ANNUAL REPORT 2010

USU SOFTWARE AG

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ANNUAL REPORT 2010

CORPORATE GOVERNANCE REPORT 2010

Corporate governance

Corporate Governance encompasses the entire system of managing and monitoring a company including its organization, its corporate principles and guidelines, as well as the system of internal and external control and monitoring mechanisms. The purpose of good and sustained corporate governance is to promote the trust of national and international investors, customers, employees and the general public in the responsible management and supervision of listed companies.

The main standards of the German corporate governance system are compiled by the Government Commission for the German Corporate Governance Code and contained in the German Corporate Governance Code (hereinafter referred to as the “Code”). The Code came into force in 2002 and was last updated in 2010.

The Code essentially defines three categories of standards. The statutory requirements contained in the Code must be observed by the Company and are binding in that respect. Although companies are permitted to deviate from the Code’s recommendations, they are obliged to disclose any such deviations annually. The Code also contains proposals which the Company is not required to observe.

Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity on December 9, 2010:

“The Management Board and Supervisory Board of USU Software AG declare that since the latest declaration of conformity on December 9, 2009 the recommendations of the *Government Commission for the German Corporate Governance Code* in the version dated June 18, 2009 and since they took effect in the version dated May 26, 2010 have been and will in future continue to be complied with, although the following recommendations have not been and will not be applied:

According to 2.3.1 and 2.3.3 of the Code, the company should assist the shareholders in postal votes and proxies and publish the forms for a postal vote and the agenda on its Internet site.

USU Software AG offers its shareholders representation at the Annual General Meeting by company proxies who are bound by instructions. A postal vote is not provided for in the Articles of Association at the current time, but the company intends to add a resolution relating to this to the agenda of the next Annual General Meeting.

In accordance with clause 3.8 of the Code, a deductible of at least 10% of the loss or up to at least one-and-a-half times the fixed annual compensation of the members of the Management Board shall be agreed to if the company obtains a D&O policy for the Management Board. A corresponding deductible shall be stipulated in a D&O policy for the Supervisory Board.

In financial year 2010, a Management Board deductible was agreed in line with the legal requirements and the provisions of the Corporate Governance Code. The introduction of a deductible for the Supervisory Board is also announced for the future.

Clause 4.2.1 of the Code stipulates that the Board of Management shall comprise several persons.

The Management Board of USU Software AG has and continues to comprise one person who simultaneously acts as the spokesperson for the Management Board. This structure takes into account the fact that USU Software AG focuses primarily on acquiring and holding participations in other companies. In addition, a Management or Executive Board assumes responsibility for operative management at the Group subsidiaries.

According to clause 5.1.2 of the Code, diversity should be observed in the composition of the Management Board and an age limit specified for its members.

The Management Board of USU Software AG has and continues to comprise one person who simultaneously acts as the spokesperson for the Management Board. A specified age limit for Management Board members of USU Software AG was and is not intended as the company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Management Board.

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

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

In accordance with 5.4.1 of the Code, the Supervisory Board should name specific goals for its composition, which should include provisions such as an established age limit for Supervisory Board members.

A specified age limit for Supervisory Board members of USU Software AG was and is not intended as the company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Supervisory Board. In addition, an age limit of this type would, from the company's perspective, inappropriately limit the shareholder's right to vote at the Annual General Meeting.

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

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

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

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

Principles of the Compensation System

Compensation of the Management Board

The compensation of the Management Board, which is divided into a fixed and a variable component, is specified at an appropriate level by the Supervisory Board taking into account all compensation paid within the scope of consolidation on the basis of a performance assessment. The variable component is based on the achievement of targets set annually by the Supervisory Board. These are determined after the annual planning for the respective fiscal year is completed. The amount of the variable compensation actually paid depends on the extent to which the agreed quantitative and qualitative targets are met.

The compensation shown in the following table totaling EUR 260.4 thousand (2009: EUR 211.0 thousand) includes all compensation paid to the Chairman of the Management Board, Bernhard Oberschmidt within the scope of consolidation. The sole member of the Management Board of USU Software AG is also the Chairman of the Management Board of the Group subsidiary USU AG, President of the Group subsidiary USU (Schweiz) AG and Managing Director of the Group subsidiary Openshop Internet Software GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board

in EUR thousand

	Fixed compen-sation	Contribution to social security and pension	Non-cash benefit from private use of company car	Variable compensation
2010	138.0	19.5	15.3	87.6 [1)]
2009	132.0	19.4	20.1	39.5 [2)]

[1)] of which for the previous year: EUR -6 thousand

[2)] of which for the previous year: EUR 9.5 thousand

Table: Individual compensation of the Management Board of USU Software AG and the Group

Compensation of the Supervisory Board

The compensation of the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and was adopted by the Annual General Meeting of the Company on July 12, 2007. In accordance with the relevant provisions, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand in addition to the reimbursement of expenses for every full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. The members of the Supervisory Board also receive additional annual variable compensation based on the IFRS result from ordinary operations (EGG) compared with sales and the result that the Company achieved as reported in the consolidated financial statements for the past fiscal year. Starting from an EGG share of 5% of sales, the members receive additional annual variable compensation of a 10% premium on the fixed component per full percentage point of the EGG share of sales up to a maximum of 200%. As EGG is no longer reported in the consolidated financial statements, the amount was calculated based on the calculation for the 2006 fiscal year, which formed the basis for Annual General Meeting resolution of 2007. According to this resolution, EGG is calculated from the difference between the USU Group’s earnings before taxes and net interest income as well as goodwill impairment. In the 2010 fiscal year, EGG totaled EUR 3,055 thousand (2009: EUR 1,451 thousand) and EGG as a proportion of Group sales was 8.0% (2009: 4.3%). The variable compensation of the USU Software AG Supervisory Board thus corresponded to 30% of the basic fixed remuneration of the individual members of the Supervisory Board.

The members of the Supervisory Board of USU Software AG are also represented in the Supervisory Board of the Group subsidiary USU AG. The compensation of the Supervisory Board of USU AG was approved by the Annual General Meeting of the latter company on May 22, 2000 in accordance with Article 12 of the Articles of Association of USU AG and is valid until otherwise resolved by the Annual General Meeting. Accordingly, each member of the Supervisory Board of USU AG receives annual fixed compensation of EUR 5.0 thousand in addition to the reimbursement of expenses for each year of membership of the Supervisory Board; the Chairman of the Supervisory Board receives EUR 10.0 thousand and the Deputy Chairman EUR 7.5 thousand. Variable components in the compensation of the Supervisory Board were and are not provided for.

In the 2010 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 133.0 thousand (2009: EUR 107.5 thousand).

Individual compensation of the Supervisory Board for the 2010 fiscal year *in EUR thousand*			
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	18.0	10.0
Günter Daiss	12.5	3.75	7.5
Erwin Staudt	12.5	3.75	5.0

Table: Individual compensation of the Supervisory Board of USU Software AG and the Group

Additional disclosures forming part of the Corporate Governance Report

Directors' dealings and securities held by members of the executive bodies

As of December 31, 2010, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows.

Shareholdings subject to mandatory disclosure	2010 No. of shares	2009 No. of shares
Management Board		
Bernhard Oberschmidt	18,696	18,696
Supervisory Board		
Udo Strehl *)	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

*) *A further 3,773,868 voting rights in USU Software AG (2009: 3,773,868) are allocable to Udo Strehl via Udo Strehl Private Equity GmbH in his capacity as the majority shareholder of this company in accordance with section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).*
A further 32,000 voting rights in USU Software AG (2009: 32,000) are allocable to Udo Strehl via the "Wissen ist Zukunft" foundation in his capacity as the Managing Director of this foundation in accordance with section 22 (1) sentence 1 no. 1 WpHG.

No stock options or convertible bonds issued by USU Software AG were held by any member of the Company's executive bodies.

Stock option programs and similar share-based incentive systems

As of December 31, 2010, USU Software AG does not operate any share-based incentive systems.

Treasury shares

USU Software AG does not hold any treasury shares as of December 31, 2010.

REPORT OF THE SUPERVISORY BOARD OF USU SOFTWARE AG

Dear shareholders,

USU Software AG and its subsidiaries ended the 2010 fiscal year with a record result. USU thereby far exceeded all targets set for the year under review. In addition to double-digit sales growth far exceeding that of the entire IT market, the USU Group significantly increased its operating income as a proportion of sales. At the same time, USU eclipsed last year’s earnings per share by more than half, allowing shareholders to participate once again in the Company's success to a significant extent. In the interests of a shareholder-friendly dividend policy and dividend continuity, the Supervisory Board has approved the Management Board's proposal for the appropriation of net profit for the 2010 fiscal year and will propose to the Annual General Meeting of USU Software AG on June 30, 2011 the distribution of a dividend of EUR 0.20 per dividend-bearing share, which represents an increase of a third on last year.

Performance of Supervisory Board Duties

During the 2010 fiscal year, the Supervisory Board performed all of the tasks and duties prescribed by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code and continually supervised and advised the Management Board. In accordance with Section 90 (1) and (2) of the German Stock Corporation Act (AktG), the Management Board regularly informed the Supervisory Board of the development and position of USU Software AG and the Group, corporate planning, risk management and all key business transactions and projects in both written and oral form. As in previous years, the Supervisory Board intensively monitored the business development of USU Software AG and the Group and remained in close contact with the Management Board during the year. In addition, the Chairman of the Supervisory Board and the Chairman of the Management Board continuously exchanged information and views in both written and oral form, as well as in person.

The Supervisory Board was directly involved in all decisions of major importance to the Company. Furthermore, the Supervisory Board was extensively informed in advance of and carefully examined and unanimously approved all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company. At no point during the fiscal year did the Supervisory Board consider it necessary to perform inspection or audit measures in accordance with Section 111 (2) sentences 1 and 2 AktG.

Since the Supervisory Board comprises three members, no committees were set up in the 2010 fiscal year; this was also the case in the previous year. There were no changes in the composition of the Supervisory Board or the Management Board of USU Software AG in the 2010 fiscal year.

Meetings of the Supervisory Board and Main Points of Discussion

The Supervisory Board of USU Software AG held a total of seven meetings in the 2010 fiscal year in which all members of the Supervisory Board took part, either in person or via conference call. The regular focus of the reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Chairman of the Management Board and by the divisional managers of the subsidiaries as necessary, involved the business development, the net assets, financial position, results of operations and the strategic planning of USU Software AG and the Group. The Management Board of the Company reported in particular on the development of sales, earnings and profitability as well as the liquidity of the Company and the Group as a whole. In this context, the Supervisory Board was informed about the course of business in both the Product Business and Service Business segments, the progress of the USU Group's internationalization strategy and potential acquisition opportunities. The Supervisory Board, together with the Management Board, also discussed risk management for USU Software AG and the Group as a whole and defined in detail the prevailing risks and planned strategies and measures to control and manage risk. The Management Board also gave details of the continued corporate planning for USU Software AG and the Group and presented the key aspects of financial, investment and human resources planning. The development of the Company's share price and the activities of the Management Board in the area of investor relations were also discussed on a regular basis.

At the accounts meeting of the Supervisory Board on March 8, 2010, the auditor reported on the key findings of its audit, the separate and consolidated financial statements were approved following a discussion with the Management Board of the Company and the auditor, and the annual financial statements were adopted. The Supervisory Board also approved the recommendation of the Management Board to propose to the Company's Annual General Meeting the distribution of a dividend of EUR 0.15 per dividend-bearing share.

The meeting on May 10, 2010 focused on the business development of USU Software AG and the Group as a whole as well as the outlook for the subsequent quarters and included a discussion on finalizing the agenda items for the 2010 Annual General Meeting of the Company. This meeting also introduced Aspera GmbH and its managing partners and discussed possible strategic cooperation.

At the Supervisory Board meeting on June 22, 2010, the Management Board provided a report on the progress and details of negotiations with Aspera GmbH shareholders regarding a potential shareholding of USU Software AG in Aspera.

On July 1, 2010, the Supervisory Board approved the final settlement between the Management Board of USU Software AG and Aspera shareholders on the majority shareholding of Aspera and in this context also gave its approval on a capital increase through a contribution in kind from the authorized capital of USU Software AG.

Immediately prior to the Annual General Meeting on July 15, 2010, a meeting of the Supervisory Board took place during which the contract of the Chairman of the Management Board Bernhard Oberschmidt was granted an early extension until May 31, 2016.

At the Supervisory Board meeting on October 5, 2010, the reports given by the Management Board and the managers of USU Software AG and its subsidiaries on current business development and further planning included an initial status report on the management team of Aspera GmbH.

The two-day meeting of the Supervisory Board on December 8 and 9, 2010 was primarily centered around the business development of USU Software AG and the Group as a whole in 2010 and planning for the 2011 fiscal year. The Chairman of the Management Board and the managers of the subsidiaries presented the current status for 2010 and the key economic and operational targets for the following year. The Supervisory Board discussed the plans in detail with the Management Board and unanimously approved them. A further key topic of this Supervisory Board meeting was the implementation of the provisions of the German Corporate Governance Code and the adoption of the corresponding declaration of conformity. In accordance with figure 5.6 of the German Corporate Governance Code, the Supervisory Board also performed an efficiency audit during this final meeting of 2010 with a positive outcome.

Corporate Governance and Declaration of Conformity

The responsible management and control of USU Software AG and the Group with the aim of sustained value creation are the focus of the activities of the Management Board and the Supervisory Board of USU Software AG. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On December 9, 2010, the Supervisory Board discussed the aspects of the German Corporate Governance Code with the Management Board in detail with particular focus on the amendments introduced in the reporting year. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with Section 161 AktG on the same day and subsequently made it permanently available on the Company’s website. This declaration of conformity and additional information relating to corporate governance at USU Software AG can be found in the previous chapter of this annual report, Corporate Governance Report 2010.

Audit of the Separate and Consolidated Financial Statements

Following a corresponding resolution by the Annual General Meeting of USU Software AG, the Supervisory Board appointed Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart as auditors and simultaneously approved the focus of the audit for the 2010 fiscal year. In accordance with figure 7.2.1 of the German Corporate Governance Code, the Supervisory Board obtained in advance a statement from the auditors disclosing details of other Company transactions, including those contractually agreed for the future, and confirming that no business, financial, personal or other relationships existed between the auditors, its executive bodies and head auditors on the one hand and the Company and the members of its executive bodies on the other hand, that could call its independence into question.

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft audited the 2010 separate financial statements prepared in accordance with the German Commercial Code (HGB), the 2010 consolidated financial statements in accordance with IFRS and the Management Report on the Company and the Group for the fiscal year from January 1, 2010 to December 31, 2010 and issued each with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned yearend closing documents, including the Management Board's proposal on the appropriation of net profit and the auditor's reports, for examination in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 14, 2011. Following its own examination and an extensive discussion with the Management Board and the auditors, the Supervisory Board concurred with the findings of the audit and raised no objections. The Supervisory Board approved the separate and consolidated financial statements.

The annual financial statements have therefore been adopted. At the same time, the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, under which the unappropriated surplus of USU Software AG as at December 31, 2010 in accordance with HGB in the amount of EUR 2,361 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.20 per share for 10,523,770 shares, amounting to a total of EUR 2,105 thousand and
- to carry forward the remaining unappropriated surplus of EUR 256 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with Sections 289 (4) and 315 (4) HGB and the corresponding report. Further information can be found in the disclosures and explanations in the Management Report on the Company and the Group for the 2010 fiscal year. The Supervisory Board has examined the report and the disclosures and explanations contained therein and is satisfied that these are complete. Accordingly, the Supervisory Board has adopted the report.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with Section 312 AktG for the fiscal year from January 1, 2010 to December 31, 2010 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

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

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

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

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

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

Concluding Remarks and Thanks

The achievement of a new record for Group sales and the best ever consolidated operating income in the history of the company is largely to the merit of the entire workforce of USU Software AG and its subsidiaries. I would therefore like to take this opportunity, on behalf of the entire Supervisory Board, to thank all of the employees of the USU Group for their passionate effort, their outstanding level of commitment and their loyalty to the Group.

I would equally like to thank the management teams of the subsidiaries, which now also includes the managers of Aspera GmbH since July 1, 2010, for their excellent cooperation and phenomenal achievement in the past fiscal year. My special thanks go to the Chairman of the Management Board of USU Software AG, Mr. Bernhard Oberschmidt, for his tireless and passionate work for the good of the entire Company. The Supervisory Board is very optimistic that the Chairman of the Management Board of USU Software AG and the entire USU Group will bring the Company even more success in the coming years and, in light of the early extension of Bernhard Oberschmidt's Management Board contract, is looking forward to further positive cooperation in a spirit of mutual trust.

Möglingen, March 14, 2011

For the Supervisory Board

Udo Strehl

Chairman of the Supervisory Board of USU Software AG

Management Report on the Company and the Group

2010

MANAGEMENT REPORT ON THE COMPANY AND THE GROUP 2010

Summary

As the parent company of the Group, USU Software AG, Möglingen, Germany, directly or indirectly participates in the operating companies USU AG, Möglingen, Germany, LeuTek GmbH, Leinfelden-Echterdingen, Germany, Omega Software GmbH, Obersulm, Germany, USU Software s.r.o., Brno, Czech Republic, USU (Schweiz) AG, Zug, Switzerland, USU Austria GmbH, Vienna, Austria, as well as Aspera GmbH, Aachen, Germany, in which USU Software AG acquired a majority shareholding in 2010. It also has shareholdings in Openshop Internet Software GmbH, Ludwigsburg, Germany, and Gentner GmbH ProCOMMUNICATION i.L., Möglingen, Germany, which are no longer operational.

With effect from July 1, 2010, USU Software AG acquired a 51% stake in Aspera GmbH ("Aspera") which is fully consolidated as at the date of acquisition in these consolidated financial statements. Aspera is a highly specialized solutions provider for software license management, thus extending the product portfolio of USU Software AG and its subsidiaries (hereinafter referred to as the "USU Group" or "USU") in the software asset management segment. Aspera's products and specialist expertise will help USU become one of the world's leading providers in the growth area of knowledge-based service management.

In the 2010 fiscal year, USU Software AG recorded a year-on-year increase in Group sales of 11.7% to EUR 38,023 thousand (2009: EUR 34,048 thousand) and fully implemented its communicated target of sales growth exceeding the average for the IT market. After a subdued start to the first half of 2010 as a result of project postponements and a decline in corporate investment propensity, order development improved discernibly from the end of the second quarter. Accordingly, the strong second half of 2010 meant that USU was able to expand income considerably across the year as a whole and thereby achieve the highest Group sales in the history of the company. In addition to the acquisition of Aspera in July, organic growth in the Product Business segment of the existing subsidiaries USU AG, LeuTek GmbH ("LeuTek") and Omega Software GmbH ("OMEGA") was a particular contributing factor to this successful business development.

In conjunction with only a moderate increase in the overall cost base, USU continued to develop the profitability of the Group as a whole. With increased operating earnings before interest, taxes, depreciation and amortization ("EBITDA") of 81.2% to EUR 4,614 thousand (2009: EUR 2,546 thousand) at Group level, USU registered an improvement in operating earnings well in excess of sales growth and also achieved the best consolidated operating income in the company's history. USU far exceeded the target set by the Management Board to increase EBITDA significantly compared to sales in 2010.

Compared to the previous year, USU posted a more than fivefold increase in earnings before interest and taxes ("EBIT") in the year under review of EUR 2,583 thousand (2009: EUR 453 thousand). USU's earnings before taxes ("EBT") also rose substantially to EUR 2,710 thousand (2009: EUR 774 thousand). Income taxes totaled EUR -362 thousand in the 2010 fiscal year, whereas tax income of EUR 772 thousand was reported in the previous year, relating predominantly to a non-recurring tax effect from recognition of deferred tax assets from tax loss carryforwards. For the period under review, the USU Group increased its net profit after taxes by 51.9% to EUR 2,348 thousand (2009: EUR 1,546 thousand). USU thus expanded earnings per share by more than half at EUR 0.23 (2009: EUR 0.15).

On the basis of this positive business development and in the interests of a shareholder-friendly dividend policy and dividend continuity, the Management Board and Supervisory Board of USU Software AG will propose the Company's Annual General Meeting on June 30, 2010 to increase the dividend per dividend-bearing share by a third to EUR 0.20 (2009: EUR 0.15). This thereby allows the shareholders of USU Software AG to participate in the Company's success to a material extent as previously announced.

With Group liquidity of EUR 11,055 thousand at the end of the 2010 fiscal year (2009: EUR 10,888 thousand), USU Software AG still has the solid financing it requires to make targeted investments and to purchase companies or interests in companies when potential acquisitions present themselves.

Overall Economic Development

In 2010, the German economy bounced back strongly after the downturn in the previous year - the most severe recession on record since the establishment of the Federal Republic. Based on initial calculations, the German Federal Statistical Office ("Destatis") announced that gross domestic product ("GDP") expanded by 3.6% in real terms in the year under review, after a 4.7% slump in 2009. Positive impetus for growth came from both domestic and foreign markets. According to Destatis, consumer and state spending, capital expenditure and foreign trade contributed to the rise in GDP. Across the euro zone, economic recovery was considerably lower than in USU Software AG's core market of Germany. According to the Statistical Office of the European Communities ("Eurostat"), European economic performance in the period under review improved against the previous year by only 1.7% (2009: -4.0%).

Industry Performance

According to information provided by the German Federal Association for Information Technology, Telecommunications and New Media ("BITKOM"), the German IT market recovered significantly in the year under review following the downturn in 2009. 2010 therefore saw IT market volumes in Germany increase by 2.7% after dipping significantly by 6.5% in the previous year. According to BITKOM, the software market registered a year-on-year sales increase of 2.4% in 2010 (2009: -4.9%), whereas sales growth in the market for IT services amounted to 1.4% (2009: -4.2%) in the same period.

According to a study conducted by US market research company Forrester, the European IT market grew at a particularly impressive rate in 2010 and on a euro basis achieved an increase in market volume of 4.1% in Central and Western Europe alone (2009: -7.6%). According to the Forrester study, the IT services segment stagnated at the level of the previous year, 1.7%, whereas sales in software rose substantially by 4.6% after plummeting in the previous year (2009: -8.4%).

Business Development

Based on an exceptionally successful second half to the 2010 fiscal year, USU Software AG and its subsidiaries achieved the highest Group sales and the best consolidated operating income (EBITDA) in the history of the company, thereby fully implementing the communicated target for the year under review.

Although IT markets in Germany and across Europe only achieved a moderate upturn in market volume of between 2.7% and 4.1% respectively in 2010, the USU Group met its target with an impressive 11.7% surge in sales and an 81.2% rise in EBITDA, significantly in excess of the sales increase. Net profit increased by more than half as a result.

The international partner business was particularly successful in the period under review and posted growth of 20.4% against the previous year with new customers being gained, including the Swiss financial service provider Basler Versicherung AG, the Austrian insurance company Wiener Städtische AG, the US engineering and construction company Jacobs Engineering Group Inc. and the Saudi Arabian government agency for the development and expansion of industrial areas MODON. However, USU also completed numerous projects in the domestic market of Germany with companies such as the IT service provider of the Allianz insurance group, Allianz Managed Operations and Services SE, the pension specialist Wüstenrot & Württembergische AG, the German credit service provider VR Kreditwerk AG, the IT service provider of the state healthcare insurer, gkv informatik and the car manufacturer Volkswagen AG.

In addition to organic growth, newly acquired company Aspera GmbH also made a positive contribution to sales and earnings in the 2010 fiscal year. The financial data for Aspera GmbH was fully consolidated in the attached separate and consolidated financial statements with effect from July 1, 2010. Founded in 2000, Aspera is a highly specialized solutions provider for software license management in the rapidly expanding software asset management market. The product ***SmartTrack***, tailored to the premium market, and the SME solution ***licensum*** are also part of the Aspera portfolio. Using Aspera products ensures that customers fulfill compliance regulations and gives them the possibility of making considerable cost savings very quickly through license optimization. By combining this widely used specialist solution with the Valuemation infrastructure management suite, USU Software AG achieved a further unique selling proposition in knowledge-based service management. This strategic combination gives both companies the potential to grow over the next few years, also on an international level.

