



6 – MONTH REPORT 2004

USU Software AG

6-MONTH REPORT 2004	2004	2003
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.06.2004	01.01.-30.06.2003
		Balance figures as of DEC. 31, 2003
REVENUES	8,693	9,982
EBITDA	-212	-1,569
EBIT	-536	-2,100
NET RESULT	208	-1,032
EARNINGS PER SHARE (EUR)	0.01	-0.06
SHAREHOLDERS' EQUITY	66,805	66,657
TOTAL ASSETS	72,405	75,311
EQUITY RATIO	92,3%	88,5%
NUMBER OF EMPLOYEES		
AT THE END OF THE PERIOD	188	240

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Dear shareholders,
Dear readers,

In the second quarter of 2004, USU Software AG again generated a positive quarterly result, thereby consolidating its profitability. As forecast, sales were down slightly on the previous quarter. On a half-year basis, the Company generated income of TEUR 208 (PY: TEUR -1,032) on sales of TEUR 8,693 (PY: TEUR 9,982).

As a result of the positive development of business, the shareholders proposed to distribute the share of liquidity not required for USU Software AG's operating activities to the shareholders. The Management Board and the Supervisory Board took up this proposal and presented a corresponding resolution to be voted on by the Annual General Meeting in Ludwigsburg on 15 July 2004. The shareholders in attendance approved the surplus distribution and all other items on the agenda with a majority of over 99% of the represented capital. The surplus distribution entails the consolidation of the Company's shares in the ratio 2:1, from currently 17,211,186 shares to 8,605,593. After this consolidation, the distribution will amount to EUR 4 per share.

Also in the second quarter, Udo Strehl Private Equity GmbH (USPEG) reported to USU Software AG that it acquired a share package totalling 48.48% of USU Software shares from several of the Company's existing shareholders. As a result of this acquisition, USPEG was legally required to make a compulsory offer to all USU Software AG shareholders for their shares. As USPEG does not intend to acquire USU Software AG in full, the offer price was equal to the minimum legal price of EUR 3.36 per share.

The new shareholder structure does not entail any changes in the strategic objectives of the Company's two operating areas IT-Controlling and Business Solutions. Together with the restructuring measures implemented in 2003, this concentration on these two pillars has created the foundations for us to break even in the current financial year.

Yours
Bernhard Oberschmidt
Chairman of the Management Board of USU Software AG

Economic development. Since the beginning of the year, the global economic recovery has stabilised significantly. In the USA and Asia as well as Eastern Europe in particular, economic growth was strong. The ifo Institute for Economic Research is forecasting average growth in these regions at over 4% in 2004 as a whole. In Europe and particularly Germany, the economic situation has improved only slightly, with this recovery being largely driven by exports. As before, private consumer spending and investments remained muted in these areas. With overall economic growth of 1.8% in the Eurozone and 1.7% in Germany, ifo is forecasting significantly better economic growth in 2004 than in the previous year, though this will remain below average in an international comparison.

Sector performance. The recovery of the global economy also led to a slight increase in demand for information technology. Current studies of the development of the IT market by the International Data Corporation (IDC) confirm the forecasts of the European Information Technology Observatory (EITO), whereby IT spending by European companies will rise further in the course of 2004. The emerging renewal cycle in the IT sector will also accelerate in the course of the year. In its most recent industry barometer, the *Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.* (BITKOM – German Association for Information Technology, Telecommunications and New Media) also anticipates further recovery for the IT sector in the second half of 2004.

Business development. Following a strong first quarter, the USU Software Group also generated net income in the seasonally rather weak second quarter. Above all, this earnings development reflects the Group's optimised cost structure. Materials and staff costs in particular were down significantly year-on-year. Furthermore, liabilities were reduced in the second quarter, partially as a result of non-recurring tax effects. In addition to this, Group provisions and liabilities again declined considerably, leading to a reduction of debt and therefore an increased equity ratio. Order book development in the USU Software Group was also encouraging. The company recorded a clear rise in the order books against the previous quarter. In consulting business, this development led to a further improvement in the capacity utilisation rate. Only licence business fell short of our full expectations.

