Annual Report 2013 | USU Software AG

TRANSPARENCY

INSIDERS' VIEW

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Transparent is …

… in market economy
all we can see to use it.

Knowledge is market.

… in Information Technology
all we can use without seeing it.

Knowledge is IT.

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Review

Fiscal Year at a Glance		
to IFRS in EUR thousand	**2013**	2012
Revenues	**55,713**	51,229
Adjusted EBIT	**5,083**	7,065
Adjusted Consolidated Earnings	**5,169**	7,219
Adjusted Earnings per Share	**0.49**	0.69
EBITDA	**5,490**	5,265
EBIT	**3,408**	3,528
Sales Revenues	**3,646**	4,815
Earnings per Share	**0.35**	0.46
Total Shareholders' Equity	**53,232**	52,295
Balance Sheet Total	**81,414**	66,721
Equity Ratio	**65.4%**	78.4%
Cash and Cash Equivalents	**14,231**	11,408
Net Cash from Operating Activities	**9,855**	5,591
Average Total Workforce for the Year	**452**	362

Overview

CIO is anything but an easy job. They used to call us IT Directors. We were paid to keep our eye on everything. We knew how the company was organized and how the computer technology worked.

But above all, we were the only ones who could link the two so as to save our companies pots of money. We were the guarantors of profit.

The first IT Director to earn more than a million dollars was 25 years ago in the USA. And the boss of the biggest American airline said at the time that he would rather go without his planes than his computers.

In short, we were the greatest.

That is why we were soon called Chief Information Officer, or CIO. We joined the Management Boards. We are the true insiders in every company. We see everything. But therefore we are also responsible for everything – especially when something goes wrong.

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Oversight

On January 23, 2014, the Frankfurter Allgemeine Zeitung newspaper ran the headline "The IT Sector Calls for Transparency". This fit the business model of USU perfectly, because in everything we do we want to help our customers obtain transparency and maintain oversight. Oversight over the costs of IT, which after all average 4.5% of a company's sales. Oversight over currents of opinion on the Internet, which, depending on their tenor, can decide if a company makes a profit or loss. Oversight over the problems that have to be solved at the our customers' help desks, for example. Every day. Around the clock.

In short, you can't skimp on transparency. But you can save a lot with transparency. Especially trouble, the greatest cost factor. Trouble leads to loss of trust, a company's most precious asset. Responsible for this is the CIO, the quintessential insider. This annual report is dedicated to him. Our insider has his say on the left.

In 2013, the USU Group invested in transparency above all. We know that it is an investment that you can't even see. Over the last year, we have all clearly seen from the example of the NSA what happens when the investment is not made. Transparency is based on trust – not mistrust.

We are looking back on a very demanding year in terms of business. But the performance of our share price confirms that investing in transparency also pays off for our owners.

Bernhard Oberschmidt

BIG is beautiful. is beautiful. That’s what they used to say. Those were the days of the mainframe computer. Then came the PC, and everything changed. Then came the Internet, and everything changed. Now the cloud is coming, and everything is changing.

We in IT were always at the center of these changes. We had to swallow everything. Every new idea, every new business strategy, every purchase, and every sale. Sometimes we were sold ourselves. Maybe we will even disappear forever into the cloud, as some of us fear.

I don’t believe so. Before that happens, the next trend is just around the corner. In spite of all the criticism we receive, we stand for something extremely valuable. For cohesion. We form the intersection common to everyone. It is important to find the right variable here. For example, with transparency.

In any case, it is clear that no company can survive without cohesion. This can also be referred to as “strong company”.

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Quantity of sight

People who haven't joined turn up their nose. Facebook? No thank you. But 56% of Internet users are now active on Facebook. According to BITKOM. And it could be that the users are talking about you even though you're not there. Our new subsidiary, B.I.G Social Media GmbH from Berlin, knows this.

We acquired BIG so our customers can always know when, where, and who is turning up their nose at them, for example. On Facebook. On Twitter. In thousands of blogs and forums.

BIG is everywhere where our customers' customers are expressing public praise and criticism. This gives our customers the chance to respond to accusations, but also to enjoy praise. There's no snooping involved. It's just good marketing. It shows that we take our customers seriously. With transparency.

It is the issue we have always embodied at USU. It is the issue that connects all companies in the USU Group.

At Aspera and LeuTek, at OMEGA and USU AG, it is the view of the business processes and structures. They are assessed with our tools, right up to the legal dimensions.

In short, transparency connects.

VIP is an abbreviation that in IT has long since stopped standing for "very important person" – now it means "very invisible person". People don't want to see us. And that is absolutely OK.

30 years ago, there was a dream of IT that never sleeps, that runs day and night seven days a week.

We realized how important IT had become for the company with every outage. Because then we, the IT people, came under fire. And that happened more often than we liked.

Today, IT not only means permanent availability 24/7, but also from everywhere on Earth. In the process, people want to see as little of us as possible.

Like in the Morse alphabet, the coding in IT is invisible, but plain text always comes out at the end. That's the way it is with IT today. We set the trend around the world, but nobody sees it.

Invisible

The German Mittelstand is praised, adored, and celebrated all over the world. USU Software AG and its subsidiaries also part of it. We Mittelstand companies are often hidden champions. Only insiders know of our importance. The quality of our products, the creativity of our employees, and the flexibility of our decisions are all extolled.

One thing is often overlooked that formerly seemed to be the privilege of the really big players alone: Global presence, which we have since established and now gives us international standing. This is backed by investments that nobody sees, because everyone takes them for granted.

Hardly any other sector is as international as the IT industry. Thanks to our own branches. Thanks to partnerships. Thanks to online and local presence.

Thanks to our global commitment.

We, USU Software AG, are partnered with global companies like CA Technologies.

We have our own companies and partnerships in 15 countries. We are active in Europe, America, Asia, and Australia. Above all, however, we have cosmopolitan employees. They are people who like people. You can‘t see it. You can feel it. Right now. Day after day.

MIS is a long forgotten acronym from the 60s. But the dream behind it lives on. Back then, Management Information Systems was nothing more than today’s knowledge management. All knowledge that a manager needs in order to make business decisions should be available to him perfectly prepared. Maximum transparency was required. It always failed because of the complexity.

That hurt us, the IT people, badly.

We chose the wrong approach. Knowledge organizes itself. In daily work. In the everyday. That is how business knowledge comes about. Guaranteeing digital access to it, that is our job. We understand now.

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Change of perspective

Those who know how to help themselves will not call the call center or the help desk until the very last moment. Usually, they have already patiently sought – and found – a solution. Online. Here, everyone is their own private consultant and problem-solver. And in businesses?

The trend is unmistakable here too: We want to help ourselves first off. But everything must be fast and efficient. Direct. Spontaneous. Intuitive. This is increasingly a challenge for knowledge management – be it at the help desk, the call center or online. And it is a challenge for us, USU Software AG, because we provide companies with the tools to help find the right answer to every question.

This applies above all to the presence online. Here, everything is transparent. Here, every answer is scrutinized and communicated via Twitter, Facebook, etc. On social media. There is no getting away from it.

But what are the questions? Where are they asked? How quickly can they be answered? That is what our customers want to know about their environment.

To help them, we acquired BIG in Berlin. It is a company that uses its tools to localize and identify the trouble spots and opportunities online – and in such a way that no questions remain unanswered, if possible.

We think this is quite simply the task of the century.

WE ensured that the technical departments saved millions in costs in the last century. For the good of the shareholders and the company. With every success in the technical divisions, our costs in the IT department increased. Year after year. Especially in the wake of the preparations for the year 2000 and the euro, IT budgets saw hefty growth rates.
After all, we started the new millennium with brand new information technology. Since then, careful attention has been paid to how to make savings in IT.
Worldwide, companies spend an average of 4 % of their revenues on IT. This can be lived with. If you want to pay less, you have to count on costs growing elsewhere – in the technical departments. We know that. We found out 30 years ago, when companies were invaded by the PC. Back then, we called it proliferation. In the end, it was us who had to cut it back.

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Insider view

You can, you must, you want to always save costs while improving the service. Through IT. With IT, but also in IT. So our customers succeed in doing so year after year, we, USU Software AG, must spend a lot of money. On research and development. With our subsidiaries, with Aspera, LeuTek, OMEGA and USU AG, we are engaged with the very products and services with which our customers want to, must, can make savings.

In 2013, we spent nearly EUR 10 million on research and development throughout the Group. Every third employee works in this area. The result is a product offensive, which gives our customers unforeseen opportunities to optimize costs. For example, the success of our subsidiary Aspera shows how well our offer is received here. Especially in the toughest market in the world, the USA.

Our efforts are supported by products like the USU Service Manager. Customers can use it to take complete control of their IT applications and services via the cloud. USU Service Intelligence illustrates the key figures thus obtained as informative dashboards, which allow any deviation from the ideal line to be rectified immediately. Our subsidiary LeuTek has tapped into the new world of mobile apps, so customers can manage their IT services on mobile as well. And with product enhancements in its myCMDB software suite, OMEGA has demonstrated our other great strength: our ability to meet individual customer requirements even with standard products. In short, if you want to save, you need transparency. And we provide it.

%

FIT as a fiddle we were when we completed our education. Some came from universities, others from technical colleges, many directly from completely different educational backgrounds.

We were all full to bursting with fresh IT knowledge. Nobody was interested in where we came from. The main thing was that we were technically capable.

Besides, nobody could escape our jargon. Wherever we appeared, we were faced with unquestioning amazement at our IT knowledge. Our advice was followed. Unconditionally.

That was long ago. Today, everybody always knows better. IT experts are lurking everywhere. Not only among us, but especially in the technical departments.

This doesn't exactly make things easier. Projects don't fail because of technology or expert knowledge. Projects fail because of people. That is ancient wisdom, a bitter lesson that everybody unfortunately has to learn.

Only then – believe me – are you really fit.

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Face to face

Working on big projects is the pride of every software developer. When you get to work directly with top-class colleagues, face to face, then often real dream teams arise. People who understand and trust each other, who want to stay together for new big projects.

USU's project business has been run like this for decades. We know that the more demanding a project is, the more motivated the workers. For us and our customers.

Sometimes there are orders where the projects are strung together like on a chain. One follows the other. Everyone knows that they will be going a long way together. Everything is configured as such. But events outside of your control sometimes interrupt and demand a break in the project. And then everything gets confused. For the customer and for us. Only perfect transparency can help.

We had two such situations at USU in 2013. Two customers postponed the expected follow-up projects. Bitter for us. Bitter for our hardworking employees. What to do?

Dream teams draw life from projects. But they also live by staying together. Through thick and thin. That's how we see it. Therefore, we have done everything to keep our dream teams together. We have fought. Together. We have obtained new projects. Together. In short, the only way is up. Maybe also because we are open and honest with each other.

:-)

BIT is the smallest unit of anything. At least since 1964, when IBM introduced a groundbreaking computer family. The symbol /360 stood for all-round vision, for 360 degrees, for the globe. And at its center is always the person.

For 50 years, we have known that not six but eight bits make a byte. Since then we have thought – without realizing – in terms of bits and bytes, in zeros and ones. Absolutely everything we want to use in the digital age is ultimately expressed in bits.

But those who – and for whom we – create, maintain and tend the world of bits and bytes are made of flesh and blood. By people for people.

If we look through all the systems made up of clouds and big data and stop seeing the people, everything that we do becomes quite opaque, non-transparent.