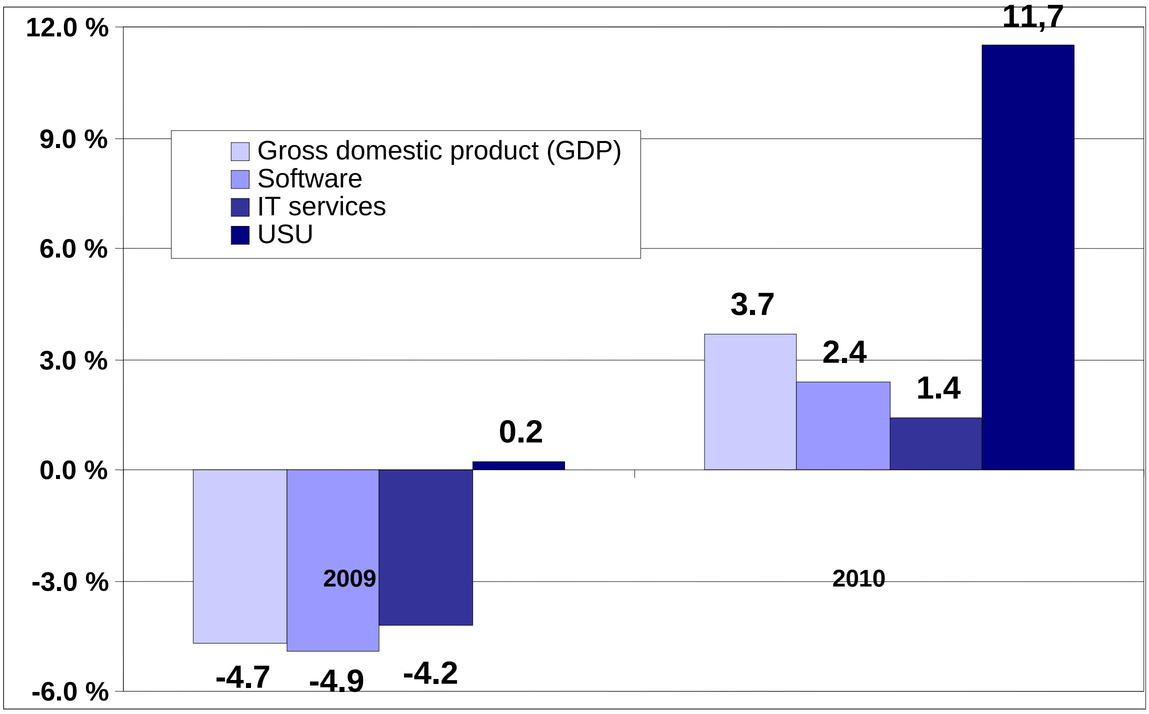


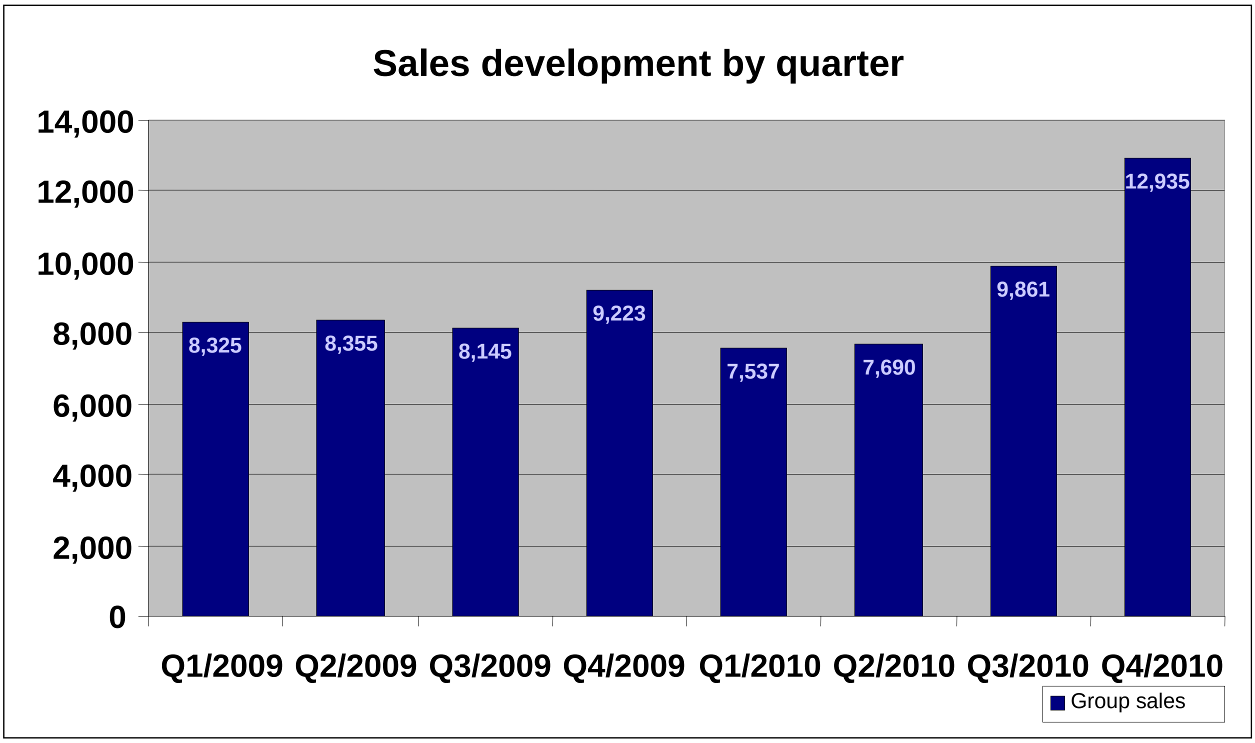
Diagram: Comparison of German economic and market growth with the sales growth of the USU Group in %

Development of Sales and Costs

Group Sales

In the 2010 fiscal year, USU Software AG increased Group sales year-on-year by 11.7% to EUR 38,023 thousand (2009: EUR 34,048 thousand). After a subdued start to the first half of 2010 as a result of project postponements and a decline in corporate investment propensity, order development improved discernibly from the end of the second quarter. Accordingly, the strong second half of 2010 meant that USU was able to increase income by a considerable amount across the year as a whole. This increase is primarily as a result of the strong Product Business segment in the subsidiaries USU AG, LeuTek and OMEGA and also in Aspera, of which the Company is now a majority shareholder. The USU Group also recorded strong growth in the maintenance business, which expanded by 18.3% to EUR 8,514 thousand (2009: EUR 7,198 thousand). As a result, maintenance income as a proportion of total sales increased from 21.1% in the previous year to 22.4% in the year under review. From the licenses business for the whole year, USU generated year-on-year growth of 3.6% in software license sales to EUR 5,758 thousand (2009: EUR 5,559 thousand). The licenses business therefore accounted for 15.1% of Group sales (2009: 16.3%).

The product- and service-related consulting business generated a 9.0% year-on-year increase in sales to EUR 21,899 thousand (2009: EUR 20,096 thousand). Accordingly, the share of Group sales attributable to the consulting business amounted to 57.6% (2009: 59.0%). Other income amounted to EUR 1,852 thousand or 4.9% of total Group sales in the 2010 fiscal year (2009: EUR 1,195 thousand or 3.5%) and primarily related to sales of third-party hardware and software.



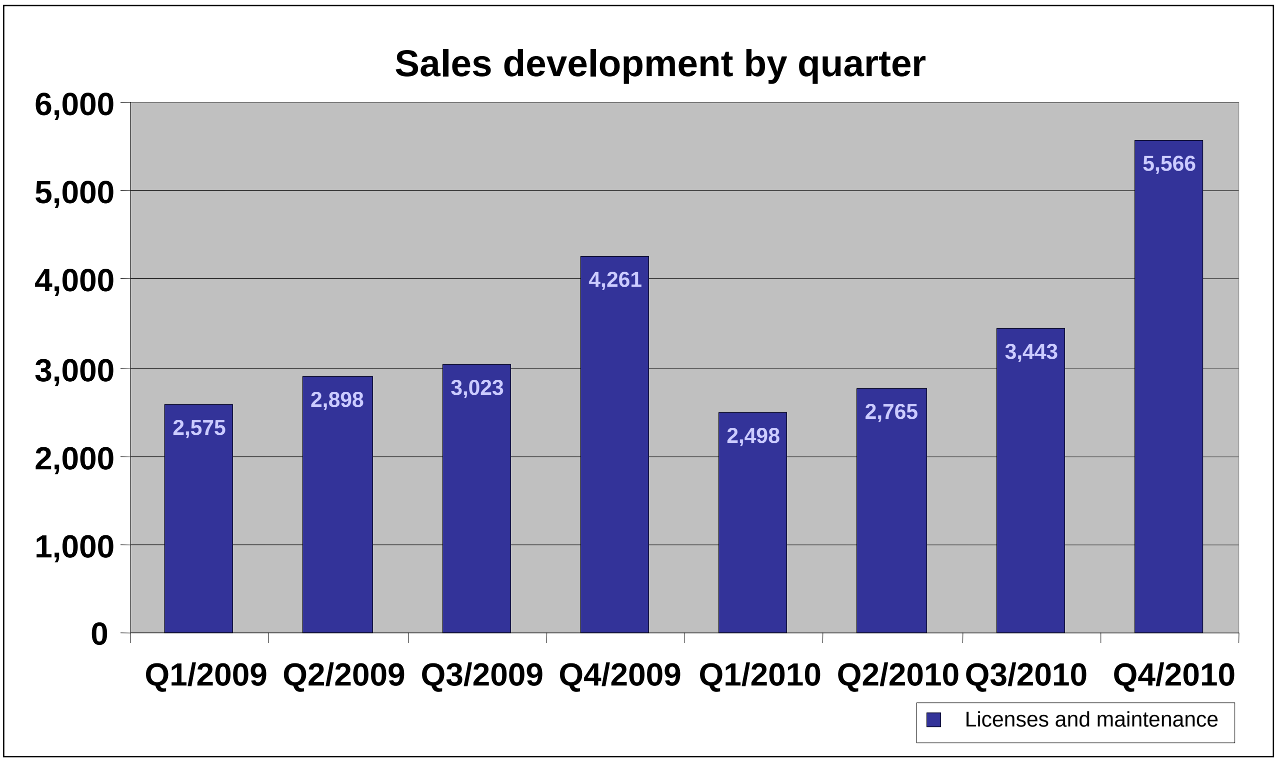
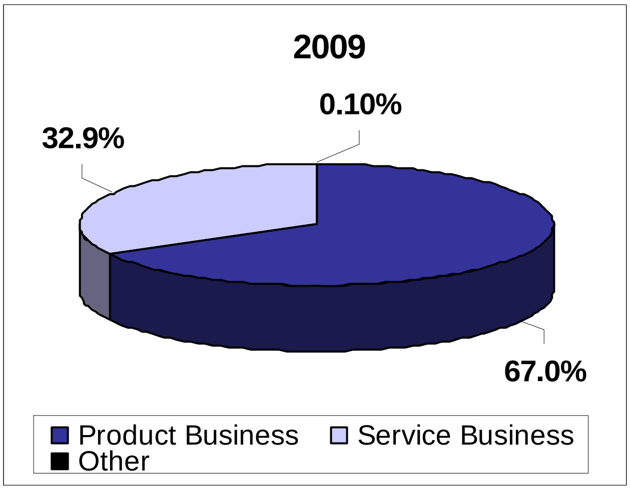


Diagram: IFRS sales development by quarter for the 2010 and 2009 fiscal years in EUR thousand

Sales by Segment

The product range in the Product Business segment, which now includes the newly acquired company Aspera, covers all activities relating to the USU product range in the markets for knowledge-based service management solutions and knowledge management. The Service Business segment encompasses consulting services for IT projects as well as individual application development.

In the period under review in the Product Business segment, the USU Group generated sales growth of 16.1% to EUR 26,484 thousand (2009: EUR 22,815 thousand). In doing so, USU benefited both from organic business expansion and the acquisition of a majority shareholding in Aspera. The share of Group sales generated by the Product Business segment thereby increased from 67.0% in 2009 to 69.7% in the 2010 fiscal year. Consulting revenue in the Service Business segment amounted to EUR 11,518 thousand in the same period (2009: EUR 11,203 thousand), which corresponds to a year-on-year increase of 2.8%. This segment also increasingly benefited from the resurgent corporate investment propensity and from an improved price structure over the course of 2010. The share of Group sales attributable to the Service Business segment amounted to 30.3% in the year under review (2009: 32.9%). Sales not allocated to the segments totaled EUR 21 thousand in the 2010 fiscal year (2009: EUR 30 thousand).



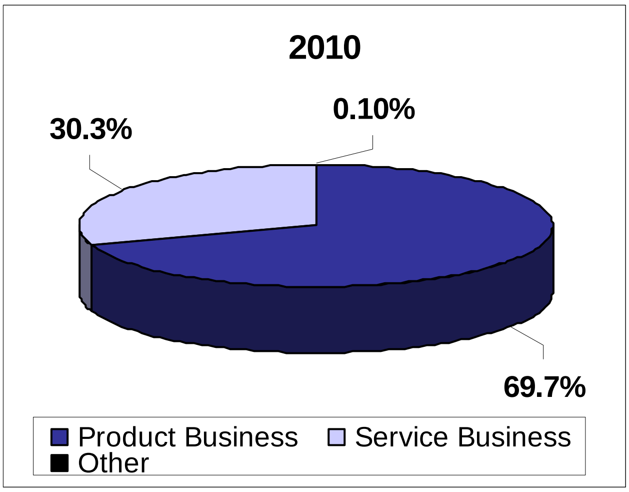
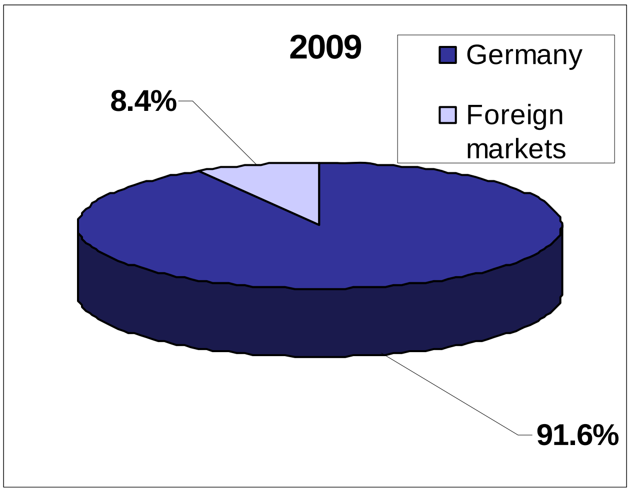


Diagram: IFRS sales development by segment for the 2010 and 2009 fiscal years in EUR thousand

The USU Group achieved increased consolidated sales of EUR 3,426 thousand (2009: EUR 2,846 thousand) outside Germany in the year under review, equating to sales growth of 20.4%. The share of Group sales attributable to foreign markets thereby amounted to 9.0% (2009: 8.4%). In the following year, USU also anticipates further expansion in the international business arising from increasing market penetration and further extension of the global partner network.



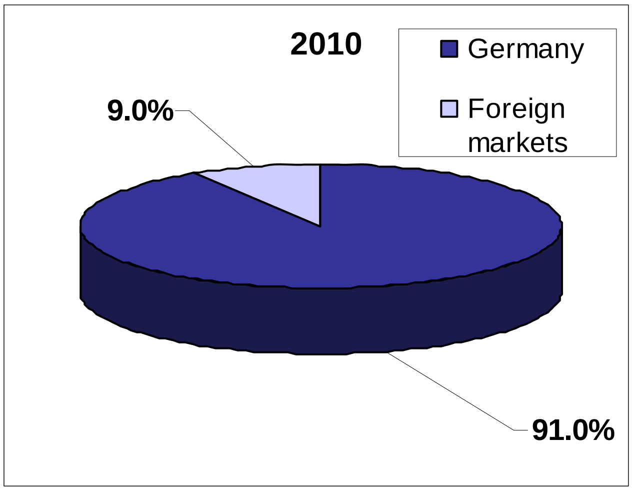


Diagram: IFRS sales development by region for the 2010 and 2009 fiscal years in EUR thousand

Operating Expenses

The operating cost base of the USU Group went up by 5.9% against the previous year to EUR 33,727 thousand (2009: EUR 31,843 thousand), lower than the rise in Group sales growth.

Cost of sales rose year-on-year by 6.3% from EUR 17,554 thousand in 2009 to EUR 18,656 thousand in the period under review, arising primarily from the acquisition of the majority shareholding in Aspera and the consequent expansion of the consulting team. The cost of sales as a proportion of Group sales sank in the period under review to 49.1% (2009: 51.6%). Accordingly, gross income from sales went up by 17.4% to EUR 19,367 thousand (2009: EUR 16,494 thousand), equating to a gross margin of 50.9% (2009: 48.4%).

Selling and marketing expenses were also impacted by the shareholding in Aspera and rose 7.7% against the previous year to EUR 6,343 thousand (2009: EUR 5,891 thousand). Sales and marketing expenses in relation to Group sales declining from 17.3% in 2009 to 16.7% in the year under review reflects the fact that the USU Group has focused its sales and marketing activities in the trade fairs and conferences segment on a limited number of customer-specific events, such as USU World, and on country-specific road shows.

USU's ***general administrative expenses*** fell, despite the purchase of Aspera, to EUR 2,712 thousand (2009: EUR 2,762 thousand) due to a highly efficient Group-wide administrative organization. This corresponds to a year-on-year decrease of 1.8%. Thus administrative expenses as a proportion of Group sales fell to 7.1% (2009: 8.1%).

Research and development expenses went up 6.7% year-on-year on account of the expansion of activities of the USU Group with Aspera and product-related research to EUR 6,016 thousand (2009: EUR 5,636 thousand). By contrast, research and development expenses as a proportion of Group sales went down from 16.6% in 2009 to 15.8% in the year under review.

Net ***other operating income and expenses*** totaled EUR -94 thousand in the period under review (2009: EUR -26 thousand). Whereas other operating income includes tax refunds for the period 2002-2004 in the amount of EUR 165 thousand (2009: EUR 0) and income from the reversal of provisions in the amount of EUR 43 thousand (2009: EUR 41 thousand), other operating expenses includes expenses amounting to EUR 176 thousand incurred in connection with the purchase of Aspera GmbH.

Earnings Situation

With operating ***earnings before interest, taxes, depreciation and amortization (EBITDA)*** increasing by 81.2% to EUR 4,614 thousand (2009: EUR 2,546 thousand), at Group level USU Software AG met its target of improving operating earnings well in excess of sales growth and in the process achieved the best consolidated operating income in the Company's history. Here USU benefited both from organic business development and the acquisition of Aspera.

Depreciation, amortization and impairment in the USU Group amounted to EUR 2,031 thousand in the year under review (2009: EUR 2,093 thousand). EUR 1,148 thousand (2009: EUR 728 thousand) relate to the amortization of intangible assets capitalized as a result of business combinations.

After depreciation, amortization and impairment, USU quintupled Group-wide ***earnings before interest and taxes (EBIT)*** against the previous year to EUR 2,583 thousand (2009: EUR 453 thousand).

The cumulated ***financial result*** declined due to lower interest rates and consequently lower financial income to EUR 128 thousand (2009: EUR 321 thousand). In spite of this, USU significantly increased ***earnings before taxes*** to EUR 2,710 thousand (2009: EUR 774 thousand).

Income taxes totaled EUR -362 thousand in the 2010 fiscal year, whereas tax income of EUR 772 thousand was reported in the previous year, relating predominantly to a non-recurring tax effect from recognition of deferred tax assets from tax loss carryforwards. The USU Group increased its ***net profit after taxes*** for the year under review by 51.9% to EUR 2,348 thousand (2009: EUR 1,546 thousand). As a result, based on an average number of shares outstanding of 10,272,412 (2009: 10,021,054), USU's earnings per share increased over half to EUR 0.23 (2009: EUR 0.15).

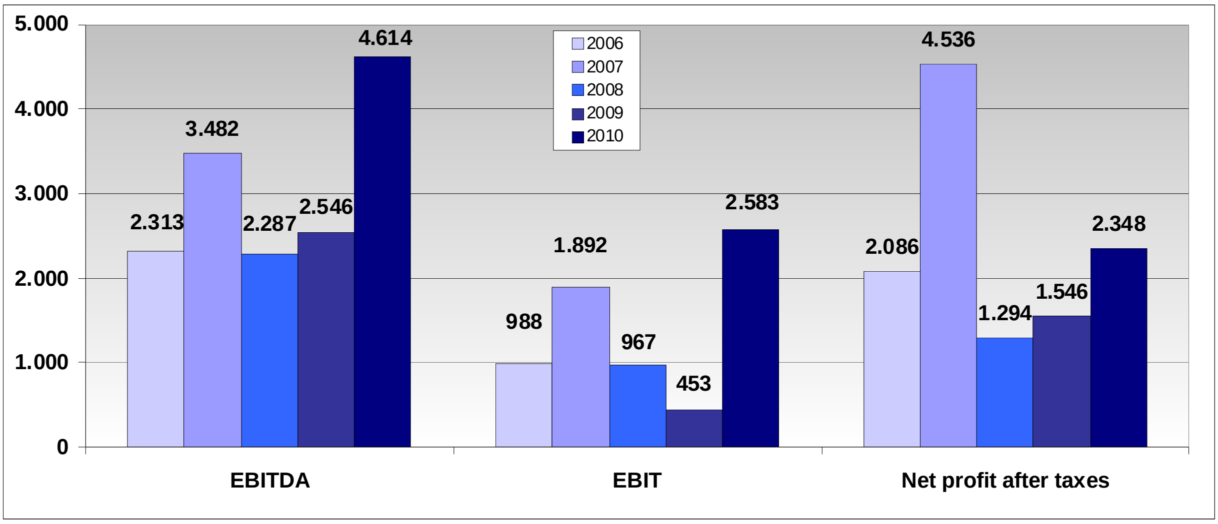


Diagram: IFRS earnings development of the USU Group in EUR thousand

Net Assets and Financial Position

The balance sheet structure as at December 31, 2010 was largely impacted by USU's acquisition of a majority shareholding in Aspera GmbH.

On the asset side of the balance sheet, ***non-current assets*** increased to EUR 45,416 thousand at the end of the year under review (2009: EUR 34,104 thousand), which can largely be attributed to the increase in ***goodwill*** to EUR 32,885 thousand (2009: EUR 26,110 thousand). As a result of the shareholding in Aspera, USU also had ***intangible assets***, such as customer base, favorable contracts, software rights, trademarks and orders on hand. On the basis of the purchase price allocation, this led to a corresponding increase in this balance sheet item to EUR 8,234 thousand (2009: EUR 4,515 thousand).

Current assets as at the balance sheet date of December 31, 2010 moved up to EUR 21,468 thousand (2009: EUR 19,426 thousand), primarily as a result of the expansion of trade receivables to EUR 7,479 thousand (2009: EUR 4,835 thousand) as at the balance sheet date. USU increased Group liquidity in the form of ***securities***, ***cash on hand*** and ***bank balances*** at the end of the 2010 fiscal year to EUR 11,055 thousand (2009: EUR 10,888 thousand), despite the cash payment for a part of the 51% shareholding in Aspera and the dividend payment to USU Software AG shareholders.

On the liabilities side of the balance sheet, ***equity*** moved up against the previous year's balance sheet date to EUR 48,485 thousand (2009: EUR 45,881 thousand). In conjunction with capital increase through a contribution in kind arising from authorized capital used to finance part of the Aspera acquisition (see also: Events of Key Importance) ***subscribed capital*** rose to EUR 10,524 thousand (2009: EUR 10,021 thousand) and ***capital reserves*** inched up to EUR 52,792 thousand (2009: EUR 51,490 thousand). At the same time, USU registered an increase in borrowing in the form of ***current and non-current liabilities*** to EUR 18,399 thousand (2009: EUR 7,649 thousand) as at December 31, 2010. This increase can be attributed predominantly to a rise in non-current liabilities to EUR 9,418 thousand (2009: EUR 313 thousand), including liabilities for the contingent consideration for the remaining 49% stake in Aspera GmbH on the basis of the agreed call and put options. For further details, see the section *Acquisition in 2010 Fiscal Year* in the Notes to the Consolidated Financial Statements which is part of this annual report.

Based on ***total assets*** of EUR 66,884 thousand (2009: EUR 53,530 thousand) the equity ratio amounted to 72.5% (2009: 85.7%) at the end of the 2010 reporting year.

Cash flow and Capital Expenditure

Cash and cash equivalents of the USU Group went up year-on-year by EUR 1.666 thousand to EUR 10,572 thousand (2009: EUR 8,906 thousand) as a result of the Company's successful business performance and the positive development of Group net profit, despite the contingent consideration for the Aspera shareholding and the dividend payment to the shareholders of USU Software AG.

Cash flow from operating activities amounted to EUR 2,434 thousand in the year under review (2009: EUR 4,036 thousand). The reported year-on-year decrease resulted primarily from changes in working capital.

Cash flow from investing activities in the amount of EUR 754 thousand (2009: EUR 2,536 thousand) includes the repayment of fixed-term deposits and capital expenditure for the majority shareholding in Aspera, whereas the previous year's figure consisted mainly of revenue from the sale of securities and the repayment of fixed-term deposits and expenditure in conjunction with the final earn-out payment for the acquisition of LeuTek. Investments in property, plant and equipment and intangible assets of EUR -500 thousand (2009: EUR -442 thousand) are also included under this balance sheet item.