Sales and earnings development. Second quarter sales were within the target corridor at TEUR 4,127 (PY: TEUR 4,375). EBITDA improved year-on-year to TEUR -149 (PY: TEUR -1,052). Earnings before interest and taxes amounted to TEUR -309 (PY: TEUR -1,310). At the same time – and as in the previous quarter – quarterly results were in positive territory at TEUR 89 (PY: TEUR -850). As anticipated, the cost basis fell again slightly in the second quarter of 2004, and in the second half of 2004 will reach a level from which the Company can force its drive to profitability.

On a half-year basis, USU Software AG generated Group sales of TEUR 8,693 (PY: TEUR 9,982). The Business Solutions division contributed TEUR 4,615 (PY: TEUR 5,748) to sales. Sales in the IT-Controlling division amounted to TEUR 4,078 (PY: TEUR 4,234). The decline in Group sales is primarily a result of concentrating the product portfolio and the associated workforce reduction, particularly in consulting. At the same time, these measures resulted in a significant lowering of Group costs.

In the first six months of the 2004 financial year, production costs were reduced by TEUR 1,696 as against the previous year to TEUR 5,357 (PY: TEUR 7,053). Despite increased marketing activities in Q2 2004 for the new version 4 of USU KnowledgeMiner and the Valuation product suite, marketing and sales costs declined by a total of TEUR 483 year-on-year to TEUR 1,657 (PY: TEUR 2,140). General and administrative expenses were reduced by TEUR 687 to TEUR 949 (PY: TEUR 1,636). In addition to lower materials and staff costs as well as savings from outsourcing, positive tax effects also contributed to this position. Costs for research and development activities fell only slightly by TEUR 236 to TEUR 1,355 (PY: TEUR 1,591). In this area, USU Software AG already has a highly cost effective and efficient development company in the Czech subsidiary USU Software s.r.o., where around 50 employees work on the further development of Group products.

In the period under review, EBITDA amounted to TEUR -212 (PY: TEUR -1,569). Including writedowns of TEUR 324 (PY: TEUR 532), EBIT amounted to TEUR -536 (PY: TEUR -2,100). At TEUR 743 (PY: TEUR 1,107), interest income was down on the previous year, primarily as a result of the low interest level and the necessary reinvestment of securities that reached maturity in the first half of 2004. Other income, which also includes income from the disposal of assets, amounted to TEUR 96 (PY: TEUR 240). After the first six months of the 2004 financial year, income totalled TEUR 208 (PY: TEUR -1,032), clearly demonstrating the strict implementation of the Company's profitability target year-on-year. In the first half of 2004, consolidated earnings per share were EUR 0.01 (PY: EUR -0.06 per share), with an average of 17,211,186 shares in circulation.

Assets and financial situation. As of the end of the first half of 2004, Group accruals and liabilities were down TEUR 3,054 to TEUR 5,600 (31 December 2003: TEUR 8,654). In particular, payroll-related accruals and liabilities were reduced by TEUR 357 to TEUR 1,166 (31 December 2003: TEUR 1,523) as a result of the seasonal decline in holiday provisions and the expiry of agreements with employees released in the previous year. Other current liabilities were down by TEUR 1,778 to TEUR 1,739 (31 December 2003: TEUR 3,517). Among other things, the USU AG squeeze-out, project-specific adjustments to accruals for the annual financial statements, the Annual General Meeting and other projects as well as the decline in tax liabilities contributed to the drop in this balance sheet item. In the same period, current assets declined by TEUR 2,203 to TEUR 20,678 (31 December 2003: TEUR 22,881) as a result of reduced trade accounts receivable and the refund of tax prepayments. In line with this, the balance sheet total declined to TEUR 72,405 (31 December 2003: TEUR 75,311). At the same time, shareholders' equity moved up to TEUR 66,805 (31 December 2003: TEUR 66,657), primarily as a result of the net income for the half-year period. The equity ratio rose to 92.3% (31 December 2003: 88.5%).

As of 30 June 2004, liquid funds and investments totalled TEUR 47,664 (31 December 2003: TEUR 47,841), up slightly as against the previous quarter (31 March 2004: TEUR 47,633).