The largest unit of anything remains the human. And not only in the last 50 years, but since humans have existed.

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All-round vision

Simply different. That used to be USU's slogan. And in some ways this statement is still true. The 452 employees of USU Software AG and its subsidiaries live and work in a very special corporate culture.

On one hand, everything is very simple and direct. The paths from person to person are short. Be it your colleague, supplier, partner or customer.

It is as everybody wants it in principle. Uncomplicated, open, honest. What we do is quite transparent for everyone.

On the other hand, everything is also different. Because exactly this corporate culture, which is actually supposed to be something quite normal, is constantly highlighted by employees, partners and customers of USU as something very special. Why?

Other companies also cultivate open, direct, and sincere communication. What apparently sets us apart is the mix.

We don't know ourselves how this looks exactly. It is and will remain a mystery. And honestly, we don't even want to know.

Our corporate culture is magic without tricks. This magic is encountered everywhere. From the first moment on. And suddenly you become part of the magic that encompasses us all at USU ...

TO and from, up and down the stock markets go. We, the IT experts, make a considerable contribution to this unrest with our computer programs. The world became aware of this in the stock market crash of 1987. “The computer did it” was the self-critical headline of one IT trade journal back then.

But the advantages outweigh the disadvantages enormously. IT has made a massive contribution to the wealth collected in the stock markets increasing more than fivefold worldwide since 1983. For a long time, IT companies themselves have been the real heavyweights on the stock markets.

The effect of IT on business processes within and outside of companies, in networks, and on markets is often overlooked. I believe that the contribution is between 80 % and 90 %. Compare that to spending on IT and you see that obviously no other technology makes a bigger contribution to the value and growth of companies than IT.

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Plain to see

Of course we were pleased that the value of our company increased in parallel with stock market development in 2013. By 29.8 % to EUR 9.20 per share. Yes, we were even a little bit better than the DAX, although we do not enjoy anywhere near as much attention as the companies listed there. However, it is plain to see that our work, our knowledge, and our commitment are valued.

Although it may only be a tiny, barely calculable share, what we have done for our customers is somehow reflected in the development of their share prices, for example. Of course, this is also true vice versa. Because we are all part of a common market in which one asset above all is constantly traded: knowledge.

At USU Software AG, we say knowledge is the market. Knowledge has stimulated all markets since the start of the Industrial Revolution 250 years ago and is the major factor in our immensely increased prosperity. But today we have to add that knowledge is IT. We know so much that we can now only organize it with the help of IT. This is what companies like USU stand for.

However, with all the will in the world, we do not know what the share price will be at the end of 2014. The market will make that decision. But with the help of IT. It helps us all, companies, shareholders, analysts, the press, to create the transparency from which the entire financial world will gather its strength for the next upturn.

TIM Berners-Lee is the inventor of the World Wide Web. Its origins stretch back to 1989. Tim shared his invention with us all. Selflessly. Therefore, the WWW stands for openness and generosity to this day.

These are two virtues that were cherished for decades in the computer industry.

Maybe that is because we, the IT people, were always entrusted with the crown jewels of the economy: knowledge, experience, processes, ideas and innovations, in short everything that that makes us and our companies successful.

Sometimes I get the impression that we have lost sight of these values.

We look only at the costs, not at the value. We lack the values – and the words for values and worth.

I believe we have to start thinking beyond ourselves again. We must point the way. That is anything but easy and much less a matter of course.

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Partial view

Why do we sometimes do something without any personal benefit to us? We support an athlete, even though we know they will never become world champion. We help strange families without them ever hearing of us. We provide better IT equipment in schools. We open up our business premises to local artists for exhibitions. Our employees donate money to support social projects. Unconditionally.

Why do we do it? Maybe we just want to take a stand. A stand for humanity, for togetherness, for bravery and courage, for art and ability. Maybe it is also just a sign of gratitude for our own success. Maybe it is just humility.

In 2013, as in the years before, we supported the children's cancer charity Sabine-Dörges-Stiftung. We sponsored individual athletes via Deutsche Sporthilfe [German Sports Aid]. Schools were given new IT. Artists from the region exhibited their works on our premises. And we, the employees of USU and its subsidiaries, continued collecting money for social projects.

Admittedly, it does benefit us a bit. Doing good does you good.

2013 was a year of saving and waiting. Internationally. Ideas were brought forward, but not taken further. Projects were envisaged, but not taken forward. There was a lot of noise about the cloud. Big data became a political issue.

You could think that was nothing, somehow. But you'd be wrong. Experience shows that such quiet spells do not last long in IT. 18 months maximum, and then things liven up again.

The quiet spells mostly occur at the start of a new decade. But then IT turns up the volume. It happened in the 60s with mainframes, in the 70s with minicomputers, in the 80s with PCs and in the 90s with the Internet. Only in the last decade did everything shift forward. Because of the euro, the year 2000, the Y2K bug.

This changes nothing about the fact that were are now entering a new boom with smartphones, apps and tablets – a boom that encompasses all aspects of IT. I am looking forward to it.

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Outlook

Do we have to have patience with 2014? We at USU Software AG see a sales increase of over 13 % to between EUR 63 and 65 million and growth of adjusted EBIT of over 50 % to between EUR 8 and 8.5 million. We expect this despite market development on which forecasters are anything but agreed. It seems clear that there will be no crisis. But will it be a boom?

It is the time for decisions: thumbs up or down for the cloud? More or less of big data? Social media – in or out? Innovation or restoration? Neither good nor bad times. The future is anything but transparent. It is ambivalent.

For decades, the CIO had control of the IT budgets. In future, marketing will kick into high gear. According to the market research company Gartner.

No, the CIO will remain the insider. For only he knows what it's all about. He will lead the negotiations. According to the market research company Forrester Research.

No matter how companies decide, and no matter who decides, we at USU Software AG offer something with our subsidiaries that everybody needs.

We are making the future transparent. With our tools and services, companies can see what's going on. They see where their strengths and weaknesses are. They know whether they are spending too much or too little on IT. And if they draw the right conclusions from all these insights, then we really are faced with the next boom in 2014. It will last longer than a few months.

IT Analysis for Transparent Process Management

The Baloise Group, based in in Basel, Switzerland, is a European provider of insurance and pension solutions. In 2012, the Group began pooling its computer centers, which were spread around the world, in a central service unit. The target was to standardize and consolidate the processes and tools within the corporate IT, so that IT services would be available for the international companies with optimized and transparent costs. This required intelligent management of IT on the basis of meaningful indicators. Until then, data collection and consolidation had been carried out in Excel with great manual effort, and therefore only at long intervals. A central system for IT analytics was therefore to collate and process information from different IT management processes and source systems. After the establishment of an IT key indicator system, USU Service Intelligence was implemented and adapted for specific customers and the first change and client management processes were activated in 2013.

The IT reporting for the Baloise Group thus reached a new quality level. Aggregated data are now available on an ad hoc basis and serve to document costs and services and as a basis for important decisions. The role-based system offers detailed information about service composition and availability, relevant incidents or problems and service costs. The people responsible from IT or the international companies can create their own dashboards independently. These reports document services provided to the service customers and serve as evidence and substantiation in the event of queries.

"USU Service Intelligence has brought us an important step closer to our vision of a central service information platform. Already, our IT officers can get crucial information from business data and ITSM process data at the touch of a button."

Christian Scherer,
Member of Management/Head IT Service Management,
Baloise Group

Kanton Zürich
Baudirektion
Immobilienamt

Systematic Customer Service

The Building Department of the Canton of Zurich (BD) is a service company of the cantonal government. The 1,600 employees perform statutory tasks in the fields of construction, planning, and environment and provide various services for the population and economy.

In order to guarantee a customer- and user-friendly help desk, the BD's Real Estate Office evaluated the software market for suitable solutions. The objective was to compile and manage tickets and orders in an optimum manner in future with the support of a central, stable service management solution capable of handling multiple clients. The web-based system was to be flexibly adaptable to the requirements of the Real Estate Office's complex structure and also transferable to other offices.

After the evaluation of an extensive set of criteria as part of a tender invitation procedure, USU AG was awarded the contract ahead of nine other bidders. Alongside the functional coverage, the ergonomic interface of Valuemation, the good references and the trust in the USU project team personnel were all particularly crucial.

During the project work, the close involvement of the users and an exact detail specification proved to be factors for success. This guaranteed not only the system-support of individual requirements, but also a high level of acceptance among the users. As a result, Valuemation was also implemented as a central help desk tool in the IT and Human Resources departments and in the Office of Civil Engineering.

With the aid of the intelligent and synergistic USU applications, the Building Department can now offer high-quality customer service in various forms and significantly reduce process costs with the optimized management of tickets and orders.

"With Valuemation, the Building Department's complex and diverse environment can now be adapted and mapped easily. It has become a leading system for the Real Estate Office, IT, the Office of Civil Engineering and the Human Resources department. The challenging road to this point was worthwhile."

Daniel Tanner,
Head of Real Estate IT Systems, REO, Building Department of the Canton of Zurich

Center for the International Service Desk

Oerlikon is a highly innovative industrial group specializing in machinery and plant engineering. In 2012, 12,700 employees generated sales of CHF 2.9 billion at around 160 locations in 34 countries.

The service desk of Oerlikon Leybold Vacuum, based in Cologne, manages approximately 1,600 employees and around 120 services at 15 locations worldwide. The IT department organizes its entire service desk and administrates the complete IT infrastructure with myCMDB. License, leasing and internal agreements for accounting for the use of hardware are also mapped with myCMDB, read out as reports and forwarded to Controlling for cost center accounting. All incidents are saved in myCMDB – more than 500,000 calls have been recorded in the database so far.

Queries, problem reports and requests are put to the service desk in English via e-mail or telephone. Every day, the first level receives approximately 40-50 calls on various topics. The IT organization, which is decentralized in business units worldwide, acts as a service provider within the Group and is responsible for client engineering, server operation, network availability, SAP management, and SAP hosting.

“The cooperation with OMEGA Software when converting to myCMDB was impeccable. As soon as a problem arose, we were offered help. Our goal was to provide all the functions of the predecessor system INSEL in myCMDB, but with a more modern structure. We achieved this goal; we are very satisfied with myCMDB and the new interface. I would particularly like to highlight myCMDB’s history function, because we can see at a glance – also with the aid of the graphical illustration – how the reciprocal relationships look. The reports in myCDMB are also a true highlight.”

Daniel Bergerhausen,
Project Manager,
Oerlikon Leybold Vacuum

Everything in Sight: 360° View of Business Services

The success story of s.Oliver Bernd Freier GmbH & Co. KG began in 1969 with the opening of the first retail store in Würzburg. Within a few decades, the company became a leading European fashion and lifestyle company offering products for the whole family.

Nine product lines are each turned into twelve collections every year by various design teams.

In total, the company currently manages 205 proprietary stores and 351 stores together with partners and is represented in 2,864 shops and on 3,883 m^2.

s.Oliver was looking for an efficient solution for an "umbrella system" and the monitoring of its business services. In December 2012, s.Oliver chose to meet these requirements by adopting LeuTek GmbH's ZIS system.

The project focused on integrating the existing varied monitoring landscape for a central view of IT. The transparent mapping and monitoring of s.Oliver's business services was performed on this basis. Integrated analyses, such as root-cause and impact analyses, result in faster trouble-shooting. Thanks to ergonomic dashboards, business and IT users are shown a clear representation of the issues relevant to them.