Cash flow from financing activities includes, as in the previous year, expenditure of EUR -1,503 thousand for the dividend distribution to the shareholders of USU Software AG in the amount of EUR 0.15 per share entitled to participate in dividends.

Current Situation of the Group

After having achieved the highest Group sales and the best consolidated operating income (EBITDA) in the history of the company, the USU Group considers that the economic situation remains good. With the expansion of Group activities through Aspera, the additional expansion of the Group workforce, progress made with in the area of internationalization, the targeted further development of the Group product portfolio, the significant increase in existing orders at hand and the further improvement in its already comfortable liquidity position, the Management Board of USU Software AG considers that the USU Group is in a good overall position to achieve its stated targets for the 2011 fiscal year as a whole.

Events of Key Importance

On July 1, 2010, USU Software AG acquired a majority shareholding in Aspera GmbH as part of its portfolio expansion strategy. Aspera is a highly specialized solutions provider for software license management. Aspera's products and specialist expertise will help USU become one of the world's leading providers in the growth area of knowledge-based service management. The purchase price for the 51% shareholding acquired totaled EUR 3,565 thousand, around 50% of the payment in shares and the remaining 50% in cash. For further details, see the section *Acquisition in 2010 Fiscal Year* in the Notes to the Consolidated Financial Statements which is part of this annual report.

Development and Situation of USU Software AG

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

USU Software AG primarily focuses on acquiring and holding participations in other companies. As a result, it did not generate any external sales in the reporting period, as in the previous year. USU Software AG's main earnings components originate from its operating subsidiaries USU AG, LeuTek GmbH, and Omega Software GmbH.

As a result of the profit and loss transfer agreement with its subsidiaries LeuTek and OMEGA, USU Software AG generated net income of EUR 2,014 thousand in the 2010 fiscal year (2009: EUR 1,930 thousand). On May 19, 2005 and December 29, 2006, the Company concluded a profit transfer agreement with OMEGA and LeuTek, under which the subsidiaries undertook to transfer their entire profit to USU Software AG for at least five years. In exchange, USU Software AG undertook to offset every net loss incurred by LeuTek and OMEGA during the contractual term that cannot be offset by way of withdrawals from reserves recognized during the same period.

Other operating income in the amount of EUR 863 thousand (2009: EUR 619 thousand) primarily includes the settlement of intra-group services amounting to EUR 641 thousand (2009: EUR 575 thousand). It also includes income of EUR 154 thousand (2009: EUR 0) from the partial rebates from the tax office for the period 2002-2004 with respect to disputed input tax imposed on the Company which occurred in 2008. Other operating expenses, which totaled EUR 969 thousand overall (2009: EUR 820 thousand), related in particular to costs for services provided by Group subsidiaries of EUR 380 thousand (2009: EUR 314 thousand), stock exchange and investor relations costs of EUR 251 thousand (2009: EUR 232 thousand), legal and advisory costs of EUR 129 thousand (2009: EUR 77 thousand) and compensation for the Supervisory Board of EUR 102 thousand (2009: EUR 94 thousand). Personnel expenses increased slightly against the previous year to EUR 403 thousand (2009: EUR 394 thousand). As in the previous year, the workforce of USU Software AG consisted of three full-time employees, including the Management Board, at the end of the year under review.

Net interest income amounted to EUR 99 thousand (2009: EUR 66 thousand) and primarily related to interest income in connection with an input tax refund. Impairment of financial assets of EUR 900 thousand (2009: EUR 0) relate exclusively to a write-down on the carrying amount of the OMEGA shareholding resulting from a prudent measurement.

As a result of these impairments not impacting cash, the result from ordinary operations of USU Software AG for the 2010 fiscal year dropped to EUR 704 thousand (2009: EUR 1,401 thousand). After income taxes of EUR 47 thousand (2009: EUR 42 thousand), the Company recorded a net profit for the period of EUR 657 thousand (2009: EUR 1,359 thousand). The unappropriated surplus amounted to EUR 2,361 thousand at the reporting date (2009: EUR 3,208 thousand). As in the previous years, the Management Board proposes to use this surplus, among other things, to pay a dividend of EUR 0.20 per share for the 2010 fiscal year to all shareholders of USU Software AG who are entitled to receive dividends (2009: EUR 0.15). This decision to increase the dividend by a third was made against the backdrop of the Group's successful business development and the Company's continued positive prospects for the future.

The Company's total assets rose to EUR 29,061 thousand as at December 31, 2010 (2009: EUR 28,021 thousand). On the assets side of the balance sheet, fixed assets increased to EUR 25,791 thousand (2009: EUR 24,252 thousand) as at the balance sheet date as a result of the acquisition of Aspera in the 2010 fiscal year, whereas goodwill impairment on the carrying amount of the OMEGA shareholding had a contrary effect of EUR 900 thousand. This balance sheet item relates exclusively to shareholdings in associated companies. Current assets amounted to EUR 2,974 thousand (2009: EUR 3,559 thousand). The year-on-year decrease of this balance sheet item is largely attributable to payments received on claims against the tax office. Liquidity was EUR 296 thousand at the end of the 2010 fiscal year (2009: EUR 209 thousand). On the liabilities side of the balance sheet, equity at EUR 26,530 thousand was just under the previous year's figure (2009: EUR 26,874 thousand).

The EUR 503 thousand rise in subscribed capital to EUR 10,524 thousand (2009: EUR 10,021 thousand) reflects the capital increase through contributions in kind to finance part of the acquisition of the majority shareholding in Aspera GmbH. At the same time, provisions and liabilities increased from EUR 1,147 thousand as at December 31, 2009 to EUR 2,531 thousand at the end of the 2010 reporting year, primarily as a result of intra-group borrowing to finance the Aspera acquisition. Accordingly, the equity ratio remained at an extremely high 91.3% (2009: 95.9%).

USU Software AG achieved cash inflow from operating activities of EUR 2,177 thousand (2009: EUR 2,528 thousand) in 2010. By contrast, cash outflow from investing activities was EUR 1,937 thousand as a result of the acquisition of the 51% shareholding in Aspera GmbH, whereas cash outflow for the previous year was EUR 877 thousand due to final earn-out payment relating to the acquisition of LeuTek. As a result of the distribution of a dividend to the Company's shareholders, amounting to EUR 1,503 thousand (2009: EUR 1,503 thousand) and borrowing by a subsidiary in the amount of EUR 1,350 thousand, expenditure from financing activities amounted to EUR 153 thousand for the period under review (2009: EUR 1,503 thousand). Liquidity at EUR 296 thousand was up EUR 87 thousand against the previous year (2009: EUR 209 thousand).

In future, USU Software AG's focus on participation transactions will mean that the Company remains highly dependent on the performance of its subsidiaries, particularly USU AG, LeuTek, OMEGA and the newly acquired Aspera. Information on the resulting risks and opportunities can be found in the Group risk report.

Orders on Hand

As at December 31, 2010, the USU Group had orders at hand amounting to EUR 19,132 thousand (2009: EUR 13,421 thousand), which equates to a year-on-year increase of EUR 5,711 thousand or 42.6%. This includes orders totaling approximately EUR 2,041 thousand originating from Aspera GmbH, which was acquired in July 2010.

The year-end order book at the reporting date shows the USU Group's fixed future sales based on binding contracts. These primarily consist of project-related orders and maintenance agreements.

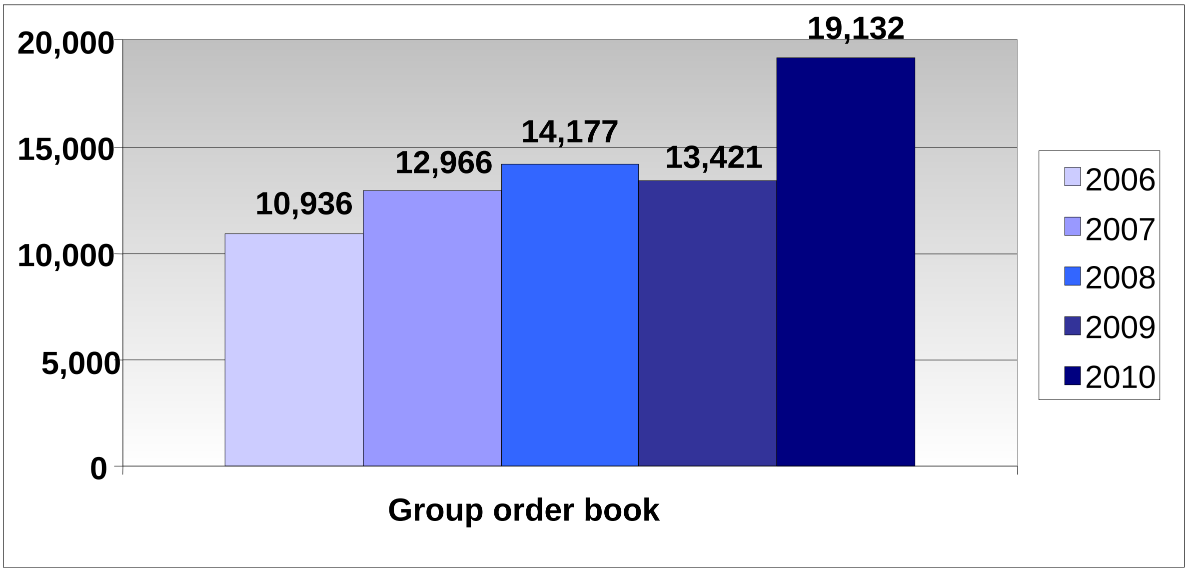


Diagram: Development of the USU Group's order book in EUR thousand

Research and Development

In order to offer its customers with practice-driven products and solutions based on state-of-the-art technology, the USU Group invested a total of EUR 6.0 million, or 15.8%, (2009: EUR 5.6 million, or 16.6%) of Group revenues in research and development in the 2010 fiscal year. With 102 employees across the Group at the end of the 2010 fiscal year, the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide portfolio. Essentially the product portfolio is made up of the software products ***Valuemation*** and ***USU KnowledgeCenter*** from USU AG, ***myCMDB*** from OMEGA, ***ZIS-System*** from LeuTek and ***SmartTrack*** from newly acquired company Aspera.

With ***Valuemation****,* Group subsidiary USU AG offers a modular product suite for IT management in large and larger medium-sized companies for the central presentation, administration, monitoring and management of the entire IT assets of a company or a group. The version ***Valuemation 4***, newly developed in the 2010 fiscal year, offers a modern, individualized, role-specific interface which uses brand new web client technology. The ITIL®-compliant software suite includes various new functions, which are available for all Valuemation modules, for example different business views and an entry mask similar to a portal for an individualized supply of information and the creation of role-specific analyzes. New elements, such as a progress bar, considerably improve the operability and efficiency of the software.

For the first customer in Saudi Arabia, ***Valuemation*** has also been implemented in Arabic, thereby laying the technical basis for other potential clients in the Arabic market Valuemation functions as an integrated, end-to-end product suite and can also be combined with the Group products ***USU KnowledgeCenter***, ***ZIS-System*** and ***SmartTrack***.

USU KnowledgeCenter is a software suite produced by USU AG, which has been specifically designed for company call center and user help desks and combines all existing knowledge management modules for the company, plus the intelligent ***USU KnowledgeMiner*** search machine, the process-controlled solutions database ***USU KnowledgeBase*** and the ***USU KnowledgeGuides*** decision tree all in one application.

Over the course of 2010, the final version of ***USU KnowledgeCenter 5.1*** was completed and made ready for release. With the inclusion of user-specific functions, it is now even easier to make information available to call center staff in changing situations which they need for their respective field, for example marketing activities, and to answer technical queries in the user help desk. Individually configurable color changes in the new version of the application signal the different application areas and also allow users to navigate the application more easily. Further innovations include the separate indexing of e-mails and their attachments and important statistical data on document use.

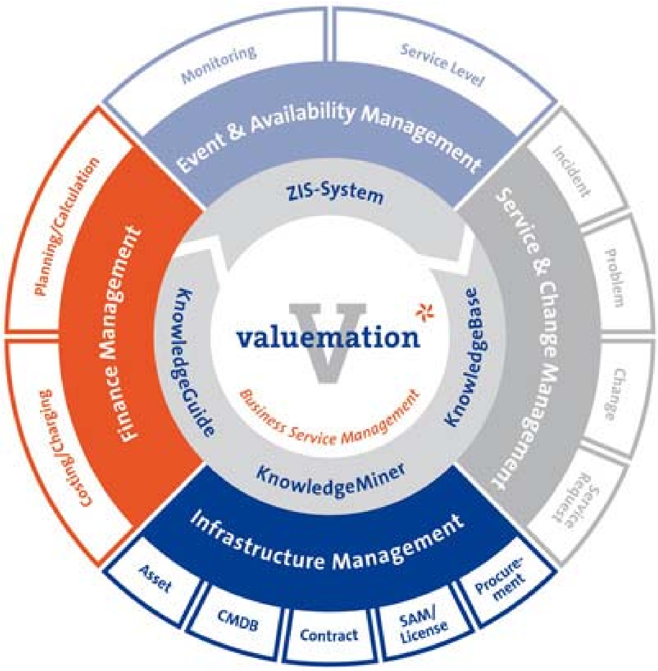


Diagram: The USU Group's Valuemation product suite

ZIS-System, the software solution produced by Group subsidiary LeuTek can be used for monitoring, visualizing, automating and controlling all systems and processes required for IT operation. Its range of applications has been extended to include the monitoring of IT services and the saving of additional relevant information from supplying management systems, such as incident, change and CMDB databases. At the same time, the LeuTek development team worked on a new service display in complex service structures to enable processing, correlation and visualization of performance data from systems and services and the connection of a new central fire alarm system. A further development focus was the conversion of the ***ZIS-System*** to 64 bit data format and the integration of performance data, processing and visualization into the existing ZIS server agent ***ZISAgent***.

At the new Group subsidiary Aspera, innovations within the ***SmartTrack*** solution for efficient software license management included redesigning the compliance calculation and realizing numerous complex license metrics with metric engines. To identify customer savings potential due to unused software installations, ***SmartTrack*** now enables users to import metering information on installation raw data, such as the last time a particular software installation was used. The new license transfer function enables users to map more extensively the internal leasing and sale of software licenses. Future transfer transactions can be planned, extensively documented and analyzed. Other changes implemented include an interactive reporting compliance intelligence tool to provide customers with a management overview for service level process management and detailed data import analysis options to simplify monitoring of all linked data sources.

Alongside ***Valuemation***, the ***myCMDB*** product group from the OMEGA subsidiary provides the USU Group with a further IT management product suite, specifically designed for small and medium-sized companies. The further development of ***myCMDB*** in the 2010 fiscal year comprised a number of expanded functions, such as the expansion of the standard reporting tool and dashboard set up, the option of individualized layout color adjustments, a completely revised task center, and an extended search function which makes documentation available as an eBook and creates a product interface to Aspera solutions.

Employees

As at the balance sheet date of December 2010, the workforce of the USU Group expanded by 13.8% against the previous year to 306 employees (2009: 269 employees), primarily as a result of the majority shareholding in Aspera GmbH. This figure does not include the four Management Board members of the subsidiary USU AG, around 100 freelance staff who are employed for project work as required, 19 temporary workers, and 6 trainees.

Broken down by segment, the USU Group had 223 (2009: 191) employees in the Product Business segment, 61 (2009: 60) in the Service Business segment and 22 (2009: 18) in central administration.

Broken down by functional unit, 128 (2009: 113) employees were employed in consulting and services at the end of the reporting period, 102 (2009: 94) in research and development, 45 (2009: 36) in sales and marketing, and 31 (2009: 26) in administration.

The average total workforce of the USU Group in the reporting period was 293 employees (2009: 264). Accordingly, the average sales contribution per employee in the 2010 fiscal year was EUR 130 thousand (2009: EUR 129 thousand). Personnel expenditure for the same period was EUR 18,852 thousand (2009: EUR 17,438 thousand). As a result, the personnel cost ratio dropped to 49.6% of Group sales (2009: 51.2%).

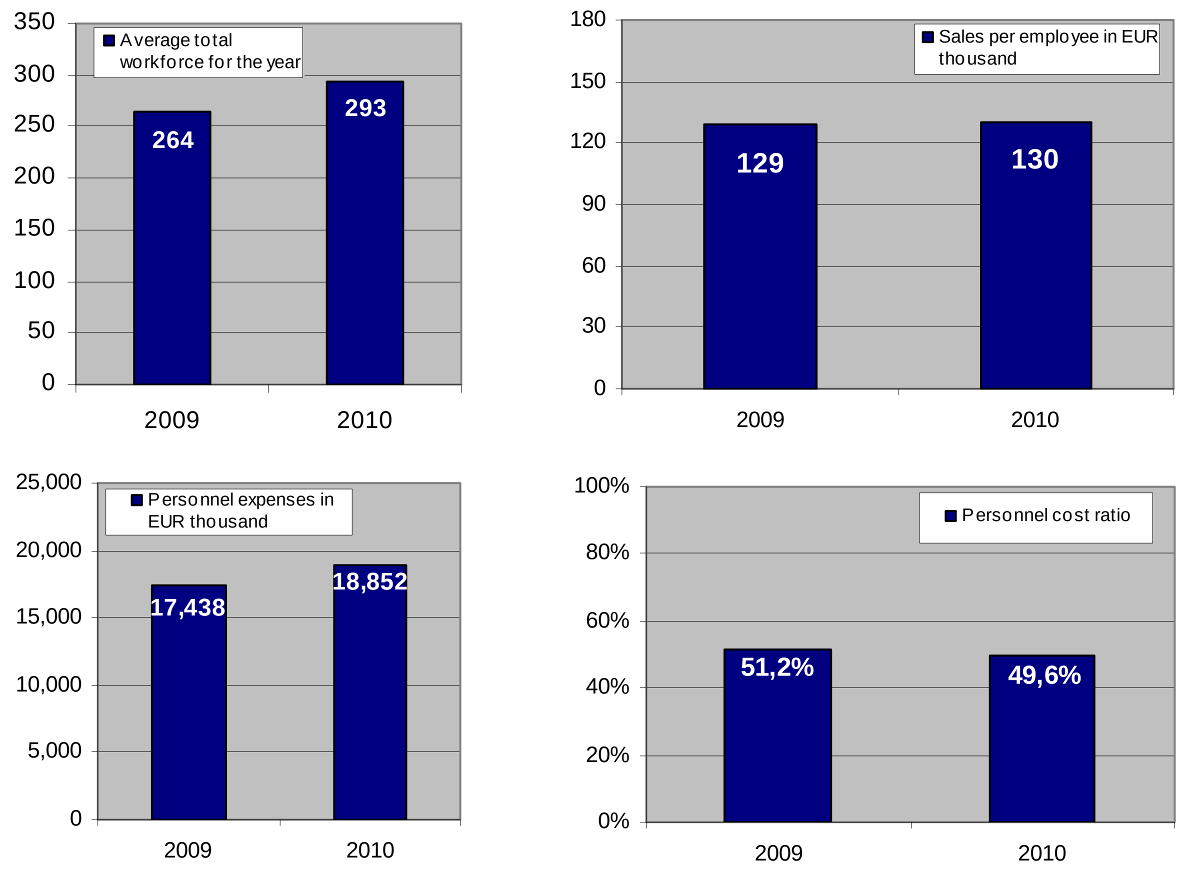


Diagram: Personnel-related key figures of the USU Group

In the 2011 fiscal year, in order to achieve its planned growth the USU Group again plans to expand the USU Group's workforce. In addition to acquiring additional highly qualified employees, personnel activities focus on the motivation and retention of existing staff. In this context, the partial variability of many USU employees' wages and salaries should also be seen as an incentive that serves as an additional reward for both individual performance and the success of the respective unit, the Company, and the Group as a whole. In addition, the Group also offers an extensive and very flexible employee company car scheme. The USU Group also constantly invests in the development and further training of its workforce as part of the USU – U Step Up career model. With this program, USU offers its employees and managers' ongoing refresher courses and opportunities to hone their personal development as well as specialist qualifications and the further development of soft skills. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures aimed at advancing and motivating the USU Group's workforce in the long term.

Principles of the Compensation System

Compensation of the Management Board

The compensation of the Management Board, which is divided into a fixed and a variable component, is specified at an appropriate level by the Supervisory Board taking into account all compensation paid within the scope of consolidation on the basis of a performance assessment. The variable component is based on the achievement of targets set annually by the Supervisory Board. These are determined after the annual planning for the respective fiscal year is completed. The amount of the variable compensation actually paid depends on the extent to which the agreed quantitative and qualitative targets are met.

The compensation shown in the following table totaling EUR 260.4 thousand (2009: EUR 211.0 thousand) includes all compensation paid to the Chairman of the Management Board, Bernhard Oberschmidt within the scope of consolidation. The sole member of the Management Board of USU Software AG is also the Chairman of the Management Board of the Group subsidiary USU AG, President of the Group subsidiary USU (Schweiz) AG and Managing Director of the Group subsidiary Openshop Internet Software GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board

in EUR thousand

	Fixed compen-sation	Contribution to social security and pension	Non-cash benefit from private use of company car	Variable compensation
2010	138.0	19.5	15.3	87.6 [1)]
2009	132.0	19.4	20.1	39.5 [2)]

[1)] of which for the previous year: EUR -6 thousand [2)] of which for the previous year: EUR 9.5 thousand

Table: Individual compensation of the Management Board of USU Software AG and the Group

Compensation of the Supervisory Board

The compensation of the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and was adopted by the Annual General Meeting of the Company on July 12, 2007. In accordance with the relevant provisions, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand in addition to the reimbursement of expenses for every full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. The members of the Supervisory Board also receive additional annual variable compensation based on the IFRS result from ordinary operations (EGG) compared with sales and the result that the Company achieved as reported in the consolidated financial statements for the past fiscal year. Starting from an EGG share of 5% of sales, the members receive additional annual variable compensation of a 10% premium on the fixed component per full percentage point of the EGG share of sales up to a maximum of 200%. As EGG is no longer reported in the consolidated financial statements, the amount was calculated based on the calculation for the 2006 fiscal year, which formed the basis for Annual General Meeting resolution of 2007. According to this resolution, EGG is calculated from the difference between the USU Group’s earnings before taxes and net interest income as well as goodwill impairment. In the 2010 fiscal year, EGG totaled EUR 3,055 thousand (2009: EUR 1,451 thousand) and EGG as a proportion of Group sales was 8.0% (2009: 4.3%). The variable compensation of the USU Software AG Supervisory Board thus corresponded to 30% of the basic fixed remuneration of the individual members of the Supervisory Board.

The members of the Supervisory Board of USU Software AG are also represented in the Supervisory Board of the Group subsidiary USU AG. The compensation of the Supervisory Board of USU AG was approved by the Annual General Meeting of the latter company on May 22, 2000 in accordance with Article 12 of the Articles of Association of USU AG and is valid until otherwise resolved by the Annual General Meeting. Accordingly, each member of the Supervisory Board of USU AG receives annual fixed compensation of EUR 5.0 thousand in addition to the reimbursement of expenses for each year of membership of the Supervisory Board; the Chairman of the Supervisory Board receives EUR 10.0 thousand and the Deputy Chairman EUR 7.5 thousand. Variable components in the compensation of the Supervisory Board were and are not provided for.

In the 2010 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 133.0 thousand (2009: EUR 107.5 thousand).

Individual compensation of the Supervisory Board for the 2010 fiscal year *in EUR thousand*			
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	18.0	10.0
Günter Daiss	12.5	3.75	7.5
Erwin Staudt	12.5	3.75	5.0

Table: Individual compensation of the Supervisory Board of USU Software AG and the Group

Additional Disclosures in Accordance with Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

Subscribed Capital, Shares and Shareholder Structure

As of December 31, 2010, a total of 10,523,770 no-par bearer shares of USU Software AG, each with an equal number of voting rights and notional interest in the share capital of EUR 1.00, had been issued (2009: 10,021,054). The recorded increase can be attributed to a non-cash capital increase through contributions in kind to finance part of the acquisition of a majority shareholding in Aspera GmbH. As a result of this company acquisition, the three former sole shareholders were granted 502,716 shares in USU Software AG (new USU shares). This equates for 4.8% of all shares issued. The new USU shares participated in profit starting from January 1, 2010 and may not be sold, pledged or otherwise offered to third parties without the prior consent of USU Software AG until March 31, 2012 (lock-up period).

Of the 10,523,770 shares issued by USU Software AG, a total of 5,795,187 shares (2009: 5,795,187) are allocable to the major shareholder and Chairman of the Supervisory Board of USU Software AG, Udo Strehl, corresponding to 55.1% of the share capital (2009: 57.8%). Mr. Strehl holds 1,989,319 (2009: 1,989,319) of these shares directly, with a further 3,773,868 shares (2009: 3,773,868) allocable to him via Udo Strehl Private Equity GmbH (USPEG) in his function as majority shareholder and a further 32,000 shares (2009: 32,000) allocable to him as sole shareholder of the “Wissen ist Zukunft” foundation. Over 10% of the share capital (over 10% of USU Software AG shares with an equivalent number of voting rights) was allocable to Peter Scheufler, former partner of LeuTek, as at December 31, 2010.