Order book. As of 30 June 2004, the order book of USU Software Group rose to TEUR 6,134 (PY: TEUR 5,940). This positive development is particularly obvious compared to the previous quarter (order book as of 31 March 2004: TEUR 4,668). New customer projects and follow-up orders from existing customers contributed to the increase in the order book.

Investments. Net spending for investments of TEUR 151 (PY: TEUR 225) reflects investments in tangible and intangible assets in particular. These investments were primarily made in reference to the need for renewal in the hardware area. As a result of the disposal of securities that had reached maturity, totalling TEUR 3,232 (PY: TEUR 74), there was a corresponding inflow of liquid funds in the first six months of 2004. This was offset by investments in marketable securities of TEUR 3,308 (PY: TEUR 246).

Research and development. In the second quarter of 2004, development of USU KnowledgeMiner 4 in Business Solutions was completed and the product was successfully launched. The Company presented the new version, which includes key functionalities drawn from experience of various customer projects, to both existing customers and numerous interested parties at large number of roadshows. USU KnowledgeMiner 4 guarantees fast and context-based access to saved knowledge in all common file formats. In addition to a simply full-text search, the USU application supports searches by categories or data fields up to a natural language search. The technology behind USU KnowledgeMiner has already been awarded prizes on several occasions.

In IT-Controlling, goal-oriented development of release 2.3 of the Valuation product suite continued. Valuation offers all central products and modules for the presentation, administration, management and accurate charging of a company or group's entire IT system on a single platform.

Research and development costs amounted to TEUR 1,355 (PY: TEUR 1,591) in the first half of 2004.

Employees. As of 30 June 2004, USU Software AG and its subsidiaries employed a total staff of 188 (PY: 240). The decline in workforce numbers reflects the structural changes implemented by the Group in the previous year.

Broken down into functional areas, the USU Software Group employed 67 people in consulting and services, 64 in research and development, 35 staff in administration and 22 in sales and marketing. By segment, the USU Software Group employed 98 people in the IT-Controlling division, 59 in the Business Solutions division and 31 at company headquarters.

Resolutions of the Annual General Meeting, surplus distribution. As part of the Annual General Meeting, the shareholders of USU Software AG approved all items on the agenda with a large majority. In addition to discharging the Management Board and the Supervisory Board, a change in the Articles of Association regarding the venue of the Annual General Meeting, the authorisation to buy back own shares and the election of the audit company Ernst & Young AG as the auditor for the 2004 financial year, these agenda items related to the planned surplus distribution.

As a result of the positive development of business, the shareholders proposed to distribute the share of liquidity not required for USU Software AG's operating activities to the shareholders. The Management Board and the Supervisory Board of USU Software AG took up this proposal and added it to the agenda accordingly. The surplus distribution will be taken from the available capital reserve in the framework of a capital increase from corporate funds and subsequent capital reduction. This entails a consolidation of the Company's bearer shares in the ratio 2:1. The amount of the resolved distribution corresponds to EUR 2.00 per share prior to the consolidation of shares, and EUR 4.00 per new share certificate after consolidation. Following the planned distribution, the Group will still have sufficient liquid funds and investments for both internal growth and growth through acquisition. In line with the provisions of the German Stock Corporation Act, the distribution will be made six months after the publication of the entry of the respective Annual General Meeting resolution of a capital reduction in the Commercial Register of the Company at the earliest, provisionally therefore in the first quarter of 2005. The Company's homepage at <http://www.usu-software.de> is regularly updated to show new information.

Compulsory offer by Udo Strehl Private Equity GmbH. On 8 June 2004, Udo Strehl Private Equity GmbH (USPEG) notified the Company that it acquired 48.48% of shares in USU Software AG and, as a result of a pooling agreement with Mr. Udo Strehl, now holds a total of 71.97% of voting rights in the Company. The founder of USU AG, Udo Strehl, is also the majority shareholder of USPEG.

In line with the provisions of the German Securities Acquisition and Takeover Act (WpÜG), USPEG was required to make a compulsory offer to acquire the shares of all shareholders of USU Software AG. The compulsory offer by USPEG to the shareholders of USU Software AG was published on 9 July 2004 and will end on 9 August 2004. The offer price corresponds to the minimum price of EUR 3.36 per share calculated by the German Federal Financial Supervisory Authority (BaFin).