Compliance with the agreed SLAs is monitored in realtime and shown in corresponding reports. The overall monitoring process is rounded off by a central warning system, including escalation management.

The transparency achieved by this project in combination with the monitoring solution from LeuTek GmbH now allows s.Oliver to act proactively and ensure high-quality services.

"With LeuTek GmbH's ZIS system, we created a central and transparent view of our services within a short space of time, which enables us to identify faults early and thus considerably increase service availability. We were very impressed by the cooperation with LeuTek."

Marius Strassberger,
Manager of IT Services Projects,
s.Oliver Bernd Freier GmbH & Co. KG

climate of innovation

Sustainable Service Communication

“Do you have a question about heating technology or want information about current issues? Then connect with us on Twitter, Facebook, Youtube, and visit our blog. On these channels, you will find up-to-date information on our products, services, apps, and news about heating technology.”

This has been Viessmann Werke’s additional service offering for some months. The leading international heating systems manufacturer thus offers the entire range of social media for making contact alongside the usual communication channels like telephone and e-mail. In 2012, Viessmann commissioned the specialists B.I.G. Social Media and Lithium to implement a new service concept and provide a solution to enhance existing customer service. The USU subsidiary BIG supplied the monitoring system. A social platform allows dialog between business partners, heating industry experts such as heating installers, architects and engineers, and internal employees. This creates the space required to discuss valuable expert knowledge, internal and external know-how and innovative ideas in a mutual exchange and to develop them together. With this best-practice approach, Viessmann ensures up-to-date customer service and is a pioneer in its industry.

In addition to interactive dialog with customers, employees and experts, Viessmann offers its own blog on issues such as renewable energy, new heating technologies and sustainability. Practical contributions on the functioning of a heat pump or an ice storage system complement the information platform and are a source of knowledge for customers and consumers.

“Since the start of the social service, we have observed increasing engagement on the part of the users – the dialog is accepted and used extensively. The feedback on our new offering has been very positive. The solutions from B.I.G. Social Media and Lithium help us to map this dialog internally and manage it efficiently.”

Stephan Burger,
responsible for new media marketing,
Viessmann Werke GmbH & Co. KG

VOITH

Software Asset Management @ Voith

Voith sets standards in the energy, oil & gas, paper, commodities, and transport & automotive markets. Founded in 1867, Voith is now one of the largest family companies in Europe with more than 43,000 employees, sales of EUR 5.7 billion and locations in over 50 countries. The decentralized structure and the various legal and cultural conditions presented Voith with particular challenges when implementing compliant software asset management. Over the years, gathering and consolidating the license-relevant software date began to take up a lot of resources.

A project for Group-wide central software asset management not only targeted the installation of an appropriate license management tool, but also the establishment of the necessary procedural, technical and organizational conditions. In addition to the economic safeguarding of compliance, transparency in the commercial and the used status of Microsoft licenses was also a major factor.

Those responsible at Voith chose Aspera and its SmartTrack solution on the basis of the technical expertise of the consultants and the functionality and interoperability of the system.

The project was implemented at Voith in several stages. The objective of the first implementation phase was to utilize SmartTrack productively for the license management of all clients and the Microsoft standard products. The second project stage concerned the complex issue of server-license management for Microsoft, which was successfully realized on schedule in January 2014.

Today, license management is valued highly, and there is great trust in the quality and validity of license data. With the support of SmartTrack, not only compliance is guaranteed. The transparent overview of the required licenses also results in clear cost advantages in contract and purchasing negotiations with software manufacturers.

"With Aspera's expertise and technology, we actively implemented our ideas for central license management, redesigned the processes, and successfully realized our goals."

Michael Bonk,
Head of Commodity Competence Center IT & Corporate License Management,
J.M. Voith GmbH & Co. Beteiligungen KG

Intelligent Self-Service

For a customer service project of Wien Energie GmbH, the universal IT service provider of Wiener Stadtwerke (Vienna public utility company), WienIT EDV Dienstleistungsgesellschaft mbH & Co KG, evaluated the software market at the start of 2013. The largest Austrian energy supplier aimed to further improve and increase the efficiency of its online services for its approximately two million customers. Ease of use and the simple creation and maintenance of website content were of particular importance. In addition, an increase of quality in sales/customer service was planned. After international tendering and the evaluation of an extensive set of criteria, those responsible chose USU AG and the USU KnowledgeCenter knowledge database.

The objective of the first phase of the project was to establish a self-service solution for end customers on Wien Energie's website and to significantly reduce the burden on the call center with this additional service channel. In the event of questions or problems, every energy customer should be able to quickly orientate themselves and find the right solutions in the support section of the website even as a non-expert, e.g. when it comes to moving home or reading the meter.

For this purpose, Austria's largest utility company provides FAQs in the context of the relevant question. The option to give feedback is also integrated. Helpful documents can thus be labeled accordingly. The most popular search topics are shown in a separate box so that searchers can access this content directly. Overall, the content is presented in line with the topics searched for from the perspective of the end customer. Since the successful implementation of the knowledge platform in October 2013, the number of self-service users has risen drastically in a short space of time.

"The website is becoming increasingly important as an information and service platform. By providing important self-service content and making it easy to use, we offer our customers and all interested parties quick access to valuable knowledge as needed. USU makes an important contribution to this."

Mag. Rainer Pelz,
Head of Sales Development & Coordination,
WIEN ENERGIE GmbH

Bundesministerium
des Innern

115 – We Love Questions

With the idea of a single telephone number for contacting the authorities – 115 – a new multi-level cooperation between federal, state and local governments was launched at the IT Summit at the end of 2006 for greater proximity to the public and the reduction of bureaucracy in Germany. After a long conception phase, the large-scale 115 project, ambitious because of its complexity and the many different entities involved, was piloted in March 2009. A key role was assigned to integrated knowledge management, which enables the service employees to pull up the relevant documents quickly as needed and to provide competent answers. This was the only way to guarantee a standardized, uniform and multi-level information service. USU AG supplied the knowledge management technology as part of the consortium.

After the pilot and project phase was successfully completed, 115 went live in April 2011. In the context of further development, USU was awarded a contract to realize a new 115 platform, which was implemented after the migration, acceptance testing and training. Significant aspects included accessibility and the implementation of a security concept in accordance with BSI standards.

In the meantime, 115 has proved a success. And it is expanding further: At the start of 2014, the public administration's customer service is available to more than 27 million citizens in 350 municipalities. The feedback from citizens is markedly positive, especially as the service promise has been significantly exceeded in terms of availability, direct resolution rates and response times. Awareness is also growing steadily – around half of all German citizens are now thought to know about 115. However, a few big challenges must still be overcome on the way to universal availability.

"We have made good progress toward a comprehensive, integrated citizens' service. The implementation of knowledge management is a success factor here."

Silke Leßenich,
Head of the 115 Business and Coordination Office
of the Federal Ministry of the Interior

Advisory Board of USU Group

The business performance and future potential of innovative companies like USU Software AG and its subsidiaries is closely connected to successful, trust-based cooperation with its customers and other interested parties. This means offering customers a permanently high level of service and sustained added value in the interests of a long-term partnership.

With its product and service-oriented product portfolio, the USU Group therefore aims to achieve immediate cost-cutting for users while generating more efficient and more effective IT processes. This results in a strategic win-win situation for both USU and its customers.

All our efforts are founded on a strict customer focus, which the USU Group practices as the fundamental principle for its business strategy. In doing so, USU has benefited for more than 36 years from its ability to identify market trends, technological developments and customer requirements comprehensively and at an early stage and to derive market-oriented innovations from this, implement them in its portfolio, and market them successfully.

The Advisory Board provides extensive support to the USU Group. The members of the Advisory Board deploy their excellent technical skills and sound management experience to provide assistance to USU. The members of the Advisory Board are businessmen with a wealth of experience and impact in the field of information technology. Most of the members of the Advisory Board are direct customers of USU Software AG and its subsidiaries.

At the regular meetings of the Advisory Board with the Management Board and the management team of USU, discussions cover current topics and strategic developments on the market and within the USU Group as well as future trends. The primary aim of such discussions is, and remains, to meet customer needs sustainably and thereby strengthen and develop customer relationships on the basis of a trusting partnership.

The list of members of the USU Group Advisory Board when the 2013 Management Report went to print was as follows:

Carsten Pfläging,
Member of the Management Board of Fiducia IT AG

Stephan Bühring,
Management spokesperson, gkvi informatik

Andreas Dümmler,
IS Manager, Arburg GmbH & Co. KG

Frank Karsten,
Chairman of the Management Board
of Stuttgarter Versicherungsgruppe

Joachim Langmack,
Management consultant

Stefan Leser,
Executive Vice President / Division Smart /
CEO Kuoni Schweiz, Kuoni Travel Holding Ltd.

Werner Schmidt,
Member of the Management Board of LVM-Versicherung

Ralf Stankat,
Chief Representative of Wüstenrot & Württembergische AG

Klaus Straub,
Division Manager – Organizational Development, BMW

Werner Strohmayr,
Chairman of the Supervisory Board of all HUK companies

In the interests of continuity, the USU Group Advisory Board members are appointed for a period of two years and may be reappointed on expiry of a period in office.

The Management Board would like to thank the members of the Advisory Board for their well-founded suggestions, their great commitment and their excellent support for the successful further development of the USU Group, and looks forward to continuing the partnership.

Report of the Supervisory Board of USU Software AG

Dear shareholders,

After a modest start, USU Software AG closed fiscal 2013 with a record-breaking quarter while laying the foundation for future growth. For example, the company not only invested in new employees and products, but also in new technologies and trends in the form of the social media company BIG. With regard to the 2017 target, which foresees consolidated sales of more than EUR 100 million along with an increase in profitability, the Management Board has initiated the steps required to continue successfully on the course of growth taken in recent years. The pre-investments this required affected the Company and Group results accordingly in 2013, but they also create enormous growth potential for the years to come. In the interests of a shareholder-friendly dividend policy and long-term dividend continuity, the Supervisory Board has agreed to the Management Board's proposal for the appropriation of net profit for fiscal 2013, which involves proposing a dividend at the previous year's level of EUR 0.25 per share to the Annual General Meeting of USU Software AG on June 24, 2014.

Performance of Supervisory Board Duties

In the 2013 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 continuously monitored and advised the Management Board in its activities. The Management Board regularly, promptly and comprehensively informed the Supervisory Board of the development and position of USU Software AG and the Group, any deviations of business performance from original planning, risk management and compliance, key business transactions, and further corporate planning. The Supervisory Board intensively oversaw the business development of USU Software AG and the Group and was in close contact with the Management Board during the year, even outside of Supervisory Board meetings. The Supervisory Board was directly involved at an early stage in 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.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Supervisory Board and Management Board of USU Software AG in the 2013 fiscal year.

Since the Supervisory Board comprises three members, no committees were set up in the 2013 fiscal year, as in the previous year. Independently of this, the Supervisory Board of the Company jointly assumes the tasks of these committees.