Management Board Authorizations on the Issue of Shares and the Share Buyback

By resolution of the Annual General Meeting on July 12, 2007, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's capital by up to EUR 5,167,502 by issuing new shares in exchange for cash or non-cash contributions up to and including July 11, 2012 (authorized capital). The Management Board utilized part of this authorization and implemented a non-cash capital increase through contributions in kind in the amount of EUR 502,716 thousand, to finance part of the acquisition of a majority shareholding in Aspera.

By resolution of the ordinary Annual General Meeting on March 2, 2000, the subscribed capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the Company and affiliated companies (contingent capital). By resolution of the Annual General Meeting on July 15, 2004, contingent capital was reduced to EUR 378 thousand. The contingent capital increase may only be exercised to the extent that the bearers of the options issued exercise their rights. There were no outstanding options as of December 31, 2010.

By resolution of the Annual General Meeting on July 15, 2010, the Company's Management Board was also authorized to acquire treasury shares in one or more installments, subject to approval of the Supervisory Board, at any time up to and including July 14, 2015. The acquired shares, together with any other shares which the Company may hold as a result of earlier authorizations to acquire treasury shares, may not exceed 10% of the Company's share capital at the time of this authorization.

Statutory Provisions and Articles of Association of USU Software AG

In accordance with Section 84 AktG and Article 8 (2) of the Articles of Association of USU Software AG, the Management Board is appointed and dismissed by the Supervisory Board. In urgent cases, a member may be appointed to the Management Board by court order in accordance with Section 85 AktG; the corresponding mandate expires as soon as the vacancy has been filled. In accordance with Article 18 of the Articles of Association, the Supervisory Board is also authorized to approve amendments to the Articles of Association that only concern their wording. All other amendments to the Articles of Association require a resolution by the Annual General Meeting in accordance with Section 179 (1) AktG. This resolution requires a majority of at least three quarters of the subscribed capital represented at the vote in accordance with Section 179 (2) AktG. Resolutions by the Annual General Meeting that do not relate to the Articles of Association require a simple majority of the votes cast in accordance with Section 133 AktG.

Statement on Corporate Management in Accordance with Section 289a of the German Commercial Code (HGB)

Declaration of Conformity with the German Corporate Governance Code in Accordance with Section 161 AktG

Corporate governance encompasses the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the German Corporate Governance Code (hereinafter abbreviated to “the Code”) in the form of recommendations for implementation. The core objective of the Code is to promote the trust of national and international investors, customers, employees and the general public in the management and supervision of listed German companies. The Code came into force in 2002 and was last updated in 2010.

In accordance with Section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been and will be complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and have submitted their current declaration of conformity for 2010 on December 9, 2010, making it immediately available on the Company’s website. The current declaration of conformity and the declarations for previous years are permanently available at www.usu-software.de/investor_relations/corporate_governance.html.

Corporate Management Practices

Within the meaning of good and sustainable corporate management, the Management Board of USU Software AG undertakes to act in an ethically and socially responsible manner. To this end, the Management Board has developed basic values and targets in close cooperation with the employees of its subsidiaries, which are summarized in the corresponding guidelines accessible on the Company’s website at www.usu-software.de/konzern/leitlinien.html. No additional corporate management practices above and beyond the statutory requirements are applied.

Working Practices of the Management Board and the Supervisory Board

The Management Board of USU Software AG consists of one member with sole responsibility for managing the Company's business activities in accordance with the provisions of law, the German Corporate Governance Code, the Articles of Association and the rules of procedure for the Management Board. The managers and managing directors of the subsidiaries and the heads of the divisions report on the development of the operating units at joint management meetings held on a regular basis and provide the Management Board of the parent company with status and forecast reports on an ongoing basis.

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

Prior to the German Corporate Governance Code coming into force, a D&O insurance policy had been concluded for the Management Board and the Supervisory Board that did not provide for a deductible. This contractual form, which was common practice when the D&O insurance was taken out, was adjusted for the Management Board in the 2010 fiscal year to reflect the new provisions of the Corporate Governance Code, whereby a corresponding deductible must be agreed. The introduction of a deductible for the Supervisory Board is also planned for the future.

The Supervisory Board of the Company consists of three members and elects a Chairman and a Deputy Chairman from its members. On account of its size, the Supervisory Board has opted not to form committees; instead, the relevant tasks are jointly performed by the members of the Supervisory Board.

The activities of the Supervisory Board are determined by the provisions of law, the German Corporate Governance Code, the Articles of Association and the rules of procedure for the Supervisory Board of USU Software AG. Among other things, this provides for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue rules of procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities. The Supervisory Board also adopts the separate financial statements and approves the consolidated financial statements. Detailed information on the activities of the Supervisory Board is provided annually in the report by the Chairman of the Supervisory Board to the shareholders present at the Annual General Meeting.

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

The USU Share (ISIN DE000A0BVU28)

The shares of USU Software AG are listed in the Prime Standard of the Frankfurt Stock Exchange under German Securities Code Number ("WKN") A0BVU2 and International Securities Identification Number ("ISIN") DE000A0BVU28 and are authorized for trading on the regulated market of this stock exchange.

Share Price Development

After significant price gains in the previous year, the stock markets performed well again in 2010, but were characterized by a high level of volatility. Having followed a positive trend in the first quarter of 2010, German indices such as the Deutscher Aktienindex ("DAX") and the Technology All Share Index began to decline overall over the course of the second quarter, but picked up again to record year highs in the next two quarters. A much brighter picture reflected by company and economic data across the year as a whole meant that the Technology All Share Index rose by 9.0% to 1,017.33 points as at December 31, 2010, while the DAX improved by 16.1% to 6,914.19 points. In the same period, the price of the USU share in the Xetra electronic trading system increased strongly by 48.2% to EUR 4.89. As in the previous year, the USU share benefitted from a number of positive analyst and press commentaries thanks to the Company's successful business performance.

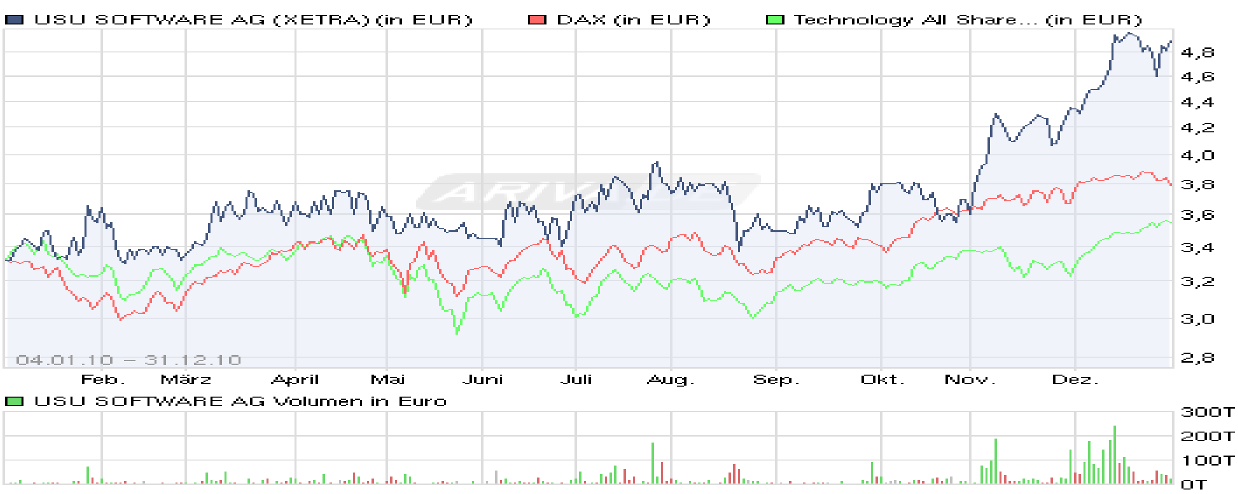


Diagram: USU Software AG's share price development in 2010

Report on Related Parties

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

Supplementary Report

There were no events of key importance with a material effect on the business development of USU Software AG and the Group as a whole after the reporting date December 31, 2010, meaning that there were no major changes to the net assets, financial position and results of operations of the Company or the Group.

Risk Report

Risk Management System

In the course of operations, USU Software AG and its subsidiaries are exposed to a range of opportunities and risks that are intrinsically linked to their business activities.

These business activities include accessing and leveraging opportunities that serve to safeguard and expand the USU Group's competitive ability. Business opportunities are considered as part of both the annual planning process and the corporate strategy, which is subject to ongoing development. The opportunities are explained in more detail in the section *Overview of Risks and Opportunities* of this risk report and in the forecast report under *Outlook*.

Furthermore, it is important to deal with risks in a responsible manner to provide a sustainable basis for business performance. The USU Group management therefore operates a central risk management system for the early identification, analysis, evaluation, control and management of risks. The aim of this system is to ensure a Group-wide awareness of risk within the organizational structure and workflows of the USU Group. The Group uses the internally developed Valuemation Risk Manager software to map its risks on an individual basis.

Risk Management Process

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

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

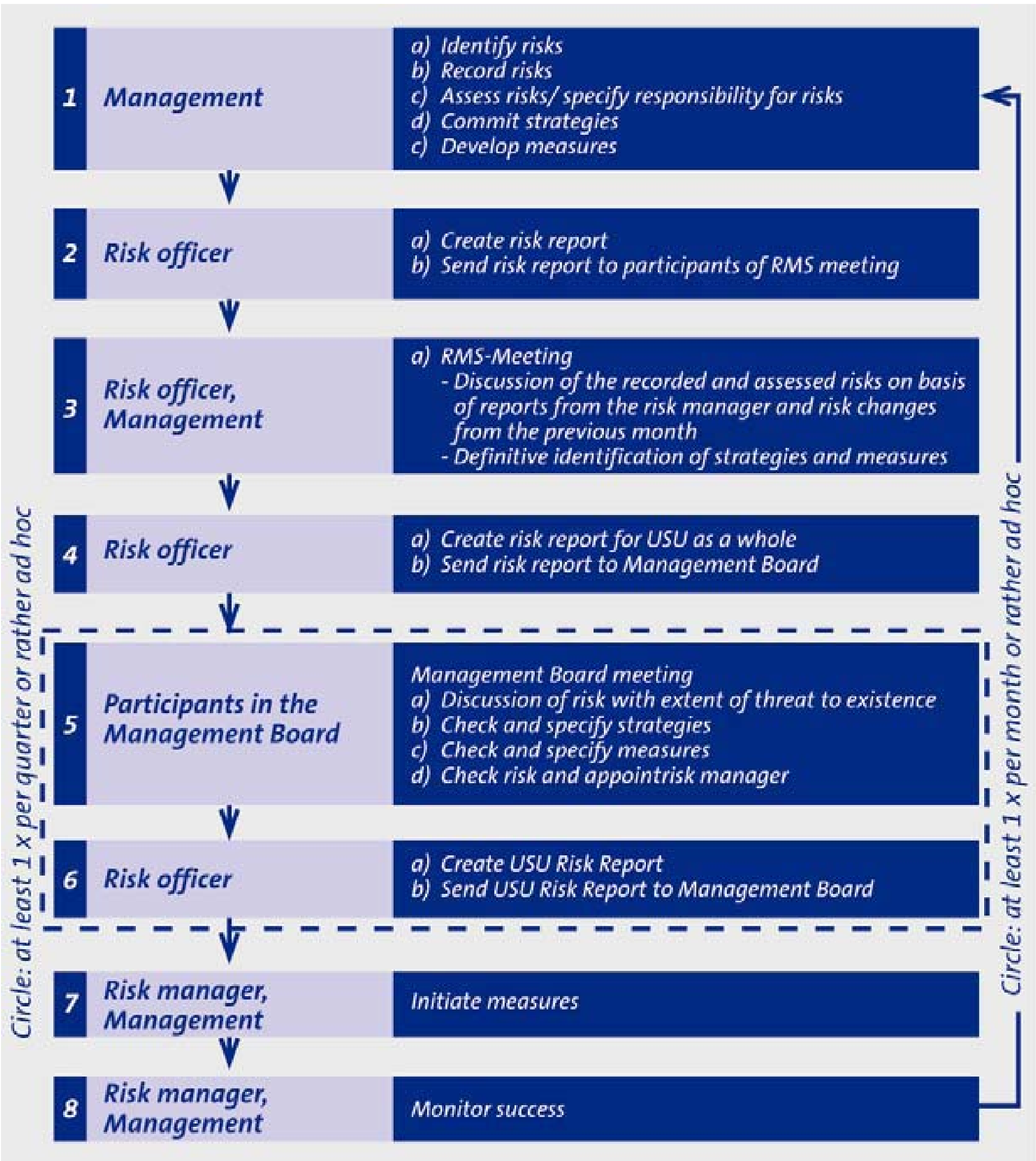


Diagram: Risk management process of the USU Group

Accounting-related Internal Control and Risk Management System

The Company defines the accounting-related internal control system ("RIKS") and the accounting-related internal risk management system ("RIRMS") as a comprehensive system aimed at ensuring that the separate and consolidated financial statements comply with the relevant provisions. RIKS encompasses the principles, procedures and measures for ensuring the effectiveness, cost-effectiveness and correctness of the accounting system and compliance with the relevant provisions of law and the Articles of Association, while RIRMS contains all organizational provisions and measures aimed at the identification, control and management of risks relating to the accounting process.

USU's accounting-related internal control and risk management is set up in such a way to ensure the level of security required for reliable financial reporting and the external publishing of separate and consolidated financial statements. This therefore requires a clearly defined management and corporate structure with clearly allocated roles. Key accounting-related roles are thereby managed centrally by USU Software AG and USU AG and specific areas of responsibility are clearly allocated as a result.

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

The USU Group has a largely uniform, standardized financial system with clearly defined access rights, ensuring that it can only be accessed by those employees who are involved in the accounting process within their area of responsibility.

The Finance department of USU AG and the Project and Financial Controlling units are centrally responsible for the timely preparation of the monthly, quarterly, annual and consolidated financial statements on the basis of the reporting schedule prescribed by the Management Board. The Chairman of the Management Board of USU Software AG, who bears the overall responsibility for the accounting-related internal control and accounting system of USU Software AG and the Group as a whole, controls and monitors the preparation of the financial statements and compares them with the projections that are continuously updated. From a risk management perspective, revenue recognition, the impairment of goodwill and the measurement of receivables, work in progress and provisions are generally of central importance to USU as a software and IT consulting company.

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

Overview of Risks and Opportunities

It is clear from the Company's current risk report that there are no risks that could 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 rule out the possibility that multiple risks whose cumulative impact could pose a threat to the Company's existence might have an adverse effect on the net assets, financial position and results of operations of the Company. The risks classified as serious in the course of risk management or that could have a material effect on the Company's net assets, financial position and results or operations are listed below:

Market Risk and Competitive Risk

USU Software AG operates as a software and IT company in a highly competitive market which is subject to continuous changes. In the past, major software companies in particular expanded their own product ranges through diversification and acquisitions in order to access new markets. In this context, the possibility that subsequent future development will lead to greater price erosion and cut-throat competition cannot be ruled out.

USU Software AG has expanded its product portfolio and the target market of the Group as a whole through its acquisition of a majority shareholding in Aspera GmbH and by pressing ahead with its internationalization activities. With its expanded product range, USU is strategically positioned in the growth market for knowledge-based service management solutions with a focus on promising future areas in the field of information technology. Thanks to its longstanding relationships with and proximity to its customers, the USU Group can also address customers' problems more flexibly and provide more customized solutions. As a result of the specialist consulting knowledge of USU's employees and the implementation of internally developed products within customers' existing IT systems, it was possible to maintain the price structure for product- and solution-related consulting services at the previous year's level. In the 2010 fiscal year – as in previous years – the employees of the Czech Group subsidiary USU Software s.r.o. were also integrated into consultancy projects and external consulting resources were deployed as required in response to a potential downturn in yields. Experience from the projects and feedback from the various customer events in the form of suggestions for improvement are immediately applied in the further development of the established software products as well as new products, thereby establishing the foundations for new and follow-up business in the future.

Research and Development Risk

Intense competition and specific customer attitudes lead to extremely short development cycles for new product versions and releases. Demands are also increasing as a result of rapid technological change.

To reflect this development, the USU Group maintains its research and development activities at a consistently high level using the resources of its own development company in the Czech Republic in particular. Around 50 employees work on continuously refining the Group's internally developed software products to reflect market developments and the demands of product management. The development process is rounded off with tests and quality management measures. Close contact with leading market analysts ensures that any technical changes can be addressed rapidly. With its position at the cutting edge of technology, the USU Group also devises its own innovations with the aim of permanently improving and extending its product portfolio.

Product, Project and Legal Risk

As with virtually any software, the software developed and marketed by USU Software AG and its subsidiaries may contain programming errors, which can occur despite thorough checks and extensive testing. The resulting operational defects could lead to liability and warranty claims to the detriment of the USU Group. The Company's internally developed software is primarily used within the context of larger projects, where the Company makes fixed, contractual commitments with regard to functionalities, completion schedules and project costs. Accordingly, there is a risk that the planned schedules and cost estimates may not be met due to product defects or faults in performance, which may in turn lead to claims for damages by the client or losses being made on the orders in question.

To avoid such product and project risks, the USU Group introduced extensive quality management as part of its development activities at an early stage, as well as establishing its own Project Office unit so that erroneous trends can be identified and prevented in the long term through effective project monitoring. The Group is also covered by a third-party liability insurance policy aimed at minimizing risk, which provides cover in particular against damage to data, data media and implementations as well as losses arising from material defects caused by the lack of agreed functionalities from EUR 50 thousand up to a maximum of EUR 5 million per claim.

Personnel and Management Risk

The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries depend to a significant extent on the performance of its professional staff and managers. The Company is therefore particularly reliant on highly qualified personnel in order to satisfy future market demands and customer requirements. The loss of management staff or employees in key positions can be just as detrimental to the Company as the failure to attract new knowledge carriers. Consequently, USU has implemented a wide range of measures in order to recruit additional highly qualified employees despite increasing competition on the employment market and retain highly qualified staff at the company. The professional advancement of employees as required is equally important within the USU Group. Specific educational and further training measures, a comprehensive career and personal development model as well as numerous employee events help to improve the retention of professional and management staff, while a positive corporate culture also improves the success rate in attracting and retaining qualified employees.

IT Risk

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

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

Participation Risk

USU Software AG is indirectly exposed to the risk environment of its various subsidiaries. The Company's relationships with its subsidiaries mean that risks may arise from its legal and contractual contingencies. Another potential risk in this respect relates to the write-down of the carrying amount of the participations in USU AG, OMEGA, LeuTek and Aspera in the separate financial statements of USU Software AG. However, the risk relating to these subsidiaries only exists in the event of a permanent deterioration in their net assets, financial position and results of operations. For example, goodwill impairment of EUR 900 thousand on the carrying amount of the OMEGA shareholding was required, as reported in the separate financial statements of USU Software AG for the 2010 fiscal year. In connection with the 100% acquisition of the Group subsidiary USU AG and the squeeze-out conducted in 2003, arbitration proceedings are pending on the appropriateness of the cash compensation paid to the shareholders of USU AG. In October 2010, the Stuttgart District Court confirmed the appropriateness of this compensation and ascertained that the cash compensation paid to the shareholders of USU AG corresponded to the value of the Company. On account of the fact that two complaints have been raised against this ruling, we expect the review proceedings to continue. Based on the expert opinion prepared in the course of the squeeze-out procedure, the subsequent audit of this opinion by the legally appointed auditor and the ruling of the Stuttgart District Court, the Management Board of USU Software AG assumes that the cash compensation paid to the shareholders of USU AG was appropriate.

Goodwill Risk

Instead of scheduled amortization, the goodwill reported in the consolidated balance sheet is now subject to impairment testing in accordance with IFRS 3 at least once a year. The results of impairment testing can result in the confirmation of the reported goodwill or, alternatively, in the recognition of an impairment loss that serves to reduce net profit for the period, which could have a negative effect on the net assets, financial position and results of operations of USU Software AG.

The impairment tests conducted in the 2010 fiscal year did not identify any evidence of impairment of the assets assigned to this balance sheet item. Based on its operating business development, USU Software AG does not expect to have to recognize any impairment losses with an adverse effect on net profit within the Group as a whole in the foreseeable future. Irrespective of this, it was necessary to recognize goodwill impairment in the same amount as the deferred tax assets from tax loss carryforwards that were required to be capitalized by the Group subsidiary USU AG in accordance with IFRS 3, as in the previous years. The net impact of this measure on earnings after taxes is zero, meaning that it presents no risk to USU Software AG or the Group, either now or in the future.

Default Risk

Potential default risks relating to trade receivables are minimized by way of active receivables management. The Company also recognizes adequate provisions for such losses. Overall, therefore, the default risk remains limited to date. In light of past history and with regard to the potential negative effects of the economic and financial market crisis on companies considered solvent to date, there is a possibility that the level of insolvency-driven default risk could increase in future, even allowing for the fact that the typical customer structure of USU Software AG is characterized by companies with strong market positions.

Financial and Liquidity Risk

With funds of approximately EUR 11 million, USU Software AG has extensive Group-wide financial resources for future investments, potential acquisitions and to secure its operating business. These funds are primarily deposited in short-term investments in order to generate interest income. As such, the Group is exposed to the risk of a complete or partial loss of one or more such 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. Accordingly, the USU Group's securities portfolio again recorded price gains in 2010

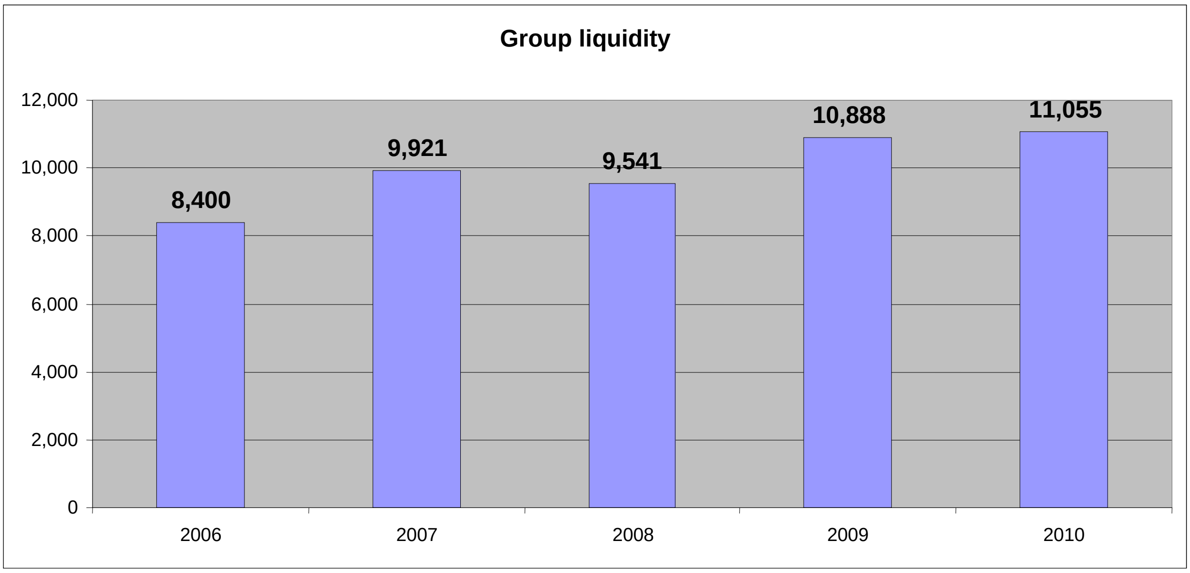


Diagram: Development of USU Group liquidity in EUR thousand

Key Opportunities

Aside from the aforementioned aspects, the Management Board considers that the following of the considerable opportunities available to USU Software AG and the Group are particularly important:

In addition to the continued expansion of domestic business from new customers, the international partner business offers particularly impressive growth potential. Among other things, extending the partner network opens up the possibility of developing new markets. The expansion of the product range through internally developed innovations and acquisitions also allows business from existing customers to be expanded and new customers to be obtained. USU pursues a strategy in which its existing portfolio is continually developed and expanded with customer-specific features or rounded off by strategic acquisitions, such as the acquisition of a majority shareholding in Aspera GmbH in 2010. Workforce expansion represents another significant opportunity to utilize the full potential of existing growth options in the product and service business alike.