The Management Board and the Supervisory Board of USU Software AG published their statements on this compulsory offer in a timely manner. Further information on this compulsory offer can be found on the homepage of USU Software AG at <http://www.usu-software.de> and on the homepage of USPEG at <http://www.uspeg.de>.

USU Software shares. USU Software shares (ISIN DE0007804700 // SIN 780470) remained volatile in the second quarter as well. Following the announcement of the planned surplus distribution, the price of USU Software shares on the Frankfurt stock exchange rose from EUR 3.20 at the end of the first quarter of 2004 to currently EUR 3.88. Later, after publication of the compulsory offer by Udo Strehl Private Equity GmbH and the offer price of EUR 3.36 per share, shares came under pressure and closed at EUR 3.42 on 30 June 2004. Overall, USU Software shares recorded value growth of 6.9% in the second quarter of 2004. In the same period, the Technology All Share fell by 2.5% to 709.01 points (31 March 2004: 727.55 points). In contrast, the Deutsche Aktienindex (DAX) rose by 5.1% to 4,052.73 points (31 March 2004: 3,856.70 points).

Outlook and forecast report. While the rise in economic growth in Germany was primarily driven by exports in the first half of 2004, ifo reports indicate a gradual increase in domestic demand over the rest of the year. Furthermore, ifo is forecasting that investments will rise again both this and next year. While GDP growth of 1.6% is forecast for Germany in the first half of 2004, ifo is anticipating a rise of the economy as a whole by 1.9% in the second half. For the year as a whole, the German economy is expected to grow by 1.7%. In Europe, growth for 2004 will be slightly higher at 1.8%. BITKOM is also anticipating further growth stimulus for the IT market and a recovery of the economy in the second half of the year. In the software sector, market growth of 2.5% is forecast for the current year.

USU Software AG is anticipating a slight improvement in business development in the second half of 2004. In addition to an increased capacity utilisation rate in consulting business, the Management Board is forecasting a slight increase in license revenues following a muted Q2. Key impetus is expected in the seasonally stronger Q4 in particular. Overall, with the current cost structure and improving general conditions on the economy, the Management Board is optimistic of further increasing profitability with sales in the region of between EUR 4.0 and EUR 4.5 million per quarter.

USU Software AG
The Management Board

ASSETS <i>(Thsd. EUR)</i>	6-month report	Annual report
	30.06.2004	31.12.2003
Current assets		
Cash and cash equivalents	7,635	7,656
Short-term investments / marketable securities	5,678	5,622
Trade accounts receivable	2,991	4,291
Accounts receivable due from related parties	0	0
Work in process	637	498
Inventories	0	0
Deferred tax asset	0	0
Prepaid expenses and other current assets	3,737	4,814
Total current assets	20,678	22,881
Non current assets		
Property, plant and equipment	417	373
Intangible assets	1,354	1,566
Goodwill	14,385	14,385
Investments	0	270
Deferred taxes	0	0
Debt securities	34,351	34,563
Other assets	1,220	1,273
Total non current assets	51,727	52,430
Total assets	72,405	75,311

LIABILITIES AND SHAREHOLDERS' EQUITY (Thsd. EUR)	6-month report 30.06.2004	Annual Report 31.12.2003
Current liabilities		
Trade accounts payable	909	921
Accounts payable due to related parties	0	267
Advance payments received	0	593
Payroll-related accruals and liabilities	1,166	1,523
Tax-related accruals and liabilities	63	73
Deferred revenues	813	850
Other current liabilities	1,739	3,517
Total current liabilities	4,690	7,744
Non-current liabilities		
Long-term debt / convertible bonds	0	0
Pension accruals	910	910
Total non-current liabilities	910	910
Minority interest	0	0
Shareholders' equity		
Share capital	17,211	17,211
Additional paid-in capital	137,730	137,730
Treasury stock	-714	-714
Accumulated deficit	-87,337	-87,545
Accumulated other comprehensive income/loss	-85	-25
Deferred compensation	0	0
Total shareholders' equity	66,805	66,657
Total liabilities and shareholders' equity	72,405	75,311