Meetings of the Supervisory Board and Main Points of Discussion

Four ordinary Supervisory Board meetings were held in the reporting year. All members of the Supervisory Board attended all meetings in person. This means the average meeting attendance rate of the Supervisory Board members was 100 %.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Chairman of the Management Board of USU Software AG and by the Management Board and Directors of the subsidiaries as necessary, focused on the business development, the net assets, financial position, results of operations and the strategic planning of USU Software AG and the Group. In this context, the Supervisory Board was informed about the course of business of USU Software AG and its subsidiaries, in particular B.I.G. Social Media GmbH ("BIG"), in which the Company acquired a majority in 2013, about the progress of the partnership agreement with CA Technologies and the associated activities, and about the Group's current innovation projects. At meetings of the Supervisory Board, the Management Board of the Company regularly reported on the development of the sales, earnings, profitability and liquidity of the Company and the Group. The Supervisory Board, together with the Management Board, also discussed risk management for USU Software AG and the Group as a whole, and defined in detail the prevailing risks and planned strategies and measures to control and manage risk. The Management Board also gave details of the ongoing 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 shareholder structure, and the associated activities of the Management Board in the area of investor relations, was another issue that was dealt with regularly.

The two-day Supervisory Board meeting on March 12/13, 2013 started with reports from the Management Board of USU Software AG and the management of the subsidiaries on the Company's business performance and further planning with regard to the Group target announced for 2017.

The management of BIG, in which a majority was acquired, reported on the business development of the new USU subsidiary for the first time. Furthermore, the Supervisory Board learned about the status of the USU Group's innovation projects and the progress of the finalization of the partnership with the US software group CA Technologies and discussed the measures for overcoming the utilization shortfalls in the service business with the divisional managers. To close the first day, the Management Board's remuneration targets were discussed and approved. At the accounts meeting on the second day, the auditor reported on the key findings of its audit of the accounts, the separate financial statements, the consolidated financial statements, and the combined management report and was available for additional information and questions. The Supervisory Board approved the year-end closing documents following in-depth discussion with the Management Board of the Company and the auditor, adopted the separate financial statements, and approved the recommendation of the Management Board to propose to the Company's Annual General Meeting a dividend of EUR 0.25 per dividend-bearing share. Finally, the agenda items for the 2013 USU Software AG Annual General Meeting were discussed and set.

At the Supervisory Board meeting on June 6, 2013, which took place after the Company's Annual General Meeting, the Management Board reported on the performance of USU Software AG and the Group as a whole, and gave its outlook for anticipated business development in subsequent quarters. In addition, divisional managers described the status of major projects and innovation projects.

The Supervisory Board meeting on September 24, 2013 focused on the development of the new Group subsidiary BIG, progress in the innovation projects, and the improvement of utilization in the service business. The targeted expansion of the workforce in the product segment to implement the Group target for 2017 was also discussed.

The Supervisory Board meeting on November 27, 2013 focused on the current business development of USU Software AG and the Group as a whole, projections for the full 2013 fiscal year and prospects for the following year. With the Management Board members and Directors of the subsidiaries present, the Chairman of the Management Board of USU Software AG reported on the status of the year coming to a close and the key financial and operational targets for fiscal 2014. The Supervisory Board discussed the plans in detail with the Management Board and unanimously approved the planning. Another topic covered at 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. Furthermore, the Supervisory Board performed an efficiency audit in accordance with figure 5.6 of the German Corporate Governance Code 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, and will remain in future, the focus of the activities of the Management Board and Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On November 27, 2013, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with Section 161 AktG on the same day and subsequently made it permanently available on the Company's website. This declaration of conformity is included in the combined management report in this annual report, as part of the Statement on Corporate Management of USU Software AG in accordance with Section 289a of the German Commercial Code ("HGB").

Audit of the Separate and Consolidated Financial Statements

Die Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, was appointed as auditor for the fiscal year 2013 in accordance with the resolution of the Annual General Meeting on July 6, 2013. The objects of the audit were the accounting, the 2013 financial statements, prepared in accordance with the HGB, the 2013 consolidated financial statements, prepared under Section 315a HGB in accordance with the provisions of the International Financial Reporting Standards ("IFRS"), as applicable within the European Union, and the additional requirements of German law under Section 315a (1) as well as the accompanying combined management report for fiscal year 2013. The financial statements of USU Software AG, the consolidated financial statements and the combined management report for fiscal year 2013 were each issued with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned year-end closing documents, including the Management Board's proposal on the appropriation of net profit and the auditor's reports, for examination in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 14, 2014. Following its own examination and an extensive discussion with the Management Board and the auditors, the Supervisory Board concurred with the findings of the audit and raised no objections. The Supervisory Board approved the financial statements and consolidated financial statements presented to it by the Management Board as well as the combined management report for fiscal year 2013. 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, 2013, ascertained in accordance with HGB at EUR 4,734 thousand, will be appropriated as follows:

- to pay a dividend of EUR 0.25 per share for 10,523,770 shares, amounting to a total of EUR 2,631 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 2,103 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with Sections 289 (4) and 315 (4) HGB and the corresponding report. Further information can be found in the disclosures and explanations in the combined management report for the 2013 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, 2013 to December 31, 2013 (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 Wirtschaftsprufüngsgesellschaft, 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

After the successful end to the 2013 fiscal year, which was dominated by high investments in growth, I would like to extend sincere thanks on behalf of the entire Supervisory Board to all employees of USU Software AG and its subsidiaries for their constant commitment, their loyalty and their passionate dedication to the prosperity of the whole USU Group. I would equally like to thank the management teams of the subsidiaries for their work and their dedicated support of the Company's Management Board. My special thanks go to the Chairman of the Management Board of USU Software AG, Mr. Bernhard Oberschmidt, for his determined and purposeful commitment and extremely constructive collaboration in a spirit of mutual trust.

Möglingen, March 14, 2014

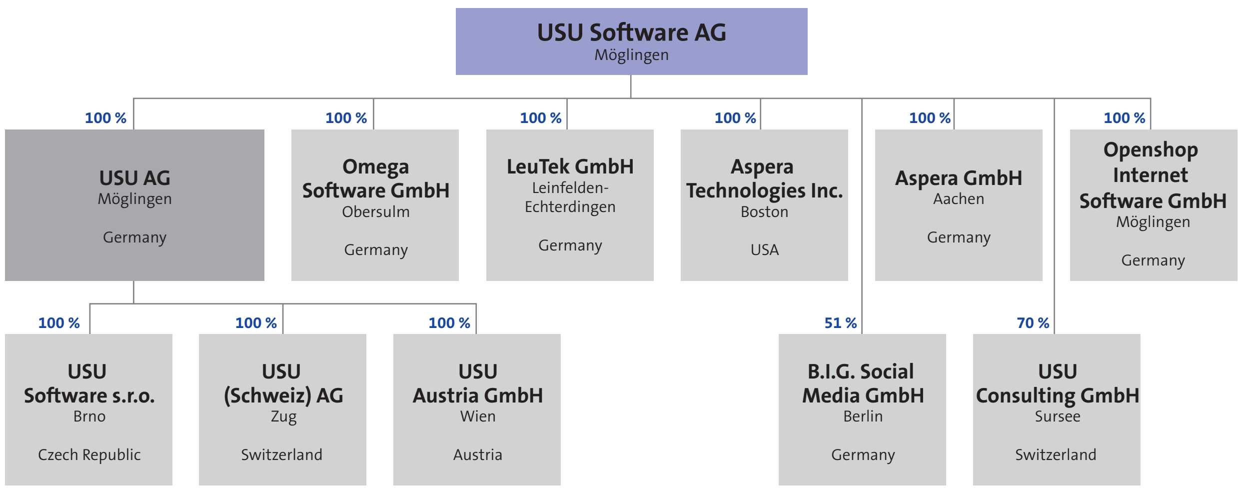
For the Supervisory Board

Udo Strehl
Chairman of the Supervisory Board of USU Software AG

Management Report on the Company and the Group for Fiscal Year 2013

BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

USU Software AG and its subsidiaries



Source: USU Software AG

As the parent company of the Group, USU Software AG, Möglingen, Germany, directly or indirectly participates in the following operational companies: Aspera GmbH, Aachen, Germany; Aspera Technologies Inc., Boston, USA; LeuTek GmbH, Leinfelden-Echterdingen, Germany; Omega Software GmbH, Obersulm, Germany; USU AG, Möglingen, Germany; USU Austria GmbH, Vienna, Austria; USU Consulting GmbH, Sursee, Switzerland; USU (Schweiz) AG, Zug, Switzerland; USU Software s.r.o., Brno, Czech Republic, and B.I.G. Social Media GmbH, Berlin, Germany, in which a majority interest was acquired with effect from January 15, 2013. BIG Social Media GmbH ("BIG"), an international provider of SaaS solutions for enterprise customers in the field of social media management, is fully consolidated in these consolidated financial statements for 2013. USU Software AG also has ashareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.

Business model, objectives, strategies and controlling system

USU Software AG and its subsidiaries (hereinafter also referred to as "the USU Group" or "USU") develop and market end-to-end software solutions for knowledge-based service management. The range in the product segment includes solutions in the Business Service Management segment for efficient and cost-effective application of the IT infrastructure within companies and in the Knowledge Solutions segment for the optimization of knowledge-intensive business processes. The Group also provides consulting services for IT projects and individual application development in its service segment.

In addition to a marked improvement in service, USU customers also gain significant potential for savings, meaning that investments in the USU Group's software solutions pay off in a very short space of time and therefore result in a win-win situation for both USU and its customers. Accordingly, the USU Group's customer base now comprises more than 500 companies from all sectors of the economy, especially from IT-intensive sectors such as insurance and banking, including Allianz, BASF, BOSCH, BMW, DEVK, EDEKA, Generali, Hannover Rück, HDI Gerling, Jacobs Engineering, LVM, Texas Instruments, VW, W&W and ZDF.

USU Software AG has set itself the goal of achieving above-average growth in its consolidated sales in comparison to the IT market as a whole in the coming years while also further increasing profitability. The focus here will be on organic growth through innovations and by expanding the Group's international market presence, although inorganic growth in the form of acquisitions and equity investments also forms part of the corporate strategy. The medium-term plan forecasts sales growth to over EUR 100 million and a further increase in the operating earnings margin on the basis of adjusted earnings before interest and taxes (adjusted EBIT) by 2017.

As the consolidated earnings of the USU Group under IFRS have been and continue to be influenced by various extraordinary items which make it difficult to compare USU's earnings power from year to year, the company has calculated its adjusted consolidated earnings for information purposes. This shows consolidated earnings adjusted for the amortization of intangible assets capitalized as a result of business combinations and additional non-recurring effects due to acquisitions plus the corresponding tax effects. Furthermore, on the basis of these adjusted consolidated earnings, USU Software AG reports consolidated earnings per share using the average number of shares outstanding. Adjusted EBIT is also reported and serves as an important planning and control parameter. Adjusted consolidated earnings, adjusted EBIT and adjusted earnings per share are not key indicators under IFRS.

Research and development

In order to offer its customers practice-driven products and solutions based on state-of-the-art technology, the USU Group invested a total of EUR 9,426 thousand (2012: EUR 7,240 thousand), or 16.9 % (2012: 14.1 %) of consolidated sales in research and development in the 2013 fiscal year. With 151 employees working in research and development throughout the Group as of December 31, 2013 (2012: 116), the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide product portfolio, which is combined in USU's Knowledge Business product suite.