Forecast Report

Overall Economy

After a strong recovery in the German economy in 2010 with the highest growth rate of gross domestic product on record since reunification, the *ifo Konjunkturprognose 2011* recently published by the ifo Institute for Economic Research forecast that the economic upturn would continue in 2011. However, ifo experts expect that economic expansion in Germany will lose steam in the future as a result of declining momentum in the global economy and lower government spending. By contrast, domestic demand on the basis of resurgent corporate investment and greater consumer spending in the private sector should make a positive contribution to growth. The ifo forecast puts the annual average GDP rise in Germany in 2011 at 2.4%, following on from the Destatis estimate that economic performance rose to 3.6% in 2010.

Economic activity in the euro zone will also slacken temporarily at the beginning of 2011 and then slowly pick up again over the course of the year as the world economy recovers toward the end of the year. Across the year as a whole, ifo expects a 1.4% rise in GDP in the euro zone in 2011 against 1.7% for the previous year.

Industry

According to research by the industry association BITKOM, 2011 will see the German IT market resume a strong growth pattern. Within the context of economic recovery, companies, particularly those who put off making large capital purchases in the recent economic situation, are investing in new software solutions. According to current BITKOM forecasts, market volumes in the IT industry will increase by 4.3% in 2011 after a 2.7% rise in 2010. BITKOM is therefore expecting to see the software market post a 4.2% sales increase in 2011 (2010e: 2.4%) and predicts growth of 4.6% in the IT services segment for the same period (2010e: 1.4%).

Forrester considers the European IT market to contain even higher potential for growth and anticipates a 6.8% increase in IT market volumes in Central and Western Europe (2010e: 4.1%). The software and IT services segments in Europe are also expected to expand significantly more than the overall economy with respective growth of 6.1% for software (2010e: 4.6%) and 6.5% for IT services (2010e: 1.7%).

Outlook

After the successful business performance in the current reporting year, the Management Board also anticipates further improvement in Group sales and income for USU Software AG and its subsidiaries in both the Product Business and the Service Business segments in the coming years.

The success of USU Software AG as an individual company, which – as in previous years – focuses on acquiring and holding participations in other companies, will continue to be shaped significantly by the business performance of its subsidiaries in the future. The subsidiary USU AG will remain the key growth driver within the Group as a whole. The Management Board also expects the Group subsidiaries LeuTek and OMEGA to make positive contributions to sales and earnings. In addition to organic growth, newly acquired company Aspera will make a considerable contribution to expanding the Product Business. Driven by the high-margin license and maintenance business in particular, the operating profitability of the USU Group compared to sales is to be widened considerably. The new, customer-specific product developments which the USU Group recently brought to market will serve as the foundation for this. The USU Group is focusing on the future growth area of the IT market by centering its Group portfolio around knowledge-based service management. For example, USU AG and OMEGA with their modern IT management product suites ***Valuemation*** and ***myCMDB*** offer quickly amortized software solutions for the optimization of all IT resources for both the premium market and small and medium-sized companies. At the same time, USU AG has positioned itself successfully in the rapidly growing market for cloud computing with a tool that functions as a service (SaaS) solution for its knowledge management software ***USU KnowledgeCenter***. The new subsidiary Aspera has been established in this market for many years and offers its customers a corresponding service tool for license management on the basis of its ***Smart Track*** software. Even USU subsidiary LeuTek offers a practice-driven solution with its business service monitoring application as part of the ***ZIS-System*** family, which enables the company to master the increasingly complex business processes and services of its clients in a simple and efficient way. And with its power management solution for optimizing energy consumption, LeuTek also provides a cost- and resource-saving application in the area of green IT, an area which exhibits substantial growth potential for the future.

In addition to expected improvement of domestic sales, the Management Board plans a greater expansion of its international business, drawing on its comprehensive partner and sales activities over the past two years.

Based on recent successes, which also reflect an increased volume of orders at hand, the Management Board also anticipates positive business performance in the consultationintensive Service Business in connection with high utilization levels for employed consultants and a slight rise in consultancy fees.

Assuming the conditions described above, the Management Board of USU Software AG anticipates sales growth for the Group as a whole to be over 10% in the 2011 and 2012 fiscal years and expected a stronger improvement in operating income (EBITDA) in comparison to sales with further widening of the EBITDA margin to 12.1% in 2010.

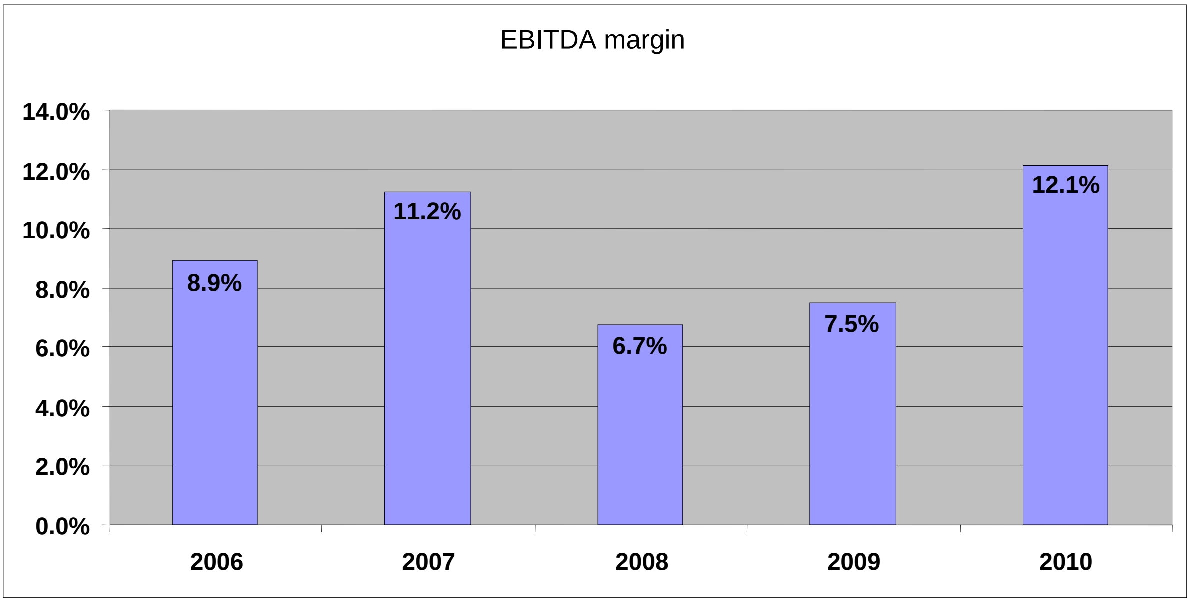


Diagram: Development of the USU Group's EBITDA margin in EUR thousand

At the same time, the Company will make targeted investments in the new and continued development of the product portfolio and in further expanding the international focus of the USU Group with a view to maximizing the potential of new acquisitions, maintaining high sales growth in the medium to long term and achieving an EBITDA margin of over 15%. The Management Board therefore plans to enable the shareholders of USU Software AG to participate to a material extent in the Company's business success in 2011 and beyond, and continue the shareholder-friendly dividend policy established in previous years.

Möglingen, March 4, 2011

Bernhard Oberschmidt
Chairman of the Management Board

Consolidated Financial Statements

2010

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CONSOLIDATED FINANCIAL STATEMENTS

USU Software AG, Möglingen
Consolidated Balance Sheet as at December 31, 2010

A S S E T S

	Notes	31.12.2010 EUR thousand	31.12.2009 EUR thousand
Assets			
Non-current assets			
Intangible assets	(9)	8,234	4,515
Goodwill	(10)	32,885	26,110
Property, plant and equipment	(11)	878	608
Other financial assets	(28)	783	377
Deferred tax assets	(30)	2,027	1,896
Other non-current assets	(12)	609	598
		45,416	**34,104**
Current assets			
Inventories	(13)	684	616
Work in progress	(14)	1,601	1,798
Trade receivables	(15)	7,479	4,835
Income tax receivables	(16)	176	900
Other financial assets	(17)	168	196
Other current assets		52	34
Prepaid expenses	(18)	253	159
Securities	(19)	483	455
Cash on hand and bank balances	(20)	10,572	10,433
		21,468	**19,426**
		66,884	**53,530**

USU Software AG, Möglingen
Consolidated Balance Sheet as at December 31, 2010

S H A R E H O L D E R S' E Q U I T Y A N D L I A B I L I T I E S

	Notes	31.12.2010 EUR thousand	31.12.2009 EUR thousand
Equity and liabilities			
Equity	(21)		
Subscribed capital		10,524	10,021
Capital reserves		52,792	51,490
Legal reserves		294	250
Accumulated losses		-15,125	-15,877
		48,485	**45,881**
Non-current liabilities			
Deferred tax liabilities	(30)	1,409	0
Pension provisions	(22)	415	313
Other liabilities	(23)	7,594	0
		9,418	**313**
Current liabilities			
Income tax liabilities		627	37
Personnel-related liabilities	(24)	3,206	3,100
Other provisions and liabilities	(25)	1,667	2,075
Liabilities from advance payments received	(26)	577	239
Trade payables	(27)	1,247	726
Deferred income	(29)	1,657	1,159
		8,981	**7,336**
		66,884	**53,530**

USU Software AG, Möglingen
Consolidated Income Statement for the 2010 Fiscal Year

	Notes	2010 EUR thousand	2009 EUR thousand
Sales	(31)	38,023	34,048
Cost of sales	(32)	-18,656	-17,554
Gross income from sales		**19,367**	**16,494**
Selling and marketing expenses	(33)	-6,343	-5,891
General administrative expenses	(34)	-2,712	-2,762
Research and development expenses	(35)	-6,016	-5,636
Other operating income	(36)	232	42
Other operating expenses	(37)	-326	-68
Amortization of intangible assets capitalized as a result of business combinations		-1,148	-728
Goodwill impairment	(38)	-472	-998
Financial income	(39)	341	437
Financial expenses	(40)	-213	-116
Profit before taxes		**2,710**	**774**
Income taxes	(41)	-362	772
Consolidated operating income		**2,348**	**1,546**
Consolidated earnings per share (in EUR):			
Basic and diluted		0.23	0.15
Weighted average number of shares outstanding:			
Basic and diluted		10,272,412	10,021,054

USU Software AG, Möglingen
Consolidated Statement of Comprehensive Income for the 2010 Fiscal Year

	Notes	2010 EUR thousand	2009 EUR thousand
Consolidated operating income		**2,348**	**1,546**
Actuarial gains/losses			
from pension provisions	(22)	-68	-126
Deferred taxes from			
actuarial gains/losses		20	35
Available-for-sale			
financial assets (securities)	(19)		
Changes in fair value taken directly to equity		28	9
Recognized in profit or loss		0	1
Deferred taxes from			
available-for-sale financial instruments (securities)		-7	-3
Currency translation differences		-18	1
Other comprehensive income after taxes		**-46**	**-83**
Total comprehensive income		**2,302**	**1,463**

USU Software AG, Möglingen
Consolidated Cash Flow Statement for the 2010 Fiscal Year

	Notes	2010 EUR thou-sand	2009 EUR thou-sand
Net cash from operating activities:			
Profit before taxes		2,710	774
Adjustments for:			
Financial income/financial expenses		-128	-321
Depreciation, amortization and impairment		2,031	2,093
Income taxes paid		-674	-114
Income taxes refunded		61	647
Interest paid		-201	-20
Interest received		346	486
Other non-cash income and expenses		-149	600
Changes in working capital:			
Inventories		-13	-62
Work in progress		196	30
Trade receivables		-2,412	547
Prepaid expenses and other assets		268	-941
Trade payables		481	-396
Personnal-related liabilities and pension provisions		207	52
Other provisions and liabilities		-289	661
	(43)	**2,434**	**4,036**
Net cash from/used in investing activities:			
Acquisition of subsidiaries less cash and cash equivalents acquired		-294	-877
Investments in property, plant and equipment		-443	-340
Investments in other intangible assets		-57	-102
Disposal of non-current assets		21	48
Disposal of securities		0	3,621
Investments in securities		0	-587
Repayment of fixed-term deposits		1,527	773
	(44)	**754**	**2,536**
Net cash used in financing activities:			
Dividend payment		-1,503	-1,503
	(45)	**-1,503**	**-1,503**
Net effect of currency translation on cash and cash equivalents		**-19**	**1**
Increase in cash and cash equivalents		**1,666**	**5,070**
Cash and cash equivalents at the start of the fiscal year		**8,906**	**3,836**
Cash and cash equivalents at the end of the fiscal year	(46)	**10,572**	**8,906**

USU Software AG, Möglingen

Consolidated Statement of Changes in Equity for the 2010 Fiscal Year

	Share capital Number	Share capital EUR thousand	Capital reserves EUR thousand	Legal reserve EUR thousand	Treasury shares EUR thousand	Accumulated losses EUR thousand	Other comprehensive income: Currency translation EUR thousand	Other comprehensive income: Fair value measurement of securities EUR thousand	Total EUR thousand
Consolidated equity as at December 31, 2008	**10,335,004**	**10,335**	**52,764**	**176**	**-1,588**	**-15,755**	**26**	**-37**	**45,921**
Comprehensive income	0	0	0	0	0	1,546	0	0	1,546
Other comprehensive income after taxes	0	0	0	0	0	-91	1	7	-83
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**1,455**	**1**	**7**	**1,463**
Transfer to legal reserve	0	0	0	74	0	-74	0	0	0
Capital reduction	-313,950	-314	-1,274	0	1,588	0	0	0	0
Dividend payment	0	0	0	0	0	-1,503	0	0	-1,503
Consolidated equity as at December 31, 2009	**10,021,054**	**10,021**	**51,490**	**250**	**0**	**-15,877**	**27**	**-30**	**45,881**
Comprehensive income	0	0	0	0	0	2,348	0	0	2,348
Other comprehensive income after taxes	0	0	0	0	0	-49	-18	21	-46
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**2,299**	**-18**	**21**	**2,302**
Transfer to legal reserve	0	0	0	44	0	-44	0	0	0
Capital increase	502,716	503	1,302	0	0	0	0	0	1,805
Dividend payment	0	0	0	0	0	-1,503	0	0	-1,503
Consolidated equity as at December 31, 2010	**10,523,770**	**10,524**	**52,792**	**294**	**0**	**-15,125**	**9**	**-9**	**48,485**

USU SOFTWARE AG, MÖGLINGEN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2010 FISCAL YEAR

A. THE COMPANY

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

In accordance with Section 315 HGB, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Boards (IASB), London, as applicable within the European Union. The consolidated financial statements also contain the additional information required by Section 315a (1) HGB.

The separate and interim financial statements of the consolidated subsidiaries have all been uniformly prepared in accordance with IFRS.

The consolidated financial statements have been prepared in the functional currency of the parent company (euro). All figures in the consolidated financial statements are shown in thousands of euro (EUR thousand) except for figures pertaining to shares. The balance sheet date is December 31.

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

On March 4, 2011, the Management Board approved the consolidated financial statements for release to the Supervisory Board.

The separate financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2010 and these consolidated financial statements are submitted to the electronic Bundesanzeiger (Federal Gazette).

2. Accounting Standards Applied for the First Time and Recently Announced Accounting Standards

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

The following new standards and amendments to the IFRSs were applied for the first time in the 2010 fiscal year:

- Revision of **IFRS 3 and IAS 27: Business Combinations Phase II.** Amendments to the standards relate predominantly to the method of accounting for a business combination, accounting for goodwill and transactions with a minority interest. In deviation from the present legal situation, IFRS 3 and IAS 27 specify the following regulations: (a) Acquisition-related costs incurred as part of business combinations are to be recognized as expenses. (b) Contingent consideration amounting to fair value, the amount of which is dependent on a post-acquisition event (such as payments as a result of an *earn-out* clause), is to be recognized at acquisition date either as an asset, a liability, or an equity instrument. (c) Goodwill on minority interests may be recognized using the *full goodwill method*. (d) Disposals of equity interests without loss of control are recognized as pure equity transactions among the owners, e.g. a gain or loss is not recognized. The same applies to the acquisition of further shares in subsidiaries after obtaining control.

- Amendments to **IFRS 2: Group Cash-settled Share-based Payment Transactions**. The amendments relate to the method of accounting for cash-settled share-based payment transactions within the Group. An entity that receives goods or services in a share-based payment arrangement must account for those goods and services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash.

- Amendment to **IFRS 1: Further Exemptions for First-Time Adopters.** The amendments relate to the retrospective application of IFRSs and aim to avoid unnecessary costs and charges during the transition process.

- **IFRIC 17: Distributions of Non-Cash Assets to Owners.** Under IFRIC 17, a dividend payable should be recognized when the dividend is authorized and is no longer at the discretion of the entity making the distribution. Non-cash dividends should be measured at the fair value of the net assets to be distributed. Any difference between the fair value and the carrying amount of the assets should be recognized in profit or loss.

- **IFRIC 18: Transfers of Assets from Customers**. IFRIC 18 mainly concerns utility companies and relates to agreements in which an entity receives an item of property, plant and equipment or cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services.

- **IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments**. If a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are consideration paid. Accordingly, the debtor should derecognize the financial liability in part or in full.

- **Improvements to IFRSs 2009.** In April 2009, the Board published Improvements to IFRSs with the primary aim of removing inconsistencies and clarifying the wording of the standards. There are transitional provisions for every standard.

The company acquisition which took place in 2010 was presented in the consolidated financial statements after the aforementioned IFRS 3 standard was issued. The application of these amendments did not affect the presentation of the Group's financial position, financial performance and cash flow.

The following new or amended standards and new interpretations were not yet required to be applied for the fiscal year beginning on January 1, 2010 and were not adopted early:

- Amendments to **IAS 24: Related Party Disclosures**. The amendments simplified the reporting obligations of entities in which the state holds a stake. The definition of a related party was also amended. IAS 24 is to be applied to fiscal years beginning on or after January 1, 2011.

- Amendment to **IAS 32: Classification of Rights Issues** The amendments stipulate that certain rights issues as well as options and warrants in foreign currency relating to these rights are to be recognized in the balance sheet as equity and no longer as liabilities. IAS 32 is to be applied to fiscal years beginning on or after February 1, 2010.

- **IFRS 9: Financial Instruments: Classification and Measurement.** IFRS 9 has adopted a new and less complex method for the categorization of assets. If accepted in its current form by the EU, IFRS 9 will be applicable for fiscal years beginning on or after January 1, 2013.

- Amendment to **IFRS 7: Financial Instruments: Disclosures**. The amended standard contains further disclosures, in particular for derecognized financial assets for which an entity has continuing involvement through options or guarantees. Additional disclosures are required for financial assets transferred, which have not been fully derecognized. If accepted in its current form by the EU, IFRS 7 will be applicable for fiscal years beginning on or after July 1, 2011.

- Amendment to **IFRIC 14: Prepayment of a Minimum Funding Requirement.** The amendment applies to rare cases in which an entity is subject to a minimum funding requirement and makes a prepaid contribution which satisfies this requirement. The amendment of this standard now permits an entity to present benefit gained from such a prepayment as an asset. The amendment becomes effective from January 1, 2011. Early adoption is permitted for financial statements starting from the end of 2009. The amendment can be applied retrospectively from the beginning of the earliest comparative period.
- **Improvements to IFRSs 2010.** In May 2010, the Board published Improvements to IFRSs with the primary aim of removing inconsistencies and clarifying the wording of the standards. There are transitional provisions for every standard. If accepted in their current form by the EU, the amendments will be applicable at the earliest for fiscal years beginning on or after July 1, 2010.

As a result of the new amendment to IFRS 9, the Group expects changes to the categorization of financial assets. In all other cases, the Group does not expect these amendments to affect the presentation of the Group's financial position, financial performance and cash flow. The Group will apply the new and amended IFRS at the latest when required to do so by EU law.

3. Consolidation Principles

The consolidated financial statements incorporate the financial statements of USU Software AG and all entities in which USU Software AG holds a majority of the voting rights, either directly or indirectly.

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

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

4. Scope of Consolidation

The Group consists of USU Software AG and nine German and foreign subsidiaries. The scope of consolidation was extended on July 1, 2010 with the acquisition of Aspera GmbH, Aachen.

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

Scope of consolidation

Name and domicile of the company	Equity interest in %	Subscribed capital EUR thousand	Equity 31.12.10 EUR thousand	Net profit 2010 EUR thousand
USU AG, Möglingen	100.00	5,738	8,951	871
LeuTek GmbH, Leinfelden-Echterdingen [1)]	100.00	22	1,380	2,083
Omega Software GmbH, Obersulm [1)]	100.00	77	970	-69
USU Software s. r. o., Brno, Czech Republic	100.00	58	296	86
USU (Schweiz) AG, Zug, Switzerland	100.00	68	-115	157
USU Austria GmbH, Vienna, Austria	100.00	35	-729	-412
Openshop Internet Software GmbH, Ludwigsburg	100.00	40	-773	0
Gentner PROCommunication GmbH i. L., Möglingen	100.00	51	11	943
Aspera GmbH, Aachen [2)]	51.00	300	1,667	1,049

[1)] Net profit before/equity after profit transfer to USU Software AG.
[2)] Net profit relates to the period from April 1, 2009 to March 31, 2010.

5. Currency and Currency Translation

All transactions are translated at the prevailing exchange rate on the transaction date. Monetary items in foreign currency are translated at their closing rates on every balance sheet date. Non-monetary items reported at historical cost are translated at the rate on the transaction date, while non-monetary items reported at fair value are translated at the exchange rate on the date when their fair value was measured. Differences arising from currency translation at closing rates are recognized in profit or loss.

In accordance with IAS 21, the financial statements of the subsidiaries included in the consolidated financial statements that are prepared in foreign currency are translated on the basis of the functional currency concept using the modified reporting date method. Consolidated foreign subsidiaries are considered as economically independent entities as they are financially, economically, and organizationally autonomous. In accordance with the functional currency concept, measurement is performed in local currency. Income and expenses are translated at the average exchange rate for the reporting year, assets and liabilities at the closing rate and the equity of the respective subsidiaries at historical rates. The difference arising from equity-related currency translation is taken directly to equity and presented in a separate column in the statement of changes in equity.

Currency differences arising from the elimination of intragroup balances are recognized in profit or loss.

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

	Closing rate		Average rate for the year	
Currency (EUR 1 =)	31.12.2010	31.12.2009	2010	2009
Swiss francs (CHF)	1.2504	1.4836	1.3704	1.5076
Czech koruna (CZK)	25.061	26.465	25.263	26.499

6. Use of Significant Estimates and Assumptions

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

In particular, areas requiring significant estimates include the use of the percentage-of-completion method (notes 7.6 and 14), determining the probable economic life of intangible assets (notes 7.1 and 9), the decision in favor of not capitalizing software development costs (note 7.18), bad debt allowances (note 15), contingent liabilities, pension provisions (note 22) and other provisions (note 25), as well as the estimation of the recoverability of future tax benefits in the form of the recognition of deferred taxes from tax loss carryforwards (note 30).

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

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

7. General Accounting Policies

The financial statements of USU Software AG and its German and foreign subsidiaries are prepared in accordance with uniform accounting policies as required by IAS 27.24.

7.1. Intangible Assets and Goodwill

Acquired intangible assets and goodwill are recognized at cost when acquired in accordance with IAS 38. Intangible assets primarily relate to software, maintenance agreements and customer bases, which are amortized on a straight-line basis over their expected economic life of between three and ten years. Intangible assets with an indefinite useful life – including goodwill, trademarks and brands – are not amortized but instead are tested for impairment at least once a year in accordance with IAS 36. Amortization of intangible assets capitalized as a result of business combinations is reported separately in the income statement.

7.2. Property, Plant and Equipment

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

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

7.3. Impairment of Non-Financial Assets

All intangible assets with indefinite useful lives and goodwill are tested for impairment at least once every fiscal year. As a matter of principle, impairment testing is performed annually on September 30. For these and all other intangible assets with finite useful lives and property, plant and equipment, impairment testing is also performed when there is evidence that the carrying amount of the respective asset is no longer recoverable. This was not the case in the 2009 and 2010 fiscal years.

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

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

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

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

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

In addition, goodwill is reduced and a loss recognized in the amount by which deferred taxes from tax loss carryforwards at subsidiaries that are not initially required to be recognized are subsequently recognized in profit or loss due to adjusting events.

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

Goodwill impairment losses may not be reversed.

7.4. Financial Instruments

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

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

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

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

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

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

Loans and receivables originated by the Company are carried at the lower of amortized cost or fair value at the balance sheet date.

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

Financial instruments whose carrying amount approximately corresponds to their fair value due to their short-term nature include cash and cash equivalents, securities, trade receivables, trade payables and current liabilities to banks.
Cash and cash equivalents include cash and demand deposits as well as current fixed-term deposits and overnight money.