Consolidated income statement <i>(Thsd. EUR)</i>	Quarterly Report	Quarterly Report	6-Month Report	6-Month Report
	II / 2004	II / 2003	2004	2003
	01.04.2004 - 30.06.2004	01.04.2003 - 30.06.2003	01.01.2004 - 30.06.2004	01.01.2003 - 30.06.2003
Revenues	4,127	4,375	8,693	9,982
Cost of revenues	-2,643	-3,544	-5,357	-7,053
Gross profit	1,484	831	3,336	2,929
Selling and Marketing expenses	-821	-721	-1,657	-2,140
General and administrative expenses	-369	-937	-949	-1,636
Research and development expenses	-649	-826	-1,355	-1,591
Amortization (and impairment) of goodwill	0	0	0	0
Restructuring expense	0	0	0	0
Stock compensation expense	0	111	0	97
Operating loss	-355	-1,542	-625	-2,341
Interest income and expenses	388	424	743	1,107
Income from investments and participations	0	0	0	0
Income/expense from investments accounted for by the equity method	0	0	0	0
Foreign currency exchange gains / losses	9	-1	-7	0
Other income / expense	37	231	96	240
Result before income tax (and minority interest)	79	-888	207	-994
Income tax	10	19	1	-76
Extraordinary income / expenses	0	1	0	1
Result before minority interest	89	-868	208	-1,069
Minority interest	0	18	0	37
Net income / loss	89	-850	208	-1,032
Net income per share (basic)	0.01	-0.05	0.01	-0.06
Net income per share (diluted)	0.01	-0.05	0.01	-0.06
Weighted average shares outstanding (basic)	17,211,186	17,211,186	17,211,186	17,211,186
Weighted average shares outstanding (diluted)	17,211,186	17,211,186	17,211,186	17,211,186

CONSOLIDATED STATEMENT OF CASH FLOW <i>(Thsd. EUR)</i>	6-month report 01.01.2004 - 30.06.2004	6-month report 01.01.2003 - 30.06.2003
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income / loss	208	-1,032
Adjustments for:		
Minority interest	0	-351
Depreciation and amortization	324	-532
Other non-cash expenses/income	168	-132
Change in working capital:		
Trade accounts receivable	1,258	1,508
Accounts receivable due from related parties	0	-55
Work in process	-139	-1,270
Inventories	0	0
Prepayments	34	-45
Prepaid expenses and other current assets	1,098	-467
Trade accounts payable	-12	-926
Accounts payable due to related parties	0	40
Payroll-related accruals and liabilities	-356	-1,661
Tax-related accruals and liabilities	-9	-118
Pension accruals	0	23
Other accruals and liabilities	-2,406	-1,868
Deferred revenues	-38	-132
Net cash used in operating activities	130	-7,018
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	66	0
Purchase of property and equipment	-148	-53
Purchase of investments	-12	0
Proceeds from the sale of fixed assets	19	0
Sale of securities	3,232	74
Purchase of marketable securities	-3,308	-246
Net cash provided by/used in investing activities	-151	-225
CASH FLOW FROM FINANCING ACTIVITIES:		
Net change in short-term debt to banks	0	0
Capital increase	0	0
Change in treasury stock	0	1,145
Change in convertible bonds	0	-94
Net cash provided by financing activities	0	1,051
Net effect of currency translation in cash and cash equivalents	0	0
NET INCREASE IN CASH AND CASH EQUIVALENTS	-21	-6,192
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,656	12,001
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,635	5,809

**CONSOLIDATED STATEMENT OF
SHAREHOLDERS' EQUITY**

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Common stock		Addition-al paid-in capital	Treasury stock	Accumu- lated deficit	Deferred compen- sation	Accumul. other compreh. income/loss	Total	Compre- hensive income/ loss
	Shares	Thsd. EUR							
Balance at December 31, 2002	17,211,186	17,211	137,848	-1,859	-80,304	-22	54	72,928	
Change in treasury stock	0	0	0	1,145	0	0	0	1,145	
Adjustment of deferred compensation	0	0	-118	0	0	118	0	0	
Result of deferred compensation	0	0	0	0	0	-96	0	-96	
Net loss	0	0	0	0	-7,241	0	0	-7,241	-7,241
Unrealized income/expenses on debt securities	0	0	0	0	0	0	-85	-85	-85
Foreign currency translation adjustment	0	0	0	0	0	0	6	6	6
Comprehensive loss									-7,320
Balance at December 31, 2003	17,211,186	17,211	137,730	-714	-87,545	0	-25	66,657	
Net income	0	0	0	0	208	0	0	208	208
Unrealized income/expenses on debt securities	0	0	0	0	0	0	-60	-60	-60
Comprehensive income									148
Balance at June 30, 2004	17,211,186	17,211	137,730	-714	-87,337	0	-85	66,805	