One key focus of development activities in 2013 was the implementation of new product innovations. At the subsidiary USU AG, stepping up the product campaign included the development of USU Service Manager, an end-to-end cloud or on-premise solution for the specification, administration and management of a company's IT service portfolio. This allows the company's IT to achieve a high degree of standardization and efficiency. Alongside this, another product innovation, USU Service Intelligence, was developed further in close cooperation with initial reference customers. USU Service Intelligence is an intuitive software tool that allows companies to prepare, analyze and manage their IT data in an intelligent way. The tool provides support in the form of predefined key figures and individual dashboards, allowing customers to identify and rectify any dependencies or weak points in their operations and any deviations from the strategic orientation of their IT organization at a glance. In the innovation project USU Lifebelt, which enables a company's employees to help themselves when IT problems arise, activities during the year under review included the development of a report tool that provides a comprehensive overview of the successful use and the optimization potential of the installed application.

Another new product whose development began in the 2012 fiscal year is USU KnowledgeScout, an interactive advice system for technical customer service for efficient diagnosis of errors. Expert knowledge can be recorded in a clearly structured way, prepared and made available throughout the company. Following its launch, the first customer projects have already been successfully completed and further development of the product has been implemented in line with the roadmap, which includes extended functions for logging completed diagnosis processes, feedback options and the multiple languages of the online and offline client.

As well as implementing new software products, the existing portfolio was also developed further in the year under review. At the end of the year under review, the subsidiary USU AG completed release 4.4 of Valuemation, the modular USU product suite for IT management at large corporations and in the upper midmarket for central presentation, administration, monitoring, control and originator-based billing of the entire IT system of a company or group. The new Valuemation version implements improvements in the user interface, software ergonomics and accessibility and expands the SaaS range. The new release 6.2. of USU AG's knowledge management software USU KnowledgeCenter was also developed in the period under review. With its many assistance systems and integrated workflows, it provides a central work and process platform for the key day-to-day tasks of call centers and service centers. Similarly to a navigation system, the application leads the service employee to the right knowledge automatically and accurately so that customers can be provided with the individually required information directly with their first contact. As an active knowledge database, USU KnowledgeCenter 6.2 links all communication channels and thus also provides up-to-date social media and self-service information.

At the subsidiary Aspera GmbH ("Aspera"), the range of language versions was expanded in the context of combining its SmartTrack license management software with the software from the partner CA Technologies ("CA"), so that SmartTrack is now available in French, Spanish, Italian, Brazilian Portuguese and Japanese as well as German and English. KPMG Deutschland AG, a leading audit firm, had already attested at the beginning of 2013 that SmartTrack has all properties required for the management of software licenses in companies. During the year under review, Aspera also developed a license optimization and simulation module that analyzes the virtualized server infrastructure on a fully automated basis and makes qualified suggestions for the best licensing alternative for the company, taking account of the existing license situation. Furthermore, the new module allows for potential cost savings to be calculated and reported to aid with decision-making.

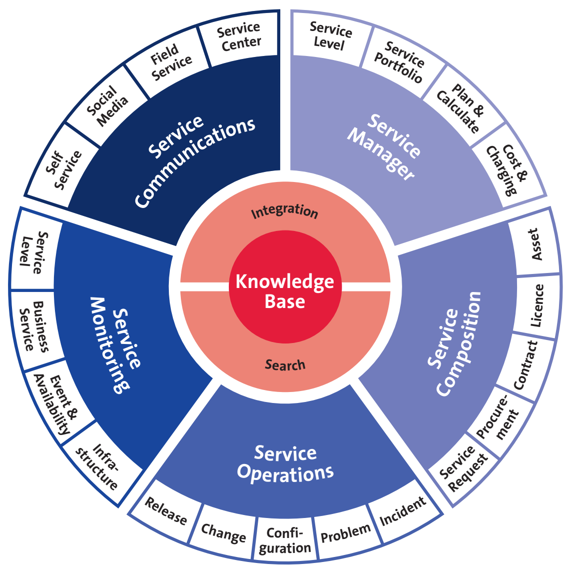
After the launch of its monitoring software ZIS-System 5.6 with several new features and improvements in the design, the subsidiary LeuTek GmbH ("LeuTek") began developing the new version 5.7 in the period under review, which is expected to be completed in the first quarter of 2014. The main focus of this version is that it provides apps for mobile devices, allowing the IT professionals to maintain an overview of the availability of their IT and business services at all times. In addition to the status information, standard reports and key performance indicators for defined service groups are also offered for mobile devices.

Customer-based function extensions were also implemented in the period under review for myCMDB, an IT management product suite developed by USU's subsidiary Omega Software GmbH ("OMEGA") and geared towards the midmarket. In addition to traditional IT management, OMEGA also implemented a range of other standard services, such as Mobiledesk for the administration of cell phones, smartphones and SIM cards, Facilitydesk for the administration of buildings, rooms, furniture and non-IT equipment, and Fleetdesk for the administration of company vehicles.

The subsidiary BIG, in which a majority interest was acquired at the start of 2013, developed the new version of the social media analysis tool BIG SCREEN 3.0 in the reporting period. The main feature of the new version is the real-time capability of all of the analytical components, which means that searching and analyzing online posts in social media and including the relevant information in all analyses and statistics can take place in near real-time. With regard to BIG CONNECT, BIG's software tool for professional and efficient online customer dialog, the focus was on further developing user friendliness and integration functions.

BIG also began a new innovation project, "Social CRM". In contrast to traditional CRM systems, which only aim to manage the relationship between companies and customers, Social CRM serves to analyze relationships between different customers and target groups and their attitude towards the company in order to react to them quickly and gear the company's communication processes to their needs. In this context, it is no longer just data relating to customer acquisition, purchases, repeat purchases and complaints that are saved, but also opinions and communication activities by customers and target groups of the company – entirely legally and transparently. BIG's Social CRM thus enables companies to respond to existing and potential customers even better in the future.

The USU Group's Knowledge Business product suite



Source: USU Software AG

ECONOMIC REPORT

Summary

In the 2013 fiscal year, USU Software AG and its subsidiaries increased consolidated sales under IFRS by 8.8 % to EUR 55,713 thousand (2012: EUR 51,229 thousand). In addition to organic growth of the existing subsidiaries, the acquisition of a majority interest in BIG in early 2013 also contributed to this business growth. While product business increased significantly, sales from consulting-related service business were lower than in the previous year. This was largely due to the end of several major projects as of the end of 2012 whose targeted continuation was postponed indefinitely, resulting in utilization shortfalls for in-house and freelance employees in the service segment which could not be compensated in the short term.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were up slightly year-on-year at EUR 5,490 thousand (2012: EUR 5,265 thousand). Whereas in 2012 operating earnings were impacted by an extraordinary effect from the final Aspera acquisition, in the year under review the launch of the growth initiative had the effect of reducing earnings. In view of the planning for 2017, which stipulates sales in excess of EUR 100 million together with an increase in the margin within the next four years, the USU Group made targeted investments in the expansion of the Group portfolio in 2013. In addition to several new product developments such as USU Service Manager, a software tool for the specification, administration and optimization of a company's IT service portfolio, and USU Service Intelligence for intelligent analysis, preparation and management of a company's IT data, USU's portfolio now also includes solutions for the fast-growing social media market as a result of the acquisition of a majority interest in B.I.G. Social Media GmbH. USU also brought about a targeted increase in the Group's workforce of almost 25 % to 452 employees (2012: 362). As a result of the cost increases associated with the above investments in the future, increased pre-investments in the partnership with the US software group CA and the modest business performance in the Service Business segment, the overall profit development fell short of the original expectations.

EBIT totaled EUR 3,408 thousand in the 2013 fiscal year (2012: EUR 3,528 thousand), while EBT amounted to EUR 2,871 thousand (2012: EUR 3,435 thousand). Mainly as a result of the recognition in profit or loss of deferred tax assets on tax loss carryforwards of USU Software AG, USU generated consolidated tax income of EUR 775 thousand in the period under review (2012: EUR 1,380 thousand). Owing to the above-mentioned measures to accelerate growth, the consolidated net profit of the USU Group was also down on the previous year's level at EUR 3,646 thousand (2012: EUR 4,815 thousand). In relation to the average number of shares outstanding of 10,523,770, this corresponds to earnings per share of EUR 0.35 (2012: EUR 0.46). After adjustment for acquisition-related non-recurring effects, the USU Group generated adjusted EBIT of EUR 5,083 thousand (2012: EUR 7,065 thousand). Adjusted consolidated earnings amounted to EUR 5,169 thousand (2012: EUR 7,219 thousand), corresponding to adjusted earnings per share of EUR 0.49 (2012: EUR 0.69).

As a result of lower income from investment holdings in the subsidiaries due to increased expenses for the expansion of business operations, the net profit of USU Software AG calculated in accordance with HGB also declined to EUR 3,024 thousand (2012: EUR 4,113 thousand).

After the 2013 investment year, the Management Board believes that USU Software AG is successfully positioned to be able to positively implement the medium-term targets of consolidated sales of more than EUR 100 million together with an increase in the adjusted EBIT margin to over 15 % by 2017. For the 2014 fiscal year, the Management Board already anticipates an increase in sales to EUR 63 – 65 million (2013: EUR 55.7 million), corresponding to organic sales growth of over 13 %. Adjusted EBIT is expected to rise by more than 50 % to EUR 8 – 8.5 million (2013: EUR 5.1 million) in the same period.

In view of the profit generated by USU Software AG in 2013, the positive prospects for the following year and the company's dividend policy, which stipulates the distribution of roughly half of the profit to USU shareholders while at least maintaining a constant dividend in comparison to the previous year, the Management Board and the Supervisory Board of USU Software AG will propose a dividend at the previous year's level of EUR 0.25 per share at the Annual General Meeting on June 24, 2014.

With increased Group liquidity of EUR 14,231 thousand as at the end of the 2013 fiscal year (December 31, 2012: EUR 11,408 thousand), USU has sufficient cash and cash equivalents for future investments and acquisitions, despite the purchase price paid in the year under review for the acquisition of a majority interest in BIG and the dividend paid to USU shareholders.

Overall Economic Development

According to the German Federal Statistical Office[1] (Destatis), the German economy proved stable on average in 2013. After economic growth in Germany only stagnated in Q1 2013 as against the previous quarter, gross domestic product (GDP) after adjustment for inflation, seasonal and calendar effects picked up slightly in the three subsequent quarters. Positive impetus arose in particular from domestic consumption by private households, while capital expenditure decreased again overall. According to Destatis, Germany's foreign trade also lost momentum in 2013 owing to the difficult foreign trade conditions. Although Germany exported more goods and services than in the previous year, at the same time imports increased at a higher rate, meaning that overall the trade balance had a negative impact on German GDP growth. All in all, GDP in Germany rose by 0.4 % year-on-year after adjustment for inflation (2012: 0.7 %). According to the Leibniz Institute for Economic Research[2] ("ifo"), the global economy also posted an increasingly positive upward trend over the course of the year, which was attributable to the beginning of an economic upturn in advanced economies. By contrast, the pace of economic expansion slowed significantly in some cases in a number of emerging economies. Overall, total global economic output increased by 2.7 % in 2013, after a rise of 3.2 % in the previous year.