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

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

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

Impairment of trade receivables, which is recognized in the form of specific valuation allowances, adequately provides for the expected default risks; concrete cases of default result in the derecognition of the receivables concerned. With regard to specific valuation allowances, financial assets for which valuation allowances may be necessary are grouped on the basis of similar default risk characteristics (generally the duration of default) and examined for impairment jointly, with specific valuation allowances recognized as necessary. Depending on the duration of default, valuation allowances of between 25% and 100% based on historical data may be recognized on a step basis. The decision as to whether a default risk is recognized via a valuation allowance account or in the form of a direct reduction in the carrying amount of the receivable depends on how reliable the assessment of the risk situation is considered to be.

7.5. Inventories

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

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

7.6. Work in Progress

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

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

7.7. Deferred Taxes

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

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

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

Deferred tax assets (liabilities) are not discounted and are reported in the consolidated balance sheet as non-current assets (liabilities).

7.8. Treasury Shares

Treasury shares are carried at their fair value on the acquisition date plus any incidental costs of acquisition and are deducted from equity. With the authorization of the Annual General Meeting, treasury shares may be used as acquisition currency and may be withdrawn. USU Software AG no longer held any treasury shares on the balance sheet dates December 31, 2009 and December 31, 2010.

7.9. Other Comprehensive Income

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

7.10. Pension Provisions

The actuarial valuation of the pension provisions recognized for a former member of the Management Board of USU AG and the majority of the employees of LeuTek GmbH was based on the projected unit credit method for pension commitments as prescribed by IAS 19. This procedure takes into account the pension commitment at the balance sheet date and expected future increases in pension commitments that do not take the form of lump-sum payments. The calculation is based on an actuarial report including biometric calculations. Actuarial gains and losses at the Group are taken directly to equity. Past service cost is recognized as an expense in the result from ordinary operations. Current interest cost and the expected return on plan assets are reported in net financial income in the consolidated income statement.

7.11. Other Provisions

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

7.12. Financial Liabilities

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

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

7.13. Liabilities from Advance Payments Received

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

7.14. Contingent Liabilities and Events After the Balance Sheet Date

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

Events after the balance sheet date that provide evidence that certain conditions existed at the balance sheet date are known as adjusting events and are taken into account in the consolidated financial statements. Events after the balance sheet date that provide evidence that certain conditions arose after the balance sheet date are known as non-adjusting events and are not taken into account in the consolidated balance sheet, but are disclosed in the notes to the consolidated financial statements if material.

7.15. Leasing

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

The Group has only entered into operating leases.

7.16. Sales

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

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

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

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

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

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

Accordingly, it may be necessary to adjust the estimated recoverable amounts at a subsequent date for the reasons stated above.

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

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

7.17. Cost of Sales

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

7.18. Research and Development Expenses

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

C. CHANGES TO GROUP ORGANIZATION

8. Acquisition in 2010 Fiscal Year

On July 1, 2010, USU Software AG acquired a 51% stake in Aspera GmbH, Aachen, (Aspera), a highly specialized solutions provider for software license management, which was consolidated from this date using the purchase method, in accordance with IFRS 3. The product SmartTrack, tailored to the premium market, and the SME solution licensum are also part of the Aspera portfolio.

These products have an excellent market position in the rapidly expanding software asset management market. Using Aspera products ensures that customers fulfill compliance regulations and gives them the possibility of making considerable cost savings very quickly through license optimization.

By combining this widely used specialist solution with the USU product suite Valuemation, USU Software AG achieves a further unique selling proposition in knowledge-based service management. This strategic combination gives both companies the potential to grow, and also on an international level. The contribution of the stake in Aspera GmbH also brings the possibility of utilizing synergies and saving costs. The recently acquired Aspera was assigned to the Product Business segment.

Aspera, which was founded in 2000, currently employs more than 40 members of staff who are responsible for international clients from a range of industries, such as Deutsche Telekom, BASF, BMW, Nokia Siemens Networks and Orange. In the 2009/10 fiscal year (April 1, 2009 to March 31, 2010), the rapidly growing company recorded sales of around EUR 4 million and generated a clear double-digit return on sales.

The amortized cost for the 51% in Aspera amounts to EUR 3,565 thousand and can be broken down as follows: A part of the purchase price was settled in cash. The amount paid in cash was EUR 1,760 thousand. In addition, 502,716 shares from USU Software AG authorized capital were used to finance the acquisition. The amount of this part of the purchase price is determined by the fair value of shares issued as at the date of acquisition on July 1, 2010. On the basis of the opening price of the USU share in the Xetra electronic trading system of EUR 3.59, the cost of this part of the purchase price was calculated at EUR 1,805 thousand. The decision for a capital increase was implemented on October 26, 2010. The new shares are subject to a lock-up period until March 31, 2012.
Up until the end of the reporting period, acquisition-related costs totaling EUR 176 thousand were incurred as part of the acquisition of the Aspera shareholding. These were directly expensed.

USU Software AG is aiming for a 100% acquisition of Aspera within two years.

For this reason, the parties hold reciprocal options which can be exercised until December 31, 2012.

The remaining shareholders of Aspera GmbH have the right to sell their remaining 49% share in Aspera to USU Software AG (put option), if a minimum result (EBIT) is achieved in the 2010/11 and 2011/12 fiscal years.

The purchase price that USU Software AG would have to pay for the remaining 49% stake is dependent on the put option relating to the result achieved by Aspera in fiscal years 2010/11 and 2011/12 and amounts to between EUR 4,381 thousand and EUR 8,070 thousand plus the distribution requirement for the period from April 1, 2010 to March 31, 2012, which is estimated at EUR 1,842 thousand.

USU Software AG also has the right to acquire the remaining 49% stake in Aspera (call option). The call option is also dependent on the result generated by Aspera in the fiscal years 2010/11 und 2011/12, whereby the amount that USU would have to pay to purchase the remaining 49% stake in Aspera is estimated at between EUR 3,381 thousand and EUR 8,070 thousand. Furthermore, USU Software AG holds a second call option (call option 2), which is not dependent on the result achieved by Aspera and which can be exercised by USU at any time up until March 31, 2012, in deviation from the other option rights. The purchase price that USU would have to pay to acquire the remaining 49% stake in Aspera if it exercises call option 2, totals EUR 8,070 thousand, discounted from March 31, 2012 with a factor of 1.5% over the current EURIBOR on the day of payment. Furthermore, the former shareholders receive a payment, which corresponds to the profit share attributable until March 31, 2012, unless this profit share has already been distributed to the former shareholders at an earlier date. As part of call option 2, USU is obliged to consolidate Aspera fully in its consolidated financial statements. This is based on the assumption that the purchase price for the remaining stake in Aspera is EUR 6,225 thousand plus the distribution requirement for the period from April 1, 2010 to March 31, 2012, which is estimated at EUR 1,842 thousand.

All option rights contain the provision that USU Software AG is entitled to settle half of the purchase price for the remaining 49% stake in Aspera in Company shares.

Calculation of the purchase price for Aspera GmbH	EUR thousand
Purchase price	
Acquisition of 51% stake in Aspera	3,565
Expected purchase price (incl. distribution requirements) for the remaining 49% stake in Aspera (present value)	7,479
Purchase price	**11,044**

The purchase price allocation will be carried out definitively before the end of the 2010 fiscal year. As a result of the purchase price allocation for the Aspera acquisition, EUR 7,247 thousand was assigned to goodwill. The following table presents an overview of the calculation of goodwill:

	Carrying amount to date in accordance with IFRS EUR thousand	**Fair value** EUR thousand
Intangible assets	0	4,908
Property, plant and equipment	138	138
Work in progress	54	54
Trade receivables	232	232
Other assets	3	3
Cash and cash equivalents	1,467	1,467
Prepaid expenses	1	1
Provisions	-311	-311
Liabilities	-125	-125
Deferred income	-1,029	-1,029
Deferred tax liabilities	0	-1,541
Goodwill attributable, not deductible for tax purposes	**430**	**3,797**
		7,247
		11,044

The goodwill acquired comes from the expected potential for synergies and employee expertise.

Intangible assets not deductible for tax purposes additionally identified within the purchase price allocation, in the amount of EUR 4,908 thousand, can be broken down as follows:

	EUR thousand	Estimated useful life in years
Purchased software	831	6
Customer base	1,826	10
Favorable contracts	1,075	6
Orders on hand	524	2
Trademarks	652	-
	4,908	

In the following pro forma key figures, the Company presents its consolidated sales and consolidated income, assuming that Aspera GmbH, whose contribution to sales and income since the acquisition date is estimated at between EUR 3,150 thousand and EUR 465 thousand, had been acquired at the beginning of the 2010 fiscal year. The pro forma income includes notional depreciation of hidden reserves as part of the acquisition and reduced interest income arising from the cash payment to finance the purchase price, as well as corresponding deferred taxes. The pro forma calculation does not include possible future synergies arising from the business combination:

	2010
	EUR thousand
Pro forma sales (Group)	40,100
Pro forma profit	2,700

The pro forma amounts reported are not necessarily relevant indicators for possible business performance, assuming that the acquisition had taken place at an earlier date. Please note here that these results do not include actual short- and medium-term effects as a result of the acquisition on sales and income. In addition, these figures do not necessarily reflect the future development of the Company.

D. NOTES TO THE CONSOLIDATED BALANCE SHEET

9. Intangible Assets

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

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

CGU	2010 EUR thousand	2009 EUR thousand
USU AG/OMEGA (Product Business)	445	445
USU AG (Service Business)	85	85
LeuTek (Product Business)	829	829
Aspera (Product Business)	652	0
	2,011	**1,359**

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

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

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

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

10. Goodwill

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

The Group's goodwill results from the acquisitions of USU AG, OMEGA, LeuTek and Aspera.

As the operating business of USU AG and OMEGA dovetailed to a large extent, OMEGA has been integrated into the USU AG (Product Business) CGU since 2009. As a result, there are four CGUs in the Group: Aspera, LeuTek, USU AG – Product Business and USU AG – Service Business.

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

Detailed financial planning is derived on the basis of the sales forecast by the Group's management and the resulting cash inflows. Projected sales serve to define the number of consultants required and the associated cash outflows.
These figures are based on past experience and external market data. Payments associated with fixed costs are extrapolated on the basis of past experience. The most significant value drivers in the planning are projected sales and the EBIT margin calculated on this basis. The EBIT margin is determined in particular by projected licensing sales for internally generated software products. The EBIT margin also takes future wage and salary increases and rising costs for freelance workers into account.

Planning is based on the following sales growth rates:

	2011	2012	2013
USU AG/OMEGA (Product Business)	9.2 %	12.6 %	11.8 %
USU AG (Service Business)	7.5 %	6.9 %	6.9 %
LeuTek (Product Business)	5.6 %	5.1 %	5.4 %
Aspera (Product Business)	34.6 %	24.0 %	24.0 %

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 1.0% (2009: 1.0%).

In calculating the present value, a post-tax capitalization rate of 8.51% (2009: 9.53%) was applied for the USU AG (Product Business), Aspera and LeuTek CGUs, corresponding to a pre-tax capitalization rate of 10.85% (2009: 12.12%). For the USU AG (Service Business) CGU, a post-tax capitalization rate of 6.76% (2009: 7.78%) was applied, corresponding to a pre-tax capitalization rate of 8.65% (2009: 9.97%).

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

In addition, goodwill is reduced and a loss recognized in the amount by which deferred taxes from tax loss carryforwards at subsidiaries that are not initially required to be recognized are subsequently recognized in profit or loss. As a result of the positive earnings development in recent years, deferred tax assets from tax loss carryforwards were again recognized in income in the amount of EUR 472 thousand (2009: EUR 998 thousand) at the subsidiary USU AG in the 2010 fiscal year, and goodwill was reduced accordingly by the same amount. The implementation of this accounting requirement in accordance with IAS 12.68 did not have a net impact on earnings after taxes.

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

CGU	2010 EUR thousand	2009 EUR thousand
USU AG/OMEGA (Product Business)	12,868	13,254
USU AG (Service Business)	2,322	2,408
LeuTek (Product Business)	10,448	10,448
Aspera (Product Business)	7,247	0
	32,885	**26,110**

The changes in goodwill for each reporting unit in the 2009 and 2010 fiscal years are shown in the following table.

	Product Business	**Service Business**	**Group**
As of January 1, 2009	**24,515**	**2,593**	**27,108**
Impairment loss in the amount of the recognition of deferred tax assets from tax loss carryforwards (USU AG)	-814	-184	-998
As at December 31, 2009	**23,701**	**2,409**	**26,110**
Impairment loss in the amount of the recognition of deferred tax assets from tax loss carryforwards (USU AG)	-385	-87	-472
Acquisition of Aspera GmbH in the 2010 fiscal year	7,247	0	7,247
As at December 31, 2010	**30,563**	**2,322**	**32,885**

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

With regard to the calculation of the recoverable amounts for the CGUs, a 2% increase in the capitalization rate would not result in the carrying amounts exceeding the recoverable amounts.

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

Additional goodwill impairment loss at	1% increase in the capitalization rate	2% increase in the capitalization rate
USU AG/OMEGA (Product Business)	0	0
USU AG (Service Business)	0	0
LeuTek (Product Business)	0	0
Aspera (Product Business)	0	0

11. Property, Plant and Equipment

Depreciation of property, plant and equipment amounted to EUR 315 thousand in the 2010 fiscal year (2009: EUR 275 thousand). There are no restrictions on the Group's rights of disposal over its property, plant and equipment, nor have any such items been assigned as collateral.

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

12. Other Non-Current Assets

Other non-current assets include the capitalized values of insurance policies under which the beneficiaries have no access to the insurance, which totaled EUR 609 thousand (2009: EUR 598 thousand).

13. Inventories

Inventories mainly relate to software licenses from third-party providers and IT hardware. As there were no inventory risks at the balance sheet date, no discounts were necessary.

The cost of materials for inventories amounted to EUR 1,666 thousand in the past fiscal year (2009: EUR 1,201 thousand).

14. Work in Progress

The following table provides an overview of total work in progress and the associated billings as of December 31, 2010 and December 31, 2009:

	2010 EUR thousand	2009 EUR thousand
Contract costs plus unbilled contract earnings	2,898	3,990
of which: from service agreements in accordance with IAS 18	1,368	1,116
of which: from construction contracts in accordance with IAS 11	1,530	2,874
less amounts received from progress billings	-1,874	-2,424
Gross	**1,024**	**1,566**
of which: work in progress	1,601	1,798
of which: liabilities from advance payments received	-577	-232

Sales of EUR 4,288 thousand were generated from construction contracts in accordance with IAS 11 in the 2010 fiscal year (2009: EUR 3,983 thousand).

15. Trade Receivables

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

	2010 EUR thousand	2009 EUR thousand
Trade receivables	7,875	5,098
Valuation allowances as at January 1	-263	-238
Changes in the scope of consolidation	-109	0
Utilizations in the fiscal year	12	28
Additions recognized in profit or loss	-45	-54
Reversals	9	0
Valuation allowances as at December 31	-396	-263
	7,479	**4,835**

As of December 31, 2010, valuation allowances were recognized for trade receivables with a nominal value of EUR 551 thousand (2009: EUR 422 thousand).

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

	Total	Neither past due nor subject to valuation allowances	Past due but not subject to valuation allowances				
			<30 days	31-90 days	91-180 days	181-360 days	>360 days
	EUR thou-and	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
2010	7,324	5,681	1,643	0	0	0	0
2009	4,675	3,750	925	0	0	0	0

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

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

16. Income Tax Receivables

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

17. Other Current Financial Assets

Other current financial assets are composed of the following items:

	2010 EUR thousand	2009 EUR thousand
Receivables from employees	29	44
Interest accrued on securities	1	1
Other receivables	138	151
	168	**196**

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

	Total EUR thousand	Neither past due nor subject to valuation allowances EUR thousand	Past due but not subject to valuation allowances <30 days EUR thousand	30-90 days EUR thousand	91-180 days EUR thousand	181-360 days EUR thousand	>361 days EUR thousand
2010	168	168	0	0	0	0	0
2009	196	196	0	0	0	0	0

18. Prepaid Expenses

Prepaid expenses primarily contain deferred trade fair costs and expenses relating to service agreements.

19. Current Financial Instruments

The securities reported as current financial instruments relate to available-for-sale bonds and can be broken down as follows:

Year	Amortized cost EUR thousand	Unrealized gains EUR thousand	Unrealized losses EUR thousand	Fair value EUR thousand
2010	502	0	-19	483
2009	502	0	-47	455

As of December 31, 2010, a total of EUR 483 thousand (2009: EUR 455 thousand) of the available-for-sale securities were due within one year, EUR 0 (2009: EUR 0) between one and five years, and EUR 0 (2009: EUR 0) after more than ten years. The net proceeds from the disposal of available-for-sale securities in the 2010 fiscal year consist of gross gains in the amount of EUR 0 (2009: EUR 89 thousand) and gross losses in the amount of EUR 0 (2009: EUR 16 thousand).

20. Cash on Hand and Bank Balances

This item is broken down as follows:

	2010 EUR thousand	2009 EUR thousand
Fixed-term deposits and overnight money	5,895	3,052
Demand deposits	4,668	7,373
Cash on hand	9	8
	10,572	**10,433**

21. Equity

The development of equity is shown in the statement of changes in equity (Annex 5).

21.1. Share Capital and Shares

The subscribed capital of the Company increased by EUR 503 thousand to EUR 10,524 thousand as of December 31, 2010. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

21.2. Authorized Capital

By resolution of the Annual General Meeting on July 12, 2007, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 5,168 thousand by issuing new shares in exchange for cash or non-cash contributions up to and including July 11, 2012 (authorized capital). Shareholders must be granted subscription rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders’ statutory subscription rights for fractional amounts to the extent required to grant bearers of convertible bonds or subscription rights issued by the Company the right to subscribe for the new shares to which they are entitled by exercising their conversion or subscription rights. The Management Board is also authorized, with the approval of the Supervisory Board, to disapply shareholders’ subscription rights in the case of cash capital increases up to a maximum of 10% of the share capital of the Company at the time of the first exercise of the authorized capital, providing the issue price of the new shares is not substantially lower than the quoted price for existing shares of the same category. The Management Board is further authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of non-cash capital increases for the purpose of acquiring companies or interests in companies. As part of the acquisition of a majority shareholding in Aspera GmbH, the Management Board utilized part of this authorization in the 2010 fiscal year and implemented a non-cash capital increase through contributions in kind in the amount of EUR 503 thousand. Authorized capital dropped accordingly to EUR 4,665 thousand.

21.3. Contingent Capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may only be used for granting options to the members of the Management Board and employees of the Company. There were no outstanding options as of December 31, 2010.

21.4. Capital Reserves

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

21.5. Legal Reserve

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

21.6. Earnings Per Share

In accordance with IAS 33, basic earnings per share for the individual periods are calculated by dividing the Group's net profit for the period by the annual average number of shares outstanding.

		2010	2009
Consolidated net profit for the period:	in EUR thousand	2,348	1,546
Annual average number of shares outstanding:	in shares	10,272,412	10,021,054
Basic earnings per share:	in EUR	0.23	0.15

The number of shares outstanding at the balance sheet date is calculated as follows:

	2010 shares	2009 shares
Number of shares as at January 1	10,021,054	10,021,054
Capital increase	502,716	0
Number of shares as at December 31	**10,523,770**	**10,021,054**

21.7. Appropriation of Net Profit

The Management Board is proposing the distribution of a dividend of EUR 0.20 per share for a total of 10,523,770 no-par value shares (EUR 2,105 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2010.

22. Pension Provisions

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

Pension provisions were calculated using the projected unit credit method prescribed by IAS 19. The future obligations were measured using actuarial calculations. The calculations were based on the 2005 G mortality tables, assuming a discount rate of 5.2% (2009: 5.8%). In the case of the pension plan, it is assumed – as in the previous year – that subsequent contributions will rise by 1% during the service period and 2% after pension payments begin. As pension obligations to employees are lump-sum payments, a pension trend of 0% is applied. In the case of pension commitments to employees, the same fluctuation probabilities as in the previous year were used for each individual based on their age. In the case of the pension plan, a fluctuation rate of 0% was used (2009: 0%). The expected average annual return on plan assets is 3.8% (2009: 3.8%). The management bases its calculations on historical income trends and market forecasts by analysts.

Actuarial gains and losses are taken directly to equity and offset against accumulated losses. The measurement date for the pension obligation was December 31, 2010.

As of December 31, 2010, the Company offset a (cumulative) total of EUR 103 thousand (before taxes) against accumulated losses, this being the balance of actuarial losses and actuarial gains.

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

Development of the pension obligation:

	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand	2006 EUR thousand
Present value of benefit obligation at the start of the fiscal year	1,542	1,307	1,402	1,664	1,351
Addition from company acquisition (LeuTek)	0	0	0	0	250
Current service cost	22	18	19	20	4
Interest cost	90	83	77	75	63
Actuarial gains/losses taken directly to equity	158	134	-191	-357	-4
Present value of benefit obligation at the end of the fiscal year	**1,812**	**1,542**	**1,307**	**1,402**	**1,664**

Development of plan assets:

	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand	2006 EUR thousand
Fair value of plan assets at the start of the fiscal year	1,229	1,153	1,104	1,068	790
Addition from company acquisition (LeuTek)	0	0	0	0	93
Income from plan assets (interest income)	48	37	35	38	30
Contributions to plan assets	30	52	64	33	134
Amortization of plan assets	0	-5	-44	-25	0
Actuarial gains/losses taken directly to equity	90	-8	-6	-10	21
Fair value of plan assets at the end of the fiscal year	**1,397**	**1,229**	**1,153**	**1,104**	**1,068**

Development of the obligation reported on the face of the balance sheet:

	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand	2006 EUR thousand
Present value of pension obligation	1,812	1,542	1,307	1,402	1,664
Fair value of plan assets	1,397	1,229	1,153	1,104	1,068
Obligation reported on the face of the balance sheet	**415**	**313**	**154**	**298**	**596**

There were no significant adjustments to the pension obligation or the plan assets to reflect past experience. Employer contributions to the plan assets for the 2011 fiscal year are estimated at EUR 44 thousand.

The following amounts were reported in the income statement:

	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand	2006 EUR thousand
Current service cost	-22	-18	-19	-20	-4
Interest income	-90	-83	-77	-75	-63
Income from plan assets (interest income)	48	37	35	38	30
Amortization of plan assets	0	-5	-44	-25	0
	-64	**-69**	**-105**	**-82**	**-37**

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

A pension commitment has been entered into for the Management Board members of the Group subsidiary USU AG. This pension commitment is covered by an insurance policy. This defined contribution plan does not result in any liability for the Group above and beyond the premiums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 42 thousand in the year under review (2009: EUR 42 thousand).

In addition, the German statutory pension scheme is considered to represent a defined contribution plan. The expenses recognized for the statutory pension scheme amounted to EUR 1,201 thousand (2009: EUR 1,116 thousand), of which EUR 30 thousand (2009: EUR 29 thousand) was attributable to Management Board members.

23. Other Non-Current Liabilities

This relates to the present value of the reported purchase price obligation for the minority shareholding in Aspera GmbH. Further information can be found in note 8 *Acquisition in 2010 Fiscal Year*.

24. Personnel-Related Liabilities

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

	2010 EUR thousand	2009 EUR thousand
Vacation and variable compensation	2,694	2,617
Other personnel-related liabilities	512	483
	3,206	**3,100**

25. Other Provisions and Liabilities

Other provisions and liabilities include the following items:

	2010 EUR thousand	2009 EUR thousand
Outstanding invoices	405	632
Other liabilities	787	899
Other provisions	475	544
	1,667	**2,075**

Other provisions mainly comprise provisions for obligations under company law and other identifiable individual risks. Other provisions developed as follows in the 2010 fiscal year:

In EUR thousand	As at 1.1.2010	Additions	Utilizations	Reversals	As at 31.12.2010
Operating obligations	264	260	232	3	289
Other obligations	280	26	76	44	186
	544	**286**	**308**	**47**	**475**

26. Liabilities from Advance Payments Received

This item relates to advance payments that exceed the services rendered for the individual contracts in question, further information on which can be found in the disclosures on work in progress (note 14), as well as advance payments received for licenses ordered.

All liabilities from advance payments received are due within one year.

27. Trade Payables

All trade payables are due within one year.

