.

As stated in No. 3.2.1 of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG made by USPEG, Möglingen, to the shareholders of USU Software AG, Möglingen, on July 2, 2004, USPEG does not intend to hold more than 48.48 percent in the common stock carrying voting rights. On the basis of two agreements for the sale of shares dated June 8, 2004, USPEG acquired a holding of 8,344,696 shares with as many voting rights (48.48 percent) in USU Software AG.

As announced on August 12, 2004, USPEG acquired an additional 820,623 shares (4.77 percent) of USU Software AG within the framework of the mandatory bid. For this reason, on August 19, 2004 USPEG assigned 820,623 shares (4.77 percent) in USU Software AG back to one of the vendors of the share package which was acquired on June 8, 2004.”

Börsenzeitung No. 164 dated August 26, 2004

On August 24, 2004, Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen informed us:

“As stated in No. 3.2.1 of the public tender documents to the mandatory bid pursuant to Sec. 35 et seq. WpÜG made by Udo Strehl Private Equity GmbH (“USPEG”), Möglingen, to the shareholders of USU Software AG, Möglingen, on July 2, 2004, USPEG does not intend to hold more than 48.48 percent of the common stock of USU Software AG carrying voting rights. On the basis of two agreements for the sale of shares dated June 8, 2004, USPEG acquired a holding of 8,344,696 shares with as many voting rights (48.48 percent) in USU Software AG.

In addition, owing to a pooling agreement with Mr. Udo Strehl, Asperg, a further 4,042,638 shares with voting rights (23.49 percent) in USU Software AG can be allocated to USPEG pursuant to Sec. 22 (2) WpHG.

As announced on August 12, 2004, USPEG acquired an additional 820,623 shares (4.77 percent) of USU Software AG within the framework of the mandatory bid. On August 19, 2004 USPEG assigned a total of 820,623 shares (4.77 percent) in USU Software AG back to one of the vendors of the share package which was acquired on June 8, 2004.

Owing to the retransfer of 820,623 shares (4.77 percent) in USU Software AG by USPEG, we are writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in USU Software AG, Spitalhof, 71696 Möglingen, fell below the threshold of 75 percent on August 19, 2004 and now amounts to 71.97 percent. This is equivalent to 12,387,334 voting rights. This share contains the 4,042,638 voting rights (23.49 percent) which can be allocated to us pursuant to Sec. 22 (2) WpHG.”

25. Employees

The average number of employees during the fiscal year was as follows:

	2004	2003
Administration and finance	0	3
Sales and marketing	2	2
Research and development	0	1
	2	6

26. Group affiliations

USU Software AG is the parent company of the companies contained in the list of equity investments. These companies are affiliated to USU Software AG. Pursuant to Sec. 292a HGB, USU Software AG prepares exempting consolidated financial statements in accordance with IAS/IFRS for the smallest and the largest group of companies. The consolidated financial statements are submitted to both the *Bundesanzeiger* (German Federal Gazette) and the commercial register for public disclosure. The consolidated statements are also available upon request from USU Software AG.

27. Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The management and supervisory boards of USU Software AG issued the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG on December 13, 2004 and have made it permanently available to the shareholders on the internet site of USU Software AG at http://www.usu-software.de/. More information on the declaration of compliance can be found in the combined management report of the Company and the Group attached to these financial statements.

Möglingen, February 21, 2005

Bernhard Oberschmidt
Spokesperson for the management board

USU SOFTWARE AG

Analysis of Fixed Assets for Fiscal Year 2004

		Acquisition and production cost				
		Jan. 1, 2004	Additions	Disposals	Reclassifications	Dec. 31, 2004
		EUR	EUR	EUR	EUR	EUR
	Financial assets					
1.	Shares in affiliated companies	10,636,456.33	11,600.00	0.00	-200,093.79	10,447,962.54
2.	Equity investments	0.00	0.00	0.00	200,093.79	200,093.79
3.	Long-term investments	34,692,230.00	0.00	0.00	-12,755,500.00	21,936,730.00
4.	Other loans	0.00	0.00	0.00	510,000.00	510,000.00
		45,328,686.33	11,600.00	0.00	-12,245,500.00	33,094,786.33

		Accumulated depreciation and amortization					Net book value	
		Jan. 1, 2004	Additions	Disposals	Reclassifications	Dec. 31, 2004	Dec. 31, 2004	Dec. 31 2003
		EUR	EUR	EUR	EUR	EUR	EUR	EUR k
	Financial assets							
1.	Shares in affiliated companies	459,923.93	0.00	0.00	-200,093.79	259,830.14	10,188,132.40	10,176
2.	Equity investments	0.00	0.00	0.00	200,093.79	200,093.79	0.00	0
3.	Long-term investments	53,630.00	436,770.00	0.00	-169,250.00	321,150.00	21,615,580.00	34,639
4.	Other loans	0.00	0.00	0.00	510,000.00	510,000.00	0.00	0
		513,553.93	436,770.00	0.00	340,750.00	1,291,073.93	31,803,712.40	44,815

AUDIT OPINION

We have audited the annual financial statements, together with the bookkeeping system, and the combined management report of USU Software AG, Möglingen, for the fiscal year from January 1 to December 31, 2004. 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 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 Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (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 evaluations of 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 combined 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 combined 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, the annual financial statements 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. On the whole, the combined management report provides a suitable understanding of the Company's position and suitably presents the risks to future development.

Stuttgart, February 23, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Viering
Wirtschaftsprüfer
[German Public Auditor]

Burkard
Wirtschaftsprüfer
[German Public Auditor]

Financial calendar for 2005*

March 8, 2005	Annual press conference
May 19, 2005	3-month report 2005
July 7, 2005	Annual General Meeting
August 18, 2005	6-month report 2005
November 22, 2005	9-month report 2005

*presumably dates for fiscal year 2005.

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