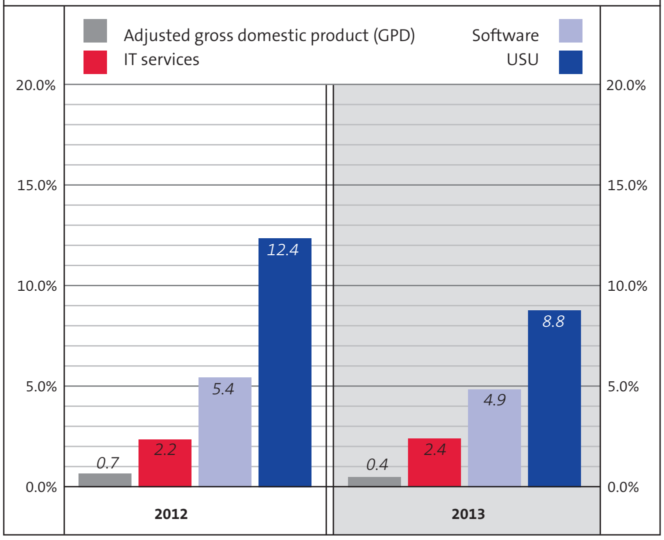
Sector Development

High-tech companies in Germany from the fields of information technology and telecommunications (ICT) significantly outperformed the economy as a whole in 2013, but were unable to break away completely from the unstable global economic environment. According to the latest forecasts published by BITKOM[3] (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.), sales from products and services of the German ICT sector rose by a total of 1.0 % during the reporting year, following an increase of 2.8 % in 2012. This growth was largely driven by software companies, with generated an above-average sales increase of 4.9 % in the reporting period (2012: 5.4 %). According to BITKOM, there was particularly strong demand for innovative solutions in the areas of cloud computing, big data and mobile applications. However, statements from BITKOM indicate that IT service providers also recorded an above-average growth rate of 2.4 % in the year under review, following sales growth of 2.2 % in 2012. According to the US market research company Gartner[4], the market for ICT solutions increased by only 0.4 % worldwide, after an increase of 2.4 % in 2012.

Business Development

USU Software AG and its subsidiaries generated record sales in the 2013 fiscal year thanks to a successful second half of the year. While software and IT service companies in Germany grew by only 4.9 % and 2.4 % respectively, the USU Group generated an above-average increase in sales of 8.8 %.

Comparison of German economics and market growth and USU Group sales growth in per cent



Source: USU Software AG, Destatis, BITKOM

There was a positive sales contribution in the 2013 fiscal year from B.I.G. Social Media GmbH, in which a majority interest had been acquired and whose financial data were fully consolidated in these annual and consolidated financial statements with effect from January 1, 2013. BIG is an international provider of SaaS solutions for enterprise customers in the area of social media management. The company's prestigious clientele includes global companies such as Audi, BOSCH, Microsoft, Deutsche Post/DHL, Lufthansa, O2 and Viessmann. In addition to the inorganic growth effects, USU also benefited from increased income from sales from the existing portfolio and initial sales contributions from new product innovations. These innovations were developed as part of a growth initiative launched in the year under review in order to accelerate the Group's growth in view of the planning for 2017, which stipulates sales in excess of EUR 100 million together with an increase in the operating earnings margin within the next four years. In the same process, the Group's workforce was selectively expanded in the Product Business segment. Together with weaker service business that is not dependent on specific products, the associated additional expenses reduced profitability in the short term, with the effect that

[1] Press release from the German Federal Statistical Office from January 15, 2014
[2] ifo Economic Forecast 2013/2014 of the Leibniz Institute for Economic Research from December 17, 2013
[3] Press release from the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. from October 22, 2013
[4] Gartner Worldwide IT Spending Forecast from December 27, 2013, published on www.gartner.com

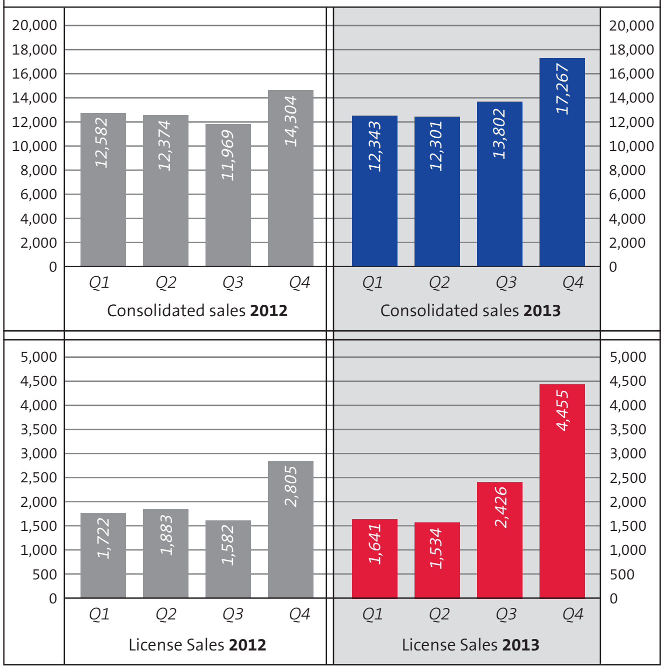
the sales and earnings targets for 2013 were not achieved. However, the successful implementation of the growth strategy will bring about a return to the targeted medium-term trend in the coming year already.

Development of Sales and Costs

Consolidated sales

In the 2013 fiscal year, USU Software AG and its subsidiaries once again posted considerably stronger growth than the market as a whole. With IFRS consolidated sales of EUR 55,713 thousand (2012: EUR 51,229 thousand), USU increased its sales volume by 8.8 % year-on-year, particularly as a result of strong business with new customers in the field of software licenses. In addition to the acquisition of a majority interest in BIG in 2013 and the further development of the portfolio, this increase was also attributable to the new product innovations launched on the domestic market over the course of the year. Although international business of EUR 8,737 thousand was down on the previous year's strong level of EUR 9,192 thousand, the share of sales generated outside Germany was still higher than the medium-term target of 15 % of total sales at 15.7 % (2012: 17.9 %).

The USU Group's sales performance by quarter
in EUR thousand



Source: USU Software AG

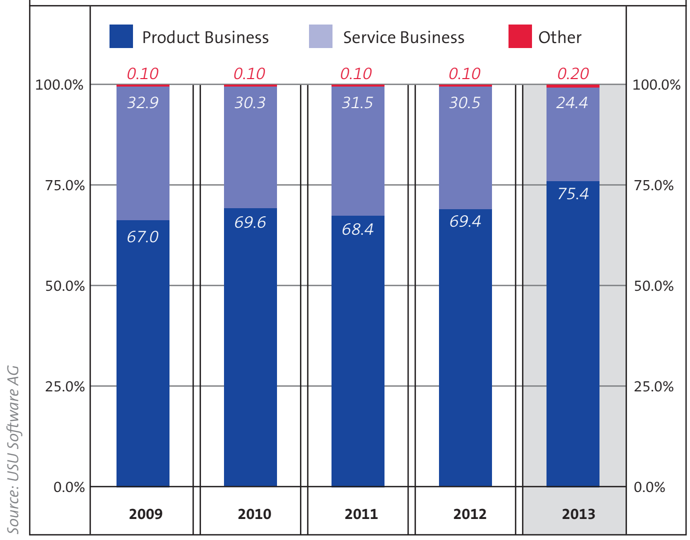
Broken down by types of sales, the highest sales increase generated by USU in the year under review was from license business, which climbed by 25.7 % year-on-year to EUR 10,056 thousand (2012: EUR 7,997 thousand). The share of license sales in total sales thus increased to 18.0 % (2012: 15.6 %). Maintenance business contributed EUR 12,364 thousand (2012: EUR 11,679 thousand) to consolidated sales, equivalent to a rise of 5.9 %. As a proportion of consolidated sales, maintenance income remained virtually unchanged at 22.2 % (2012: 22.8 %). Recent license sales will also lead to a further increase in maintenance sales in the following quarters. USU increased its consulting income by 8.4 % to EUR 31,668 thousand (2012: EUR 29,215 thousand) thanks to the positive development of product business. The share of consulting sales in Group sales was 56.8 % in the year under review (2012: 57.0 %). Other income, which primarily relates to merchandise sales of third-party hardware and software, totaled EUR 1,625 thousand in the four quarters of 2013 (2012: EUR 2,338 thousand) corresponding to 2.9 % (2012: 4.6 %) of total sales.

Sales by segment

The product range in the Product Business segment – to which the new subsidiary B.I.G. Social Media GmbH, which was fully consolidated as at January 1, 2013, has been allocated – covers all activities relating to the USU product range in the markets for knowledge-based service management solutions and the knowledge management market. The Service Business segment comprises consulting services for IT projects and individual application development.

In line with the increased sales of software licenses, the Product Business segment grew by 18.2 % year-on-year to EUR 41,995 thousand in the reporting period (2012: EUR 35,534 thousand). In service business, which is not dependent on specific products, several major projects whose targeted continuation was postponed indefinitely had ended at the end of 2012. Although several new project deals were concluded over the course of 2013, it was not possible to match the previous year's high sales due to the lower overall utilization of in-house and freelance consultants. Segment-related sales from service business accordingly totaled EUR 13,616 thousand in the 2013 fiscal year (2012: EUR 15,647 thousand), down 13.0 % on the previous year. Consolidated sales not allocated to the segments amounted to EUR 102 thousand in the year under review (2012: EUR 48 thousand).

The USU Group's sales performance by segment in per cent



Operating costs

In the 2013 fiscal year, the USU Group posted a 14.6 % increase in the operating cost base as against the previous year to EUR 51,335 thousand (2012: EUR 44,790 thousand). This increase chiefly resulted from higher research and development expenses due to the new product campaign, the targeted expansion of the Group's workforce and the acquisition of a majority interest in BIG.

The cost of sales rose at a lower than average rate of 3.7 % to EUR 26,932 thousand (2012: EUR 25,982 thousand). Whereas consulting business in the product area was increased significantly, leading to a higher cost of sales in line with the associated expansion of the consultant team, the lower level of utilization of third-party consultant resources in Service Business customer projects had the effect of reducing the cost of sales. The cost of sales as a proportion of consolidated sales amounted to 48.3 % in the year under review, down on the previous year's level of 52.0 %. Gross income increased from EUR 25,247 thousand in the previous year to EUR 28,781 thousand, corresponding to an improved gross margin of 51.7 % (2012: 49.3 %).

In 2013, the USU Group's sales and marketing expenses increased by 31.5 % year-on-year to EUR 9,106 thousand (2012: EUR 6,925 thousand). This substantial increase was largely due to the growth of the Group-wide sales team in order to step up the launch of new product innovations and the acquisition of a majority interest in BIG. Sales and marketing expenses as a proportion of consolidated sales accordingly rose to 16.3 % (2012: 13.5 %).

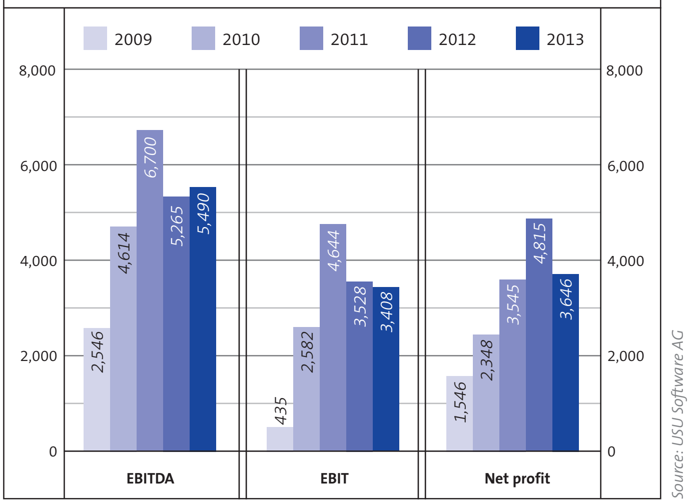
As a result of the majority acquisition of BIG, general and administrative expenses increased by 26.4 % to EUR 5,871 thousand in the reporting period (2012: EUR 4,643 thousand). Administrative expenses as a proportion of consolidated sales rose to 10.5 % (2012: 9.1 %).