28. Additional Disclosures on Financial Instruments

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

In EUR thousand as at 31.12.2010	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Non-current financial instruments, loans to members of the Management Board, rental deposit, endowment insurance	L+R 1)	783	783	0	0	783
Work in progress	IAS 11	1,601	0	0	0	1,601
Trade receivables	L+R	7,479	7,479	0	0	7,479
Other current financial assets	L+R	168	168	0	0	168
Current financial instruments	AfS 2)	483	0	483	0	483
Cash on hand and bank balances	L+R	10,572	10,572	0	0	10,572
Aggregated by class/category						
Loans and receivables	L+R	19,002	19,002	0	0	19,002
Available-for-sale	AfS	483	0	483	0	0
Work in progress	IAS 11	1,601	0	0	0	1,601

In EUR thousand as at 31.12.2010	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Financial liabilities						
Purchase price obligation for Aspera GmbH	Amortized cost 3)	7,594	7,594	0	0	7,594
Trade payables	Amortized cost 3)	1,247	1,247	0	0	1,247
Liabilities from advance payments	Amortized cost/ IAS 11	577	577	0	0	577
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	9.418	9.418	0	0	9.418

In EUR thousand as at 31.12.2009	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Non-current financial instruments, loans to members of the Management Board, rental deposit	L+R 1)	377	377	0	0	377
Work in progress	IAS 11	1,798	0	0	0	1,798
Trade receivables	L+R	4,835	4,835	0	0	4,835
Other current financial assets	L+R	196	196	0	0	196
Current financial instruments	AfS 2)	455	0	455	0	455
Cash on hand and bank balances	L+R	10,433	10,433	0	0	10,433
Aggregated by class/category						
Loans and receivables	L+R	15,841	15,841	0	0	15,841
Available for sale	AfS	455	0	455	0	0
Work in progress	IAS 11	1,798	0	0	0	1,798

In EUR thousand as at 31.12.2009	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Financial liabilities						
Trade payables	Amortized cost 3)	726	726	0	0	726
Liabilities from advance payments	Amortized cost/IAS 11	239	239	0	0	239
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	965	965	0	0	965

1) L+R: Loans and Receivables 2) AfS: Available-for-Sale 3) Amortized cost

Cash on hand and bank balances, work in progress, trade receivables, other receivables and short-term loans generally have short terms to maturity. For this reason, their carrying amounts approximately correspond to their fair values at the balance sheet date. The same applies for trade payables and other liabilities. Securities at fair value through equity relate exclusively to listed fixed-income bonds whose fair value corresponds to their quoted price at the balance sheet date (level 1 of the fair value hierarchy).

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

	Interest	**Remeasurement**				**Disposal**	**Net income**	
In EUR thousand		At fair value	Valuation allowances	Rever-sals	Discoun-ting		2010	2009
Net gains/losses from financial instruments in the category								
Loans and receivables	111	0	-45	0	0	11	77	-31
Available-for-sale	31	28	0	0	0	49	108	148
Financial liabilities								
Measured at amortized cost	0	0	0	0	-116	0	-116	0
Total	**142**	**28**	**-45**	**0**	**-116**	**60**	**69**	**117**

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

In taking changes in the value of available-for-sale financial assets directly to equity, net remeasurement gains and losses of EUR 28 thousand were recognized in equity in the 2010 fiscal year (2009: EUR 10 thousand). Of the amounts recognized in equity, losses totaling EUR 0 thousand (2009: losses of EUR 1 thousand) were transferred to the income statement in the 2010 fiscal year.

As in the previous fiscal year, income and expenditure from fees and commissions in the year under review were negligible.
The following table provides an overview of the valuation allowances and write-downs for each class of financial asset:

	2010 EUR thousand	2009 EUR thousand
Valuation allowances and write-downs in the category		
Loans and receivables	-45	-54
Available-for-sale	**0**	**0**
	-45	**-54**

29. Deferred Income

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

30. Deferred Taxes

Due to the positive earnings development in recent years and the growth in earnings that is forecast for 2011 and 2012, deferred tax assets from tax loss carryforwards were recognized for future income at both USU AG and USU Software AG in the amount of EUR 2,027 thousand (2009: EUR 1,896 thousand). The amount recognized was determined on the basis of the forecast results of USU AG and USU Software AG approved by the Supervisory Board for a two-year planning period and not beyond this date.

Deferred tax assets and liabilities result from the following balance sheet items:

	2010 EUR thousand	2009 EUR thousand	Change recognized in profit or loss 2010 EUR thousand	Change taken directly to equity 2010 EUR thousand
Deferred tax assets:				
Provisions	109	104	1	4
Intangible assets	53	64	-11	0
Property, plant and equipment	11	11	0	0
Receivables	15	152	-137	0
Other	14	14	0	0
From tax loss carryforwards	3,364	3,705	-341	0
Deferred tax assets (gross)	**3,566**	**4,050**	**-488**	**4**
Deferred tax liabilities				
Undistributed profits	57	0	-57	0
Provisions	26	23	-19	16
Intangible assets	2,435	1,318	423	0
Work in progress	388	455	67	0
Securities	5	13	16	-8
Receivables	21	329	308	0
Other	16	16	0	0
Deferred tax liabilities (gross)	**2,948**	**2,154**	**738**	**8**
Gross	**618**	**1,896**	**250**	**12**
After netting:				
Deferred tax assets:	2,027	1,896		
Deferred tax liabilities:	1,409	0		

As of December 31, 2010, deferred tax assets from tax loss carryforwards in Germany were not recognized in the amount of approximately EUR 35,545 thousand (2009: EUR 37,708 thousand) as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized for foreign tax loss carryforwards totaling approximately EUR 944 thousand (2009: EUR 281 thousand).

Tax loss carryforwards of EUR 20,252 thousand (2009: EUR 20,252 thousand) have not yet been recognized by the tax authorities and are therefore not included in the above figures for tax loss carryforwards. Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year. Tax loss carryforwards for foreign income tax can be carried forward for a maximum of seven years.

E. NOTES TO THE CONSOLIDATED INCOME STATEMENT

31. Sales

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

Sales of goods and services can be broken down as follows:

	2010 EUR thousand	2009 EUR thousand
Consultancy	21,899	20,096
Licenses	5,758	5,559
Maintenance	8,514	7,198
Other	1,852	1,195
	38,023	**34,048**

32. Cost of Sales

The cost of sales includes the following items:

	2010 EUR thousand	2009 EUR thousand
Personnel expenses	8,288	7,731
Fees for freelance staff and temporary workers	6,467	6,678
Depreciation and amortization	185	175
Other expenses	3,716	2,970
	18,656	**17,554**

33. Selling and Marketing Expenses

Selling and marketing expenses include the following items:

	2010 EUR thousand	2009 EUR thousand
Personnel expenses	3,832	3,445
Depreciation and amortization	52	48
Other expenses	2,459	2,398
	6,343	**5,891**

34. General Administrative Expenses

General administrative expenses include the following items:

	2010 EUR thousand	2009 EUR thousand
Personnel expenses	1,733	1,597
Depreciation and amortization	30	36
Other expenses	949	1,129
	2,712	**2,762**

35. Research and Development Expenses

Research and development expenses include the following items:

	2010 EUR thousand	2009 EUR thousand
Personnel expenses	4,999	4,664
Depreciation and amortization	144	108
Other expenses	873	864
	6,016	**5,636**

36. Other Operating Income

This item includes sales tax refunds for the period 2002-2004 in the amount of EUR 165 thousand and income from the reversal of provisions in the amount of EUR 43 thousand (2009: EUR 41 thousand).

37. Other Operating Expenses

This item includes acquisition-related expenses in the amount of EUR 176 thousand, incurred in connection with the acquisition of Aspera GmbH. Expenses as a result of exchange rate differences in the amount of EUR 30 thousand and prior-period expenses totaling EUR 7 thousand (2009: EUR 10 thousand) are also recognized here.

38. Goodwill Impairment

Due to the positive earnings development in recent years and the growth in earnings that is forecast for 2011 and 2011, new deferred tax assets from tax loss carryforwards were recognized in income in the amount of EUR 472 thousand (2009: EUR 998 thousand) at the subsidiary USU AG in the 2010 fiscal year (see note 10), and goodwill was reduced by the same amount. The implementation of this accounting requirement in accordance with IAS 12.68 did not have a net impact on earnings after taxes.

As neither LeuTek nor OMEGA had any tax loss carryforwards at the time of their acquisition, no further impairment of goodwill was recognized despite the recognition of deferred tax assets from tax loss carryforwards at USU Software AG as the fiscal entity.

39. Financial Income

Financial income includes the following items:

	2010 EUR thousand	2009 EUR thousand
Interest income	110	243
Interest in accordance with Section 233a of the German Tax Code (AO)	119	55
Return on plan assets (interest income)	48	37
Gain from the disposal of securities	49	89
Other	15	50
Financial income	**341**	**437**

40. Financial Expense

Financial expense includes the following items:

	2010 EUR thousand	2009 EUR thousand
Discounting of purchase price obligation for Aspera GmbH	116	0
Interest cost of pension obligation	90	79
Interest in accordance with section 233a of the German Tax Code (AO)	2	5
Loss on disposal of securities	0	16
Other	5	16
Financial expense	**213**	**116**

41. Income Taxes

Income taxes are composed as follows:

	2010 EUR thousand	2009 EUR thousand
Income taxes for the fiscal year	-610	-125
Income taxes for previous years	-2	11
Deferred taxes	250	886
Tax expenses/income	**-362**	**772**

In the 2010 fiscal year, the Company's income was again subject to a corporate income tax rate of 15% plus a solidarity surcharge of 5.5% on corporate income tax and an effective trade tax rate of 12.08%. The total tax rate including solidarity surcharge and effective trade tax was 27.9%.

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

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

	2010 EUR thousand	2009 EUR thousand
Profit before income taxes	2,711	774
Theoretical tax expense (27.9%)	-756	-216
Changes in the theoretical tax expense due to:		
Reversal of valuation allowances on deferred taxes from tax loss carryforwards	713	1,353
Unrecognized deferred taxes from tax loss carryforwards	-125	-88
Goodwill impairment	-132	-278
Tax refunds/back payments for prior periods	-2	11
Non-deductible expenses	-58	-21
Differences between domestic and foreign tax rates	-2	11
Tax expenses/income	**-362**	**772**

42. Other Disclosures on the Income Statement

The average number of employees in the fiscal year was:

	2010	2009
Consulting and Services	119	108
Research and Development	99	94
Administration and Finance	30	26
Sales and Marketing	45	36
	293	**264**

Personnel expenses can be broken down as follows:

	2010 EUR thousand	2009 EUR thousand
Salaries	15,886	14,930
Social security, pensions and other benefit costs	2,966	2,508
	18,852	**17,438**

Depreciation and amortization expense can be broken down as follows:

	2010 EUR thousand	2009 EUR thousand
Amortization of intangible assets	1,244	820
Depreciation of property, plant and equipment	315	275
Goodwill impairment	472	998
	2,031	**2,093**

F. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows how the cash and cash equivalents of the Group changed during the year under review as a result of cash inflows and outflows. The effects of acquisitions and other changes in the consolidated group are eliminated. When purchased subsidiaries are consolidated for the first time, only the actual cash flows are shown in the 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 shown in the cash flow statement correspond to the balance sheet item *Cash on hand and bank balances* with the exception of fixed deposits with a term of less than three months (see note 45). Investments in securities are made more with a view to generating a profit than for liquidity purposes, and are therefore not included in cash and cash equivalents.

Cash flows from investing and financing activities are calculated on the basis of the actual cash payments, whereas cash flows from operating activities are derived indirectly from the net profit for the period. This indirect calculation eliminates the effects contained in 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.

43. Net Cash from Operating Activities

The USU Group generated net cash from operating activities of EUR 2,434 thousand in the 2010 fiscal year.

44. Net Cash from Investing Activities

As a result, net cash from investing activities totaled EUR 754 thousand in the 2010 reporting year after net cash used in investing activities of EUR 2,536 thousand in the previous year.

Investments in property, plant and equipment and intangible assets totaled EUR 500 thousand (2009: EUR 442 thousand) and primarily related to cash outflows for new and replacement investments in hardware and software.

45. Net Cash Used in Financing Activities

Net cash used in financing activities in the period under review relates to the dividend distribution to the shareholders of USU Software AG in July 2010 in the amount of EUR 1,503 thousand (EUR 0.15 per share for a total of 10,021,054 no-par value shares).

46. Cash and Cash Equivalents

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

	2010 EUR thou-sand	2009 EUR thou-sand
Fixed-term deposits and overnight money with a term of less than 3 months	5,895	3,052
Demand deposits	4,668	5,846
Cash on hand	9	8
	10,572	**8,906**

G. SEGMENT REPORTING

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

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

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

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

USU KnowledgeCenter is a modular, web-based product suite for structuring topics and information provision and consists of three main modules:

- KnowledgeMiner (a self-learning search and research system),
- KnowledgeBase (a knowledge database that allows the process-oriented management and provision of solution documents), and
- KnowledgeGuide (a system for diagnostics and decision-making assisted by dynamic decision trees).

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

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

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

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

Segment assets, segment liabilities and segment earnings are calculated in accordance with the accounting policies applied by the Group in preparing the consolidated financial statements.

Segment assets include all assets but exclude assets from income taxes and certain financial instruments (including liquidity). Segment liabilities include all liabilities but exclude income tax liabilities and liabilities for pensions and similar obligations as well as certain financial instruments (including financial liabilities). Segment liabilities do not include income tax liabilities, liabilities for pensions and similar obligations, as well as certain financial instruments (including financial liabilities).

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

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

In EUR thousand	Product Business		Service Business		Total segments		Unallocated		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Sales	**26,484**	**22,815**	**11,518**	**11,203**	**38,002**	**34,018**	**21**	**30**	**38,023**	**34,048**
Earnings before net financial income and income taxes (EBIT)	3,419	2,240	1,133	267	4,552	2,507	-1,970	-2,054	2,582	453
Financial income	0	0	0	0	0	0	341	437	341	437
Financial expense	0	0	0	0	0	0	-213	-116	-213	-116
Income taxes	0	0	0	0	0	0	-362	772	-362	772
Group earnings	**3,419**	**2,240**	**1,133**	**267**	**4,552**	**2,507**	**-2,204**	**-961**	**2,348**	**1,546**
Segment assets/Group assets	39,417	34,252	5,055	5,263	44,472	39,515	22,412	14,015	66,884	53,530
of which goodwill	30,564	23,701	2,322	2,409	32,886	26,110	0	0	32,886	26,110
Segment liabilities/Group liabilities	7,716	4,697	1,025	948	8,741	5,645	9,658	2,004	18,399	7,649
Segment investments	358	326	77	103	435	429	36	14	471	443
Depreciation and amortization	1,438	971	107	104	1,545	1,075	14	20	1,559	1,095
Goodwill impairment	385	814	87	184	472	998	0	0	472	998
Employees as at balance sheet date (31.12.2010)	223	191	61	60	284	251	22	18	306	269

There were no inter-segment sales in the 2010 or 2009 fiscal years.

In the 2010 fiscal year, EUR 3,426 thousand (2009: EUR 2,846 thousand) or 9.0% (2009: 8.4%) of consolidated sales were generated outside Germany and EUR 34,598 thousand (2009: EUR 31,202 thousand) or 91.0% (2009: 91.6%) within Germany. The geographic allocation of sales is based on the country in which the respective customer is domiciled.

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

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

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

	2010 EUR thousand	2009 EUR thousand
Segment assets	**44,472**	**39,515**
Unallocated assets		
Current financial instruments	0	0
Cash on hand and bank balances	8,095	10,191
Deferred tax assets	2,027	1,896
Income tax receivables	176	900
Other assets	12,114	1,028
	22,412	**14,015**
Group assets	**66,884**	**53,530**

	2010 EUR thousand	2009 EUR thousand
Segment liabilities	**8,741**	**5,645**
Unallocated liabilities		
Pension provisions	415	313
Other liabilities	9,243	1,691
	9,658	**2,004**
Group liabilities	**18,399**	**7,649**

H. OTHER DISCLOSURES

47. Related Party Disclosures

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

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.3. In the 2010 fiscal year, the business relationships described below existed between members of the Management Board and the Supervisory Board and the entities included in the consolidated financial statements.

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

47.1. Udo Strehl/Udo Strehl Private Equity GmbH (USPEG)

USU AG was charged a total of EUR 24 thousand (2009: EUR 15 thousand) for cost reimbursements for sales activities performed by USPEG in the 2010 fiscal year. On the other hand, in 2010 USU AG invoiced USPEG pro rata vehicle costs in the amount of EUR 15 thousand (2009: EUR 20 thousand).

47.2. Karin Weiler-Strehl

USU AG engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, via USPEG on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 37 thousand in the 2010 fiscal year (2009: EUR 28 thousand).

USU AG leased the Spitalhof administrative building in Möglingen from Ms. Karin Weiler-Strehl. On July 20, 2007, these two parties concluded a new rental agreement with a term to December 31, 2017. In line with this agreement, the total monthly rent amounts to EUR 19.5 thousand (2009: EUR 19.5 thousand) plus ancillary costs.

The rental deposit in the amount of EUR 240 thousand has accrued interest of 4% p.a. since January 1, 2008 and it was valued at EUR 270 thousand as at December 31, 2010 (December 31, 2009: EUR 260 thousand). In the past fiscal year, USU AG was invoiced EUR 245 thousand (2009: EUR 245 thousand) for the rental of the administrative building and parking spaces.

USU Software AG also leased an office in Münchinger Strasse, Möglingen, from Ms. Weiler-Strehl. In the past fiscal year, rent of EUR 10 thousand (2009: EUR 10 thousand) was paid for this office.

47.3. Liabilities From Call and Put Options

Further information on the call and put options arising from the acquisition of Aspera GmbH can be found in note 8 *Acquisition in 2010 Fiscal Year*.

47.4. Loans to Shareholders

As at December 31, 2010, the Company had a short-term loan receivable of EUR 4 thousand from the Managing Director of OMEGA, who also holds a minority interest in USU Software AG. The loan bears interest at 4% p.a. There is no fixed repayment plan. A total of EUR 18 thousand was repaid in the 2010 fiscal year.

47.5. Compensation of Senior Management and the Supervisory Board

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

Bernhard Oberschmidt (Chief Executive Officer)
Klaus Bader (Executive Vice President)
Gerald Lamatsch (Executive Vice President)
Sven Wilms (Executive Vice President)

The compensation paid to the members of the Management Boards totaled EUR 855 thousand in the 2010 fiscal year (2009: EUR 792 thousand).
Fixed compensation: EUR 553 thousand (2009: EUR 525 thousand)
Variable compensation: EUR 209 thousand (2009: EUR 166 thousand)
Non-cash benefit from private use of company cars: EUR 51 thousand (2009: EUR 59 thousand)
Defined contribution pension costs: EUR 42 thousand (2009: EUR 42 thousand).

In 2006, a member of the Management Board of USU AG was granted a loan of EUR 140 thousand. The loan has a term until March 31, 2016 and bears interest of 3.5% p.a. until December 31, 2010, after which 12-month EURIBOR is applied. Repayments are based on a certain percentage of the variable compensation earned. A total of EUR 0 thousand was repaid in the 2010 fiscal year. The value of the loan was EUR 117 thousand as of December 31, 2010.

The total compensation paid to the Supervisory Board in the 2010 fiscal year was EUR 135 thousand (2009: EUR 108 thousand). The provisions on the compensation paid to the Supervisory Board are described in the Management Report on the Company and the Group in the chapter entitled *Principles of the Compensation System*.

Information on the pension provision recognized for a member of the Supervisory Board and a former member of the Management Board can be found in note 21.

48. Auditor's Fees

a) Audits of financial statements (separate and consolidated financial statements)
EUR 108 thousand (2009: EUR 98 thousand)

b) Other services
EUR 20 thousand (2009: EUR 4 thousand)

49. Other Disclosures

49.1. Contingent Liabilities

There were no contingent liabilities to report as of December 31, 2010 and December 31, 2009.

49.2. Other Financial Obligations

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

	2010 EUR thousand	2009 EUR thousand
Operating lease obligations		
In the next 12 months	520	599
In the next 13 to 60 months	489	475
In more than 60 months	0	0
	1,009	**1,074**
Other financial obligations from building rentals		
In the next 12 months	891	763
In the next 13 to 60 months	1,499	1,001
In more than 60 months	568	744
	2,958	**2,508**
	3,967	**3,582**

Expenses for operating leases and rental agreements totaled EUR 1,366 thousand in the 2010 fiscal year (2009: EUR 1,337 thousand).

50. Litigation, Other Contingent Liabilities and Events After the Balance Sheet Date

In the course of its ordinary operations, the Company can become involved in legal disputes, claims for damages, criminal investigations and court cases including product liability disputes and disputes under commercial law. The outcome of currently pending and/or future litigation cannot be predicted with sufficient certainty, meaning that future court decisions may result in expenses that are not fully covered by the insurance concluded and that could have a material adverse effect on the Company’s business, financial position and operating results. According to the estimates of the Company and its legal counsel as of December 31, 2010 and December 31, 2009, no decisions that could have a material adverse effect on the net assets and results of operations of the Group are expected from the litigation that is currently pending.

A definitive ruling in the arbitration proceedings on the appropriateness of the cash compensation paid in conjunction with the squeeze-out of the minority shareholders of USU AG is still outstanding. The expert appraisal commissioned by court order has determined that the share price of USU AG as of June 13, 2004 was significantly lower than the cash compensation paid. A risk provision of EUR 44 thousand has been recognized for the expected legal, court and appraisal costs. Following the ruling of the Stuttgart District Court on October 18, 2010, the claims of the applicant shareholders themselves and the representatives acting on behalf of the non-applicant shareholders were rejected. Two claimants lodged an immediate appeal against this ruling at the Stuttgart Higher Regional Court (OLG). However, no further legal decision has been taken regarding the admissibility and justification of the appeals.

There were no further significant events requiring disclosure prior to the approval of the consolidated financial statements by the Management Board.

51. Executive Bodies

51.1. Management Board

In the 2010 fiscal year, the Management Board of the parent company consisted of:

Bernhard Oberschmidt, Chairman of the Management Board
Diplom-Ökonom

The total compensation paid to the active members of the Management Board in the past fiscal year was EUR 260 thousand. Details can be found in the chapter *Principles of the compensation system* in the Management Report on the Company and the Group.

51.2. Supervisory Board

In the 2010 fiscal year, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing Director of Udo Strehl Private Equity GmbH, Möglingen
Chairman of the Supervisory Board of USU AG, Möglingen

Günter Daiss, Vice Chairman
Insurance broker
Vice Chairman of the Supervisory Board of USU AG, Möglingen
Member of the Administrative Board of Kreissparkasse Ludwigsburg, Ludwigsburg

Erwin Staudt,
Diplom-Volkswirt
Full-time President of VfB Stuttgart 1893 e.V., Stuttgart
Member of the Supervisory Board of Grenke Leasing AG, Baden-Baden
Member of the Supervisory Board of Hahn Verwaltungs-GmbH, Fellbach
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen

52. Financial Risk Management

In its financial activities, the Group is subject to various risks that are assessed, managed and monitored by way of systematic risk management. The following section discusses the management of credit risk, liquidity risk and market risk (exchange rate, interest rate and securities price risk).

52.1. Credit Risk

The Group is exposed to credit risks in conjunction with its cash and cash equivalents, trade receivables and marketable securities.

Cash and cash equivalents and marketable securities are deposited with banks of good standing and companies with good credit ratings. The Group constantly monitors the creditworthiness of these companies and does not expect any cases of default. As no collateral has been pledged, the risk of default is limited to the amount reported in the balance sheet.

The default risk for trade receivables is minimized by constantly monitoring the creditworthiness of the respective counterparties. As no general netting agreements are concluded with customers, the sum of the amounts reported as assets also represents the maximum default risk. In the event that the Group becomes aware of any evidence that the ability of certain customers to meet their financial obligations is impaired, it recognizes a specific valuation allowance on the amounts due in order to reduce the net receivable to the most likely recoverable amount. The Group also performs portfolio-based measurement to reflect the risk of uncollectability.
As in the previous year, there are no indications that the Group’s debtors whose financial assets are neither overdue nor subject to valuation allowances will fail to meet their payment obligations.

52.2. Liquidity Risk

The cash and cash equivalents required by the Group in order to meet its financial obligations are largely covered by its ongoing operations. The Group also has credit facilities to cover any liquidity bottlenecks.

The Company’s financial liabilities are all current, i.e. due within one year, with the exception of the expected purchase price obligation in the amount of EUR 7,594 thousand for the intended acquisition of the remaining 49% stake in Aspera GmbH. The purchase price obligation for the 100% acquisition of Aspera, half of which can be settled in USU Software AG shares according to the Company, is contingent upon existing option rights which can be exercised until December 31, 2012 and is due within two years.

52.3. Securities Price Risk/Interest Rate-Related Fair Value Risk

By investing its financial assets, the Group is exposed to securities price risk. This describes the risk of loss due to changes in the prices of (listed) securities. Among other things, the Group counters this risk by diversifying its investment portfolio. When selecting bonds, a minimum rating of BBB (Standard & Poor’s) is generally required.

As at 31 December, 2010 and 31 December, 2009 the Group only held variable-interest bonds whose fair value is not subject to interest rate risk.

52.4. Interest Rate-Related Cash Flow Risk

At USU Software AG, changes in market interest rates primarily affect cash flows from money market funds. If the market interest rate as of December 31, 2010 had been 1% higher (lower), net profit and equity would each have been EUR 87 thousand (December 31, 2009: EUR 68 thousand) higher (lower).