Principles of Accounting. This 6-month report was prepared according to the regulations of the US-American Generally Accepted Accounting Principles (“US-GAAP”). The same accounting and valuation principles were used here as in the consolidated annual financial statements for the financial year ended 31 December 2003. This unaudited 6-month report 2004 is thus to be read in conjunction with the audited consolidated annual financial statements of 2003.

Segment reporting. SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information“ requires the reporting of specific information concerning the operating segments of the company, the geographic distribution of revenues and assets and concerning the most important customers.

For the segment IT-Controlling und Business Solutions, the following segment related revenues apply:

Segment related revenues	01.01.2004 - 30.06.2004	01.01.2003 - 30.06.2003
Revenues	8,693	9,982
IT-Controlling	4,078	4,234
Business Solutions	4,615	5,748

Outside Germany the USU Software Group achieved less than 10% of consolidated revenues during the first three months of the 2004 financial year.

In the same period, 9% of consolidated revenues were achieved by a single customer. Some 32% of revenues were generated by the 5 largest customers.

Shares and stock options held by members of corporate bodies at USU Software AG.

The following shares and options in USU Software AG were held by members of corporate bodies of the company as at 30 June 2004:

Holdings of members of corporate bodies	shares	stock options
Management Board		
Bernhard Oberschmidt	37,393	0
Supervisory Board		
Markus Kress	283,772	0
Udo Strehl	4,042,638	0
Werner Preuschhof	0	0

As of 30 June 2004, USU Software AG held 107,901 own shares with an notional share in the capital of EUR 107,901, equivalent to 0.6% of the share capital.

Notifications of participations subject to disclosure

The following disclosures were published in the second quarter of 2004:

Börsenzeitung No. 110 dated 11 June 2004

"On 8 June 2004, Udo Strehl Private Equity GmbH, Münchinger Strasse 11, 71696 Möglingen, informed us in line with Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in USU Software AG, Spitalhof, 71696 Möglingen, exceeded the boundaries of 5 percent, 10 percent, 25 percent and 50 percent on 8 June 2004, and is now 71.97 percent. This corresponds to 12,387,334 votes.

This share includes 7,223,696 voting rights (41.97 percent) allocated to Udo Strehl Private Equity GmbH in line with Section 22 (1) sentence 1 No. 5 WpHG and 4,042,638 voting rights (23.49 percent) allocated to Udo Strehl Private Equity GmbH in line with Section 22 (2) WpHG."

Börsenzeitung No. 110 dated 11 June 2004

"Mr. Udo Strehl, Eichenweg 8, 71679 Asperg, notified us on 8 June 2004 in line with Section 21 (1) WpHG that his share of voting rights in USU Software AG, Spitalhof, 71696 Möglingen, exceeded the boundaries of 25 percent and 50 percent on 8 June 2004 and is now 71.97 percent. This corresponds to 12,387,334 votes.

This share includes 1,121,000 voting rights (6.51 percent) allocated to Mr. Udo Strehl in line with Section 22 (1) sentence 1 No. 1 WpHG and 7,223,696 voting rights (41.97 percent) allocated to Mr. Udo Strehl in line with Section 22 (1) sentence 1 No. 5 WpHG."

Börsenzeitung No. 114 dated 17 June 2004

"SüdKA SüdKapitalanlagegesellschaft mbH, Schillerstrasse 27, 60313 Frankfurt am Main, notified us of the following in a letter dated 11 June 2004:

We hereby notify you in line with Section 22 (1) WpHG that your share of voting rights in USU Software AG through the special securities fund managed by us as a capital investment company fell below the boundary of 5% on 7 June 2004 and is now 4.382%."