As a result of the Group's additional acquisition- and innovation-related development activities and the associated expansion of the workforce, USU's research and development expenses increased by 30.2 % year-on-year to EUR 9,426 thousand in the 2013 fiscal year (2012: EUR 7,240 thousand). The ratio of research and development expenses to consolidated sales rose to 16.9 % (2012: 14.1 %). USU is constantly investing in the development of the Group's product portfolio and working on innovative, market-driven software solutions. For further information, please see the separate Research and development report in this Group management report.

Net other operating income and expenses totaled EUR 392 thousand in the period under review (2012: EUR -1,770 thousand). The figure for the previous year primarily reflects the purchase price adjustment for the full acquisition of Aspera GmbH.

Earnings Situation

The USu Group's earnings development in EUR thousand



USU Software AG increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 4.3 % to EUR 5,490 thousand in the 2013 fiscal year (2012: EUR 5,265 thousand). Whereas in the previous year operating earnings were impacted by an extraordinary effect from the final Aspera acquisition, in the year under review the growth initiative launched to implement the medium-term strategy and the associated investments in increasing the workforce and expanding the product portfolio had the effect of reducing earnings.

At the same time, the increased pre-investments in the partnership with CA and the weak performance of Service Business curbed the profit development. Including depreciation and amortization expense of EUR 2,082 thousand (2012: EUR 1,737 thousand), earnings before interest and taxes (EBIT) amounted to EUR 3,408 thousand (2012: EUR 3,528 thousand), equivalent to a year-on-year decline of 3.4 %. Taking into account the cumulative net finance costs of EUR -537 thousand (2012: EUR -93 thousand), earnings before taxes (EBT) totaled EUR 2,871 thousand (2012: EUR 3,435 thousand). Mainly as a result of the recognition in profit or loss of deferred tax assets on tax loss carryforwards of USU Software AG, USU generated consolidated tax income of EUR 775 thousand in the 2013 fiscal year (2012: EUR 1,380 thousand). Owing to the high investments in growth, the consolidated net profit of the USU Group was down on the previous year's level at EUR 3,646 thousand in the 2013 fiscal year (2012: EUR 4,815 thousand). This corresponds to earnings per share of EUR 0.35 (2012: EUR 0.46).

Adjusted Consolidated Earnings

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

Adjusted consolidated earnings in EUR thousand	2013	2012
Result of ordinary operations (EBIT)	**3,408**	**3,528**
Amortization of intangible assets recognized in the course of company acquisitions	1,362	1,141
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	313	2,396
- stay bonus Aspera/USU Consulting/BIG	302	365
- purchase price adjustments	2	1,855
- incidental acquisition costs	9	176
Adjusted EBIT	**5,083**	**7,065**
Financial income (as per consolidated income statement)	112	253
Finance costs (as per consolidated income statement)	-649	-346
Income taxes (as per consolidated income statement)	775	1,380
Tax effects relating to adjustments	-185	-1,146
- amortization	-185	-115
- deferred taxation from tax loss carryforwards	0	-1,031
Minority interests (as per consolidated income statement)	33	12
Adjusted consolidated earnings	**5,169**	**7,219**
Adjusted earnings per share (in EUR):	**0,49**	**0,69**
Weighted average number of shares		
Basic and diluted:	10,523,770	10,523,770

In the 2013 fiscal year, the USU Group's adjusted EBIT totaled EUR 5,083 thousand (2012: EUR 7,065 thousand). The decline in comparison to the previous year primarily reflects the targeted investments in product business and the lower utilization of service business due to postponed follow-up projects. Adjusted consolidated earnings thus amounted to EUR 5,169 thousand (2012: EUR 7,219 thousand), corresponding to adjusted earnings per share of EUR 0.49 (2012: EUR 0.69).

Net Assets and Financial Position

The structure of the USU Group's statement of financial position as of December 31, 2013 was primarily influenced by the majority acquisition of BIG and the partnership with CA. On the assets side of the statement of financial position, the acquisition of BIG led to a rise in non-current assets to EUR 49,579 thousand as of the end of the 2013 fiscal year (December 31, 2012: EUR 43,236 thousand), mainly due to the increase in intangible assets and goodwill.

As part of the equity investment in BIG, USU acquired intangible assets such as the customer base, profitable contracts, software rights, trademarks and orders on hand, resulting in an increase in this balance sheet item to EUR 8,176 thousand (December 31, 2012: EUR 5,626 thousand) on the basis of the final purchase price allocation. Differences between carrying amounts and fair values as at the acquisition date were allocated to goodwill, which therefore increased to EUR 34,559 thousand (December 31, 2012: EUR 32,395 thousand). Current assets rose to EUR 31,835 thousand as of December 31, 2013 (December 31, 2012: EUR 23,485 thousand), partly due to the increase in trade receivables to EUR 11,590 thousand (December 31, 2012: EUR 7,353 thousand), which related solely to the balance sheet date. In addition, USU increased Group liquidity in the form of cash on hand and bank balances to EUR 14,231 thousand (December 31, 2012: EUR 11,408 thousand), despite the acquisition costs of EUR 2,853 thousand incurred in the reporting year for the acquisition of a majority interest in BIG and the dividend payment of EUR 2,631 thousand. This increase primarily reflects the cash inflow from the contractual prepayments from CA under the terms of the partnership agreement with USU.

On the equity and liabilities side, the USU Group's borrowings in the form of current and noncurrent liabilities amounted to EUR 28,182 thousand as of December 31, 2013 (December 31, 2012: EUR 14,426 thousand). This increase chiefly resulted from increased liabilities from advance payments received in the amount of EUR 11,213 thousand (December 31, 2012: EUR 2,481 thousand), which mainly include payments from CA under the terms of the partnership agreement with USU, and from purchase price liabilities of EUR 2,905 thousand (December 31, 2012: EUR 0 thousand) for the full acquisition of BIG. Equity rose to EUR 53,232 thousand (December 31, 2012: EUR 52,295 thousand) owing to the profits achieved by USU as of the end of the fiscal year.

With total assets of EUR 81,414 thousand (December 31, 2012: EUR 66,721), the equity ratio was 65.4 % as of December 31, 2013 (December 31, 2012: 78.4 %).

Cash Flow and Capital Expenditure

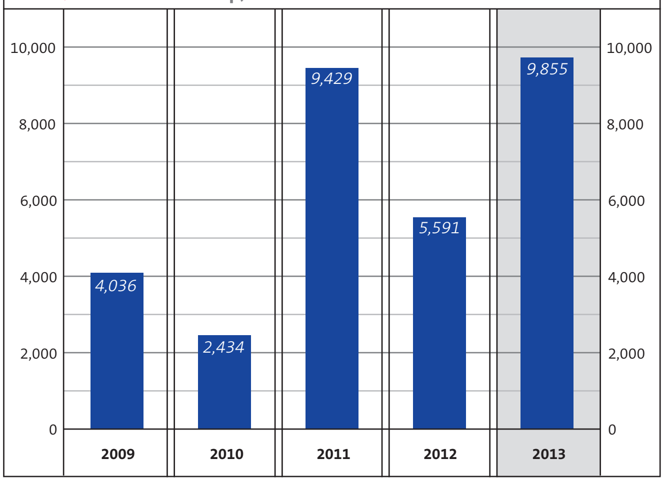
As of December 31, 2013, the USU Group had cash and cash equivalents of EUR 14,231 thousand (2012: EUR 11,408 thousand). This represents a year-on-year increase in Group liquidity of EUR 2,823 thousand or 24.7 %, despite the purchase price paid for the acquisition of a majority interest in BIG and the dividend paid to USU shareholders.

The USU Group's cash flow from operating activities improved from EUR 5,591 thousand in 2012 to EUR 9,855 thousand in the year under review. This improvement was mainly due to changes in working capital as a result of increased income from the partnership agreement with CA.

The cash flow from investing activities of EUR -4,299 thousand (2012: EUR -235 thousand) mainly included the first purchase price payments for the majority acquisition of BIG, adjusted for cash and cash equivalents acquired, in the amount of EUR -2,786 thousand (2012: EUR 0 thousand) and investments in property, plant and equipment and intangible assets totaling EUR -1,547 thousand (2012: EUR -795 thousand).

The cash flow from financing activities amounted to EUR -2,631 thousand in the year under review (2012: EUR -11,083 thousand). It consists solely of the dividend payment made to the shareholders of USU Software AG in 2013 in the amount of EUR 0.25 per share, whereas the figure for the previous year also reflected the payment of the remaining purchase price for the full acquisition of Aspera in the amount of EUR -8,978 thousand as well as the dividend payment of EUR -2,105 thousand or EUR 0.20 per share.

Changes in cash flow from operating activities of the USU Group, in EUR thousand



Source: USU Software AG

Current Situation of the Group

With the addition of new product innovations to the Group's portfolio, the expanded workforce, the positive implementation of the CA partnership, the new subsidiary BIG and the improved order situation in service business, which is also reflected in an increase in the USU Group's orders on hand, the Management Board of USU Software AG believes that the Group as a whole is successfully positioned to be able to implement the growth targets as planned in the coming years. USU also has a high level of readily available Group liquidity, allowing it to continue to invest in organic and acquisition-based growth in the future.

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 focuses primarily on acquiring and holding participations in other companies. As a consequence, it did not generate any external sales in the reporting period, as in the previous year. USU Software AG's main earnings therefore derive from its operating subsidiaries. These include Aspera GmbH, LeuTek GmbH and Omega Software GmbH, with which the Company has concluded profit transfer agreements, as well as Aspera Technologies Inc. ("Aspera Technologies"), B.I.G. Social Media GmbH, USU Consulting GmbH ("USU Consulting") and USU AG.

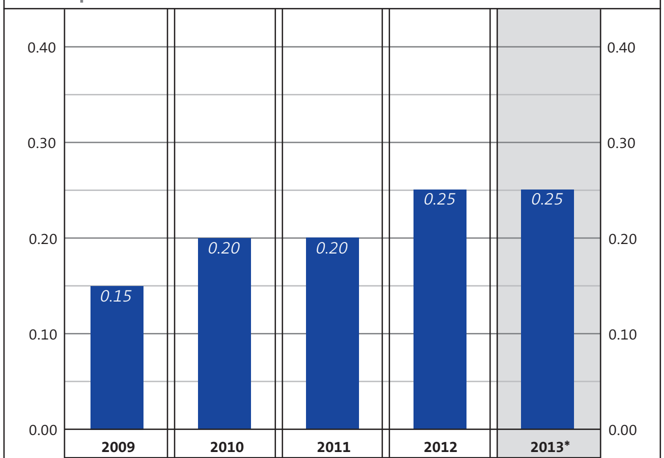
USU Software AG generated net income of EUR 5,002 thousand (2012: EUR 4,628 thousand) from the profit transfer agreements in the 2013 fiscal year. This also includes the profit transfer from the subsidiary Aspera, which was acquired in full in 2012. In the previous year, the profit distribution from Aspera had still been recognized partially under income from participations, which amounted to EUR 0 thousand in the year under review (2012: EUR 1,337 thousand).

Other operating income of EUR 593 thousand (2012: EUR 498 thousand) derives mainly from the settlement of intra-group services. Other operating expenses totaling EUR 1,064 thousand (2012: EUR 1,166 thousand) primarily include costs for services provided by Group subsidiaries, stock exchange and investor relations costs, legal and consulting costs, and Supervisory Board compensation.

Staff costs increased to EUR 866 thousand (2012: EUR 709 thousand) as a result of the expansion of the workforce to six (2012: four) employees as of the end of the reporting year.

Earnings from ordinary operations of USU Software AG totaled EUR 3,246 thousand in the 2013 fiscal year (2012: EUR 4,337 thousand). The reported decline is mainly due to lower income from investment holdings. The net profit amounted to EUR 3,024 thousand (2012: EUR 4,113 thousand). Including the profit carryforwards from the previous year of EUR 1,710 thousand (2012: EUR 228 thousand), the unappropriated surplus totaled EUR 4,734 thousand (2012: EUR 4,341 thousand). As in previous years, part of this is to be used to pay a dividend to all shareholders of USU Software AG who are entitled to receive a dividend. In the interests of dividend continuity, the Management Board proposes, subject to the approval of the Supervisory Board, that a dividend of EUR 0.25 per share be distributed for the 2013 fiscal year, as in the previous year.

Development of divident distribution per share at USU Software AG in EUR



* Management's proposal to the Annual General Meeting of USU Software AG

Source: USU Software AG

As at December 31, 2013, total assets of USU Software AG were up year-on-year at EUR 44,345 thousand (2012: EUR 40,361 thousand), largely due to the majority acquisition of B.I.G. Social Media GmbH in the year under review. On the assets side, fixed assets increased to EUR 37,848 thousand as at the balance sheet date (2012: EUR 34,570 thousand) as a result of the BIG acquisition and the associated increase in shareholdings in associated companies. At the same time, current assets rose to EUR 6,473 thousand (2012: EUR 5,779 thousand). This was attributable to an increase in receivables from affiliated companies as at the balance sheet date as a result of a year-on-year rise in income from profit transfers from subsidiaries. On the equity and liabilities side, provisions and liabilities increased to EUR 15,442 thousand as at the end of fiscal year 2013 (2012: EUR 11,851 thousand), mainly due to intra-group borrowing to finance the majority acquisition of BIG. Equity rose to EUR 28,903 thousand (2012: EUR 28,510 thousand) owing to the profits generated by USU Software AG as of December 31, 2013. At 65.2 % (2012: 70.6 %), the equity ratio remained at a solid level as of the end of the 2013 fiscal year.

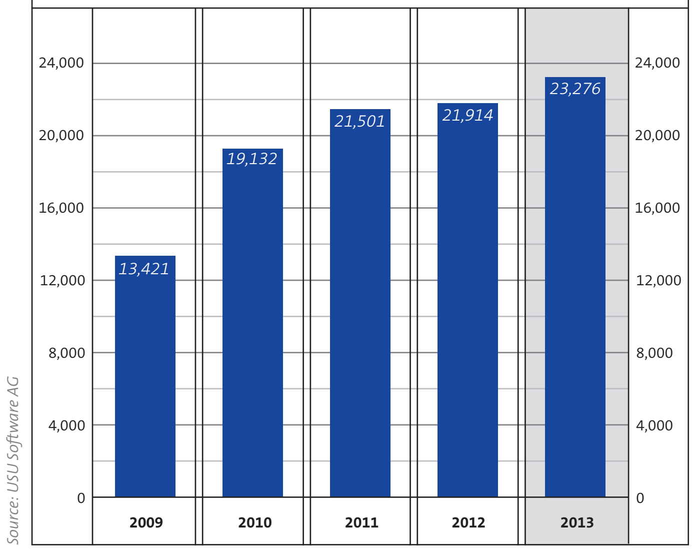
USU Software AG's focus on participation transactions means that the Company will remain highly dependent in subsequent years on the performance of its subsidiaries, particularly USU AG, LeuTek and Aspera GmbH. Information on the resulting risks and opportunities can be found in the Group risk report.

Orders on Hand

Orders on hand at the USU Group rose by 6.2 % or EUR 1,362 thousand year-on-year to EUR 23,276 thousand as of December 31, 2013 (2012: EUR 21,914 thousand). The reported increase is mainly due to newly acquired consulting contracts and a higher level of maintenance business as of the end of 2013.

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

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



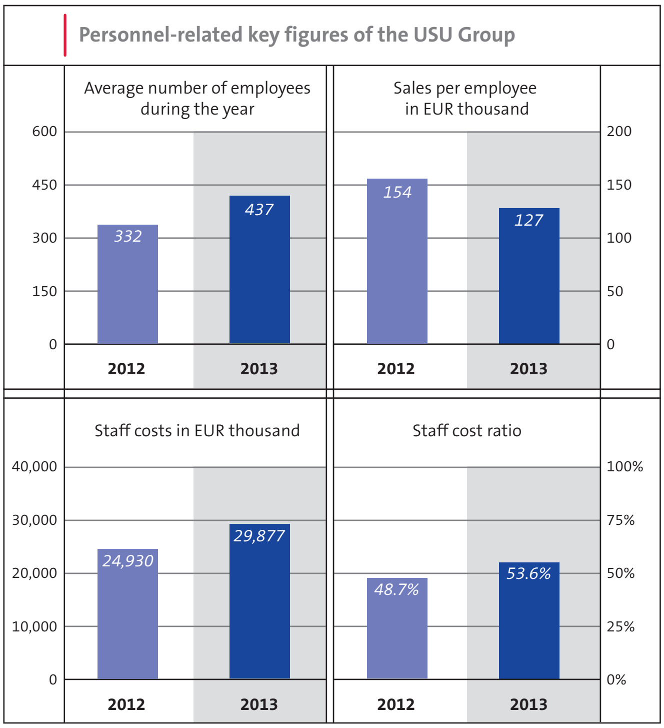
Employees

In order to implement its medium-term growth targets in line with planning, the USU Group selectively expanded its workforce by 24.9 % year-on-year to 452 employees as of the end of the 2013 fiscal year (December 31, 2012: 362) through the successful recruitment of new employees at the existing subsidiaries and the acquisition of a majority interest in BIG. Group employee figures do not include the four members of the Management Board of subsidiary USU AG, around 100 freelance staff who are employed for project work as required, 12 temporary workers, and eight trainees.

Broken down by segment, USU had 336 (2012: 258) employees in the Product Business segment, 69 (2012: 70) in the Service Business segment and 47 (2012: 34) in central administration. Broken down by functional unit, 190 (2012: 166) people were employed in consulting and services at the end of the reporting period, 151 (2012: 116) in research and development, 60 (2012: 41) in sales and marketing, and 51 (2012: 39) in administration.

The average total workforce of the USU Group increased to 437 employees in the reporting year (2012: 332). With consolidated sales of EUR 55,713 thousand (2012: EUR 51,229 thousand), the average sales contribution per employee in 2013 was EUR 127 thousand (2012: EUR 154 thousand). Staff costs for the same period amounted to EUR 29,877 thousand (2012: EUR 24,930 thousand). As a result of the substantial expansion of the workforce, which will not be reflected in consolidated sales to a large extent until the 2014 fiscal year due to necessary induction times and training for the new employees, staff costs climbed to 53.6 % (2012: 48.7 %) as a percentage of consolidated sales.

In view of the USU Group's medium-term target of sales in excess of EUR 100 million by 2017, USU Software AG plans to continue the selective expansion of the Group's workforce in the 2014 fiscal year and the subsequent years. In addition to the acquisition of new technical and management employees, personnel-related measures will also focus on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the Company, and the Group as a whole. A voluntary performance bonus that is granted to all employees of the Group depending on the Group's success is intended to act as an additional incentive.



Source: USU Software AG

In addition, the Group also offers an extensive and highly 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. Through this program, USU offers its employees and managers personal development opportunities in the form of ongoing refresher and consolidation courses as well as specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family- like working environment and numerous staff events, along with regular surveys to identify potential further improvements, round off the diverse range of measures aimed at developing and motivating the USU Group's workforce over the long term.

SUPPLEMENTARY REPORT

There were no transactions of particular significance with a material effect on the development of business in USU Software AG and the Group after the balance sheet date of December 31, 2013. In this respect, there were no major changes to the net assets, financial position or results of operations of the Company or Group.

FORECAST, OPPORTUNITY AND RISK REPORT

Forecast Report

General Economy

According to the ifo 2013/14 Economic Forecast[5] published by the ifo Institut, total economic output in Germany will increasingly pick up over the course of 2014. ifo attributes this development to the improved global economic environment, lessening uncertainty among companies and consumers with regard to the European debt crisis, and positive domestic economic conditions. The good income prospects for private households, combined with favorable financing conditions and rising export forecasts for companies, are expected to result in a significant increase in consumer spending and capital expenditure in Germany. Assuming that there is no renewed escalation of the euro crisis, the ifo Institut anticipates a rise in German GDP of 1.9 % on average in 2014 (2013e: 0.4 %).

For the global economy as a whole, ifo likewise forecasts a general economic expansion in 2014, although this will only be moderate. In contrast to the past few years, the driving force behind the continued economic upswing will not be the emerging economies of Asia and Latin America, but rather the advanced economies. Overall, the ifo Institut anticipates a growth rate of 3.3 % for global GDP in 2014 (2013e: 2.7 %).

Sector

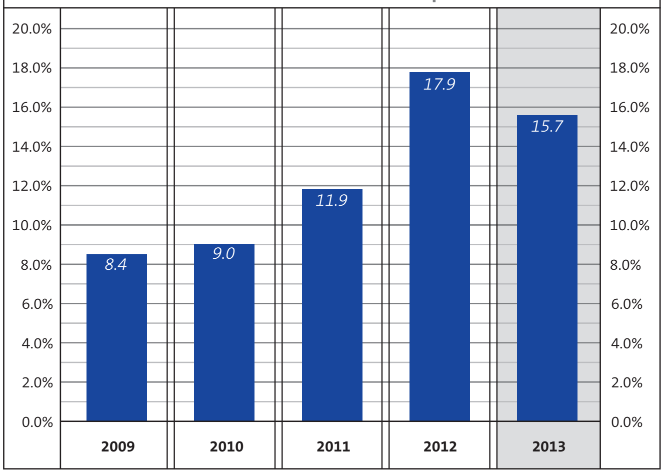
According to the current BITKOM forecast[6], the German ICT market will pick up again significantly in 2014 after the modest development in the year under review, although the individual segments will generate very different growth rates. The software sector will once again act as the growth driver, with BITKOM forecasting a 5.1 % (2013e: 4.9 %) rise in sales in this sector in 2014 as compared to the previous year. The market for IT services is also expected to perform better than average with a sales increase of 3.2 % (2013e: 2.4 %). By contrast, the IT hardware and telecommunications segments will stagnate or will only grow slightly. Overall, BITKOM anticipates a 1.7 % (2013e: 1.0 %) increase in the German ICT market volume in 2014. For the global ICT market, the market research company Gartner[7] likewise anticipates a recovery, which in this case will be very substantial with a forecast sales increase of 3.1 % (2013e: 0.4 %). Business software providers will post considerably above-average growth globally, too, with a rise in income of 6.8 % (2013e: 5.2 %), followed by IT service providers, whose income will rise by 4.5 % worldwide (2013e: 1.8 %).

[5] *ifo Economic Forecast 2013/2014 of the Leibniz Institute for Economic Research from December 17, 2013*
[6] *Press release from the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. from October 22, 2013