52.5. Exchange Rate Risk

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

53. Additional Disclosures on Capital

USU Software AG is not subject to any minimum capital requirements, either externally or in accordance with its Articles of Association. The Company pursues the goal of ensuring a high level of equity financing, using this financial flexibility to achieve its growth targets. Customers also demand a high equity ratio and extensive liquidity in order to guarantee their investments.

As of December 31, 2010 and December 31, 2009, equity and total assets were as follows:

	2010 EUR thousand	2009 EUR thousand	Change %
Non-current liabilities	9,418	313	2,908.9%
Current liabilities	8,981	7,336	22.4%
Provisions and liabilities	**18,399**	**7,649**	**140.5%**
Equity	**48,485**	**45,881**	**5.7%**
Total assets	**66,884**	**53,530**	**24.9%**
Equity ratio	72.5%	85.7%	

As in the previous year, the Company has no net financial liabilities, as its cash and cash equivalents and marketable securities exceed its interest-bearing liabilities. The current capital structure can be maintained by expanding the unappropriated surplus by generating future net profit or issuing new shares, for example.

I. SECURITIES TRANSACTIONS BY MEMBERS OF THE EXECUTIVE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies, and by former members in particular. As of December 21, 2010, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows.

Shareholdings subject to mandatory disclosure	2010	2009
	shares	shares
Management Board		
Bernhard Oberschmidt	18,696	18,696
Supervisory Board		
Udo Strehl *)	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

*) A further 3,773,868 voting rights in USU Software AG (2009: 3,773,868) are allocable to Udo Strehl via Udo Strehl Private Equity GmbH in his capacity as the majority shareholder of this company in accordance with Section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

A further 32,000 voting rights in USU Software AG (2009: 32,000) are allocable to Udo Strehl via the "Wissen ist Zukunft" foundation in his capacity as the Managing Director of this foundation in accordance with Section 22 (1) sentence 1 no. 1 WpHG.

No stock options or convertible bonds issued by USU Software AG were held by any member of the Company's executive bodies.

J. Dividend Payment

The Management Board and the Supervisory Board are proposing the payment of a dividend of EUR 2,105 thousand (EUR 0.20 per share).

K. DECLARATION OF CONFORMITY

On December 9, 2010, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available to shareholders on USU Software AG's website at www.usu-software.de. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group.

Möglingen, March 4, 2011

Bernhard Oberschmidt
Chairman of the Management Board

USU Software AG, Möglingen

Development of Group fixed assets 2010

Annex A of the Notes to the Consolidated Financial Statements

	Cost convention					Accumulated depreciation					Carrying amounts	
	1.1.2010 EUR thousand	Acquisition EUR thousand	Additions EUR thousand	Disposals EUR thousand	31.12.2010 EUR thousand	1.1.2010 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Currency EUR thousand	31.12.2010 EUR thousand	31.12.2010 EUR thousand	1.1.2010 EUR thousand
Intangible assets												
Purchased software/orders on hand	3,996	1,355	56	0	5,407	3,277	541	0	0	3,818	1,589	719
Trademarks and brands	1,880	652	0	0	2,532	521	0	0	0	521	2,011	1,359
Maintenance contracts	1,933	1,075	0	0	3,008	1,183	352	0	0	1,535	1,473	750
Customer base	2,595	1,826	0	0	4,421	908	351	0	0	1,259	3,162	1,687
	10,404	**4,908**	**56**	**0**	**15,368**	**5,889**	**1,244**	**0**	**0**	**7,133**	**8,235**	**4,515**
Goodwill	**47,756**	**7,247**	**0**	**0**	**55,003**	**21,646**	**472**	**0**	**0**	**22,118**	**32,885**	**26,110**
Property, plant and equipment												
Land and buildings	171	0	0	0	171	93	10	0	0	103	68	78
Other equipment, operating and office equipment	1,653	138	443	66	2,168	1,123	305	62	-8	1,358	810	530
	1,824	**138**	**443**	**66**	**2,339**	**1,216**	**315**	**62**	**-8**	**1,461**	**878**	**608**

USU Software AG, Möglingen

Annex B of the Notes to the Consolidated Financial Statements

Development of Group fixed assets 2009

	Cost convention					Accumulated depreciation					Carrying amounts	
	1.1.2009 EUR thousand	Acquisition EUR thousand	Additions EUR thousand	Disposals EUR thousand	31.12.2009 EUR thousand	1.1.2009 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Currency EUR thousand	31.12.2009 EUR thousand	31.12.2009 EUR thousand	1.1.2009 EUR thousand
Intangible assets												
Purchased software/orders on hand	3,894	0	102	0	3,996	2,979	298	0	0	3,277	719	915
Trademarks and brands	1,880	0	0	0	1,880	521	0	0	0	521	1,359	1,359
Maintenance contracts	1,933	0	0	0	1,933	920	263	0	0	1,183	750	1,013
Customer base	2,595	0	0	0	2,595	649	259	0	0	908	1,687	1,946
	10,302	**0**	**102**	**0**	**10,404**	**5,069**	**820**	**0**	**0**	**5,889**	**4,515**	**5,233**
Goodwill	**47,756**	**0**		**0**	**47,756**	**20,648**	**998**	**0**	**0**	**21,646**	**26,110**	**27,108**
Property, plant and equipment												
Land and buildings	171	0	0	0	171	82	11	0	0	93	78	89
Other equipment, operating and office equipment	1,549	0	340	236	1,653	1,067	264	209	1	1,123	530	482
	1,720	**0**	**340**	**236**	**1,824**	**1,149**	**275**	**209**	**1**	**1,216**	**608**	**571**

AUDITOR’S REPORT

We have audited the consolidated financial statements prepared by USU Software AG, Möglingen, comprising the balance sheet, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315a (1) HGB are the responsibility of the Company’s legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the consolidated financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not lead to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and, as a whole, provides an accurate view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 4, 2011

Prof. Dr. Binder. Dr. Dr. Hillebrecht & Partner GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Schupeck	Barth
German Public Auditor	German Public Auditor

Separate Financial Statements 2010

CONTENTS:

SEPARATE FINANCIAL STATEMENTS

USU Software AG, Möglingen

Balance sheet at December 31, 2010

ASSETS

	Note	31.12.2010 EUR thousand	31.12.2009 EUR thousand
A. FIXED ASSETS			
Financial assets	(1)		
1. Shareholdings in associated companies		25,791	24,252
		25,791	**24,252**
B. CURRENT ASSETS			
I. Receivables and other assets			
	(2)		
1. Receivables from associated companies		2,867	2,878
2. Other assets		107	681
		2,974	**3,559**
II. Cash on hand and bank balances			
		296	209
		3,270	**3,768**
C. PREPAID EXPENSES		**0**	**1**
		29,061	**28,021**

USU Software AG, Möglingen

Balance sheet at December 31, 2010

EQUITY AND LIABILITIES

		Note	31.12.2010 EUR thousand	31.12.2009 EUR thousand
A.	**EQUITY**			
I.	**Subscribed capital**	(3)	**10,524**	**10,021**
II.	**Capital reserves**	(6)	13,645	13,645
III.	**Unappropriated surplus**		2,361	3,208
			26,530	**26,874**
B.	**PROVISIONS**			
	1. Tax provisions		0	18
	2. Other provisions	(7)	335	322
			335	**340**
C.	**LIABILITIES**	(8)		
	1. Trade payables		34	12
	2. Liabilities to affiliated companies		1,367	0
	3. Other liabilities		795	795
			2,196	**807**
			29,061	**28,021**

USU Software AG, Möglingen
Income Statement for the Fiscal Year 2010

	Note	2010 EUR thousand	2010 EUR thousand	2009 EUR thousand	2009 EUR thousand
1. Other operating income	(11)		863		619
2. Personnel expenses					
a) Wages and salaries		-355		-347	
b) Social security, pensions and other benefit costs (of which pensions: EUR 12 thousand; previous year: EUR 12 thousand)		-48	-403	-47	-394
3. Other operating expenses	(12)		-969		-820
4. Expenses assumed on behalf of a subsidiary	(13)	-69		0	
5. Income from profit transfer agreements	(13)	2,083		1,930	
6. Other interest and similar income (of which from associated companies: EUR 0; previous year: EUR 5 thousand)	(14)	117		66	
7. Impairment of financial assets	(15)	-900		0	
8. Interest expenses and similar charges (of which to associated companies: EUR 17 thousand; previous year: EUR 0)		-18	1,213	0	1,996
9. Result from ordinary operations			**704**		**1,401**
10. Income taxes			-47		-42
11. Net profit			**657**		**1,359**
12. Profit carryforwards from the previous year			1,704		2,109
13. Gains from capital reduction			0		54
14. Withdrawals from reserve for treasury shares			0		106
15. Transfer to capital reserves			0		-314
16. Expenses from simplified capital reduction			0		-106
17. Unappropriated surplus			**2,361**		**3,208**

USU SOFTWARE AG, MÖGLINGEN
NOTES TO THE SEPARATE FINANCIAL STATEMENTS 2010

A. General Information

The separate financial statements of USU Software AG have been prepared in accordance with Sections 242 ff. and 264 ff. of the German Commercial Code (HGB) and the relevant provisions of the German Stock Corporation Act (AktG). As a listed company, USU Software AG is considered a large corporation within the meaning of Section 267 (3) sentence 2 HGB.

The income statement has been prepared using the nature of expense method set out in Section 275 (2) HGB.

The provisions of the German Accounting Law Modernization Act (BilMoG) were applied for the first time when preparing the separate financial statements as at December 31, 2010. As a result of the first time application of the provisions of BilMoG as at December 31, 2010, there is a breach in consistency of the presentation and methods used in the separate financial statements. In line with the option granted in Section 67 (8) sentence 2 EGHGB, the previous year's figures were not adjusted. Due to the fact that very few adjustments were necessary, the ability to compare these figures with those of the previous year has only been marginally limited.

All figures are shown in thousands of euro (EUR thousand) unless otherwise stated.

B. General Accounting Policies

As in the previous year, the separate financial statements were prepared in accordance with the following accounting policies.

With regard to **financial assets**, shares in associated companies, participations and other loans are carried at the lower of cost or market. Write-downs are recognized for permanent impairment.

Receivables and other assets are carried at their nominal value. Existing default risks are taken into account by recognizing appropriate valuation allowances.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. They are recognized in the amount dictated by prudent business judgment. Where applicable, long-term provisions are measured at present value and discounted at an interest rate in line with the terms of the provisions. Cost increases which are expected to have a future impact until the obligation has been fulfilled were taken into account for the first time in the 2010 fiscal year.

Liabilities are carried at their settlement amount.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with Section 274 HGB. Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting and taking into account the existing tax loss carryforwards. The Company has not exercised the option of utilizing deferred tax assets (Section 274 (1) sentence 2 HGB). Deferred tax assets are measured using the company's own tax rate (around 29% as at December 21, 2010).

As at the balance sheet date, the Company has corporate tax loss carryforwards in the amount of EUR 31,093 thousand and business tax loss carryforwards amounting to EUR 31,081 thousand.

Deferred taxation, taking into account deferred taxes from taxable entities with subsidiaries, relates to the balance sheet items listed below:

	31.12.2010	
Balance sheet item	Deferred tax assets	Deferred tax liabilities
Financial assets		x
Measurement of pension provisions	x	
Measurement of other provisions	x	
Tax loss carryforwards	x	

C. Notes to the Balance Sheet

1. Fixed Assets

The development of the individual items of fixed assets and depreciation and amortization for the fiscal year are shown in the statement of changes in fixed assets (annex to the separate financial statements).

Disclosures on Participations

USU Software AG has participations in the following companies:

	Stake 31.12.2010 in %	Equity 31.12.2010 in EUR thousand	Net profit 2010 in EUR thousand
USU AG, Möglingen	100.0	8,951	871
LeuTek GmbH, Leinfelden-Echterdingen [1)]	100.0	1,380	2,083
Omega Software GmbH, Obersulm [1)]	100.0	970	-69
Openshop Internet Software GmbH, Ludwigsburg	100.0	-773	0
Aspera GmbH, Aachen [2)]	51.0	1,667	1,049

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

2) The disclosures relate to the fiscal year from April 1, 2009 to March 31, 2010.

The following participations are held indirectly via USU AG, Möglingen. The information on equity and net profit represents the amounts determined in accordance with the respective national accounting standards:

	Stake 31.12.2010 in %	Equity 31.12.2010 in EUR thousand	Net profit 2010 in EUR thousand
USU Software s. r. o., Brno, Czech Republic	100.0	296	86
USU (Schweiz) AG, Zug, Switzerland	100.0	-115	157
USU Austria GmbH, Vienna, Austria	100.0	-729	-412
Gentner GmbH ProCOMMUNICATION i. L., Möglingen [1)]	100.0	11	943

[1)] Net profit before consolidation

2. Receivables and Other Assets

Other assets relate almost exclusively to recoverable taxes.

3. Subscribed Capital

The original subscribed capital of the Company of EUR 10,021 thousand was increased by EUR 503 thousand as part of a non-cash capital increase through contributions in kind to 10,524 thousand. The subscribed capital is divided into 10,523,770 no-par value bearer shares (2009: 10,021,054) each with a notional interest in the share capital of EUR 1.00.

4. Authorized Capital

By resolution of the Annual General Meeting on July 12, 2007, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 5,168 thousand by issuing new shares in exchange for cash or non-cash contributions up to and including July 11, 2012 (authorized capital). Shareholders must be granted subscription rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts to the extent required to grant bearers of convertible bonds or subscription rights issued by the Company the right to subscribe for the new shares to which they are entitled by exercising their conversion or subscription rights. The Management Board is also authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of cash capital increases up to a maximum of 10 % of the share capital of the Company at the time of the first exercise of the authorized capital, providing the issue price of the new shares is not substantially lower than the quoted price for existing shares of the same category. The Management Board is further authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of non-cash capital increases for the purpose of acquiring companies or interests in companies. As part of the acquisition of a majority shareholding in Aspera GmbH, the Management Board utilized part of this authorization in the 2010 fiscal year and implemented a non-cash capital increase through contributions in kind in the amount of EUR 503 thousand. Authorized capital dropped accordingly to EUR 4,665 thousand.

5. Contingent Capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may only be used for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of associated companies. There were no outstanding options as of December 31, 2010.

6. Capital Reserves

This balance sheet item remained unchanged against the previous year and was EUR 13,645 thousand on December 31, 2010.

7. Other Provisions

Other provisions include the cost of obligations under company law in the amount of EUR 199 thousand and personnel-related obligations totaling EUR 90 thousand.

8. Liabilities

All of the liabilities reported in the balance sheet are due within one year. Other liabilities contain tax liabilities of EUR 694 thousand (2009: EUR 795 thousand).

9. Contingent Liabilities

USU Software AG is jointly and severally liable for fulfilling the obligations arising from USU AG's rental agreement for the Spitalhof business premises.

Based on USU AG's current liquidity situation and sustained earnings power, the Management Board has reason to believe that there is no risk of the above contingent liabilities being utilized.

Furthermore, USU Software AG has submitted letters of comfort for Openshop Internet Software GmbH, Ludwigsburg (an associated company), under the terms of which USU Software AG, Möglingen, undertook to manage this subsidiary in the 2010 and 2011 fiscal years and to provide it with the necessary financial resources to fulfill its obligations. USU

Software AG also subordinated all of its receivables from Openshop Internet Software GmbH in the amount of EUR 786 thousand.

The Management Board assumes that there is no concrete risk of the contingent liabilities being utilized. The Company does not actively take part in business operations. It has sufficient cash and cash equivalents to fulfill its existing payment commitments to third parties. USU Software AG's existing receivables were recognized fully as at the balance sheet date.

10. Call and Put Options from the Acquisition of Shareholdings in Associated Companies

On July 1, 2010, USU Software AG acquired a 51% stake in Aspera GmbH, Aachen. USU Software AG is aiming for a 100% acquisition of the company within two years. For this reason, the contractual parties were granted reciprocal options which can be exercised until December 31, 2012. The remaining shareholders of Aspera GmbH have the right to sell their remaining 49% share in Aspera to USU Software AG (put option), if a certain minimum result (EBIT) is achieved in the 2010/11 and 2011/12 fiscal years. The purchase price that USU would have to pay for the remaining 49% stake is dependent on the put option relating to the result achieved by Aspera in fiscal years 2010/11 and 2011/12 and amounts to between EUR 4,381 thousand and EUR 8,070 thousand.

USU Software AG also has the right to acquire the remaining 49% stake in Aspera (call option). The call option is also dependent on the result generated by Aspera in the fiscal years 2010/11 und 2011/12, whereby the amount that USU would have to pay to purchase the remaining 49% stake in Aspera GmbH is estimated at between EUR 3,381 thousand and EUR 8,070 thousand. Furthermore, USU holds a second call option (call option 2), which is not dependent on the result achieved by Aspera and which can be exercised by USU at any time up until March 31, 2012, in deviation from the other option rights. The purchase price that USU would have to pay to acquire the remaining 49% stake in Aspera if it exercises call option 2, totals EUR 8,070 thousand, discounted from March 31, 2012 with a factor of 1.5% over the current EURIBOR on the day of payment. Furthermore, the former shareholders receive a payment, which corresponds to the profit share attributable until March 31, 2012, unless this profit share has already been distributed to the former shareholders at an earlier date.

All option rights contain the provision that USU Software AG is entitled to settle half of the purchase price for the remaining 49% stake in Aspera in Company shares.

D. Notes to the Income Statement

11. Other Operating Income

Other operating income primarily relates to income from the settlement of intragroup services in the amount of EUR 641 thousand. Based on the findings of the tax audit, this item also includes sales tax refunds for previous years in the amount of EUR 197 thousand.

12. Other Operating Expenses

Other operating expenses include costs incurred under company law and expenses for services received from USU AG in the amount of EUR 380 thousand.

13. Income from Profit Transfer Agreements/Expense from Loss Absorption

The Company entered into profit transfer agreements with Openshop Internet Software GmbH on March 2, 2000, Omega Software GmbH on May 19, 2005, and LeuTek GmbH on December 29, 2006. Under these agreements, the participating companies are required to transfer all of their profits to USU Software AG during the contractual term. Transfers to distributable reserves are only permitted with the approval of USU Software AG. In exchange, USU Software AG undertakes to offset every net loss incurred during the contractual term that cannot be offset by way of withdrawals from distributable reserves recognized during the same period.

Accordingly, the profit generated by LeuTek GmbH in the 2010 fiscal year was transferred to USU Software AG in line with the profit transfer agreement concluded. The loss reported by Omega Software GmbH in the separate financial statements was paid by USU Software AG.

No income from the profit transfer agreement with Openshop Internet Software GmbH has been recognized since 2004, as Openshop Internet Software GmbH's net profit has been used to offset tax loss carryforwards originating prior to the inception of the agreement by analogous application of section 301 AktG.

14. Other Interest and Similar Income

This item includes interest income from tax refunds for previous years in the amount of approximately EUR 95 thousand.

15. Impairment of Financial Assets

This item includes goodwill impairment of EUR 900 thousand on the shares of a subsidiary at the lower of cost or market.

E. Other Disclosures

16. Supervisory Board

In the 2010 fiscal year, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing Director of Udo Strehl Private Equity GmbH, Möglingen
Chairman of the Supervisory Board of USU AG, Möglingen

Günter Daiss, Vice Chairman
Insurance broker,
Vice Chairman of the Supervisory Board of USU AG, Möglingen
Member of the Administrative Board of Kreissparkasse Ludwigsburg, Ludwigsburg

Erwin Staudt,
Diplom-Volkswirt
Full-time President of VfB Stuttgart 1893 e.V., Stuttgart
Member of the Supervisory Board of Grenke Leasing AG, Baden-Baden
Member of the Supervisory Board of Hahn Verwaltungs-GmbH, Fellbach
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen

Total Compensation of the Supervisory Board
The compensation paid to the Supervisory Board contains a fixed and a variable component. In the 2010 fiscal year, the fixed component amounted to EUR 85 thousand and the variable component amounted to EUR 26 thousand. In the previous year too, the Supervisory Board received only fixed compensation in the amount of EUR 85 thousand.

17. Management Board

Bernhard Oberschmidt, Pfedelbach

Total Compensation of the Management Board

The total compensation paid to the Management Board in the 2010 fiscal year was EUR 260 thousand (2009: EUR 211 thousand). Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2010 fiscal year.

18. Auditor's Fees

Financial statements (separate and consolidated financial statements): EUR 59 thousand (2009: EUR 50 thousand)

Other services: EUR 21 thousand (2009: EUR 4 thousand)

19. Employees

As in the previous year, an average of two people were employed by the Company in the 2010 fiscal year.

20. Group Affiliations

USU Software AG is the parent of the companies contained in the list of participations. These are defined as the affiliated companies of USU Software AG. In accordance with Section 315a (1) HGB, USU Software AG prepares the consolidated financial statements in accordance with IFRS for the smallest and the largest consolidated group. The consolidated financial statements are published in the electronic Bundesanzeiger (Federal Gazette) and can be obtained on request from USU Software AG, Möglingen. The consolidated financial statements are also made available on USU Software AG's website at www.usu-software.de.

21. Declaration on the German Corporate Governance Code in accordance with Section 161 AktG

On December 9, 2010, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available to shareholders on USU Software AG's website at www.usu-software.de. Further information on the declaration of conformity can be found in the Combined Management Report on the Company and the Group, which is part of these separate financial statements.

22. Appropriation of Net Profit

The Management Board proposes using the unappropriated surplus as of December 31, 2010 in the amount of EUR 2,361 thousand as follows:

- to pay a dividend of EUR 0.20 per share for 10,523,770 shares, amounting to a total of EUR 2,105 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 256 thousand to new account.

Möglingen, March 4, 2011

Bernhard Oberschmidt
Chairman of the Management Board

USU SOFTWARE AG

Annex to the Separate Financial Statements

USU Software AG, Möglingen

Development of Fixed Assets for 2010

	Amortized cost				Accumulated depreciation						Carrying amount	
	1.1.2010 EUR thousand	Additions EUR thousand	Disposals EUR thousand	31.12.2010 EUR thousand	1.1.2010 EUR thousand	Additions EUR thousand	Disposals EUR thousand	31.12.2010 EUR thousand	31.12.2010 EUR thousand	31.12.2009 EUR thousand	31.12.2010 EUR thousand	31.12.2009 EUR thousand
Financial assets												
Shares in associated companies	24,512	2,439	0	26,951	260	900	0	1,160	25,791	24,252	25,791	24,252
Participations	200	0	0	200	200	0	0	200	0	0	0	0
	24,712	2,439	0	27,151	460	900	0	1,360	25,791	24,252	25,791	24,252

AUDITOR'S REPORT

We have audited the separate financial statements prepared by **USU Software AG, Möglingen**, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the combined management report for the fiscal year from January 1 to December 31, 2010. The maintenance of the books and records and the preparation of the separate financial statements and the combined management report in accordance with the German Commercial Code (HGB) and the supplementary requirements of the Articles of Association are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the separate financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the separate financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the separate financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the separate 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 the legal representatives, as well as evaluating the overall presentation of the separate financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not lead to any reservations.

In our opinion, based on the findings of our audit, the separate financial statements are consistent with the statutory provisions and the supplementary requirements of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The combined management report is consistent with the separate financial statements and, as a whole, provides an accurate view of the position of the Company and the Group and suitably presents the opportunities and risks of future development.

Stuttgart, March 4, 2011

Prof. Dr. Binder. Dr. Dr. Hillebrecht & Partner GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Schupeck	Barth
German Public Auditor	German Public Auditor

Responsibility Statement

To the best of my knowledge, and in accordance with the applicable reporting principles, the separate and consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of USU Software AG and the Group, and the management report on the Company and the Group includes a fair review of the development and performance of the business and the position of USU Software AG and the Group, together with a description of the principal opportunities and risks associated with the expected development of USU Software AG and the Group.

USU Software AG

Möglingen, March 4, 2011

Bernhard Oberschmidt
Chairman of the Management Board

FINANCIAL CALENDAR 2011*

March 24, 2011	Publication of the consolidated financial statements for 2010
April 5, 2011	Analysts and Investors Conference as part of the 4th LBBW German Equity Conference, London
April 12 – April 13, 2011	Analysts and Investors Conference as part of the DVFA Small Cap Forum, Frankfurt am Main
May 26, 2011	Publication of the three-monthly report 2011
June 30, 2011	Annual General Meeting, Ludwigsburg
August 18, 2011	Publication of the six-monthly report 2011
November 17, 2011	Publication of the nine-monthly report 2011
November 21- November 23, 2011	Analysts and Investors Conference as part of the German Equity Forum Fall 2011, Frankfurt am Main

These are preliminary dates for the 2011 fiscal year.
Any changes will be published on the Company's website at www.usu-software.de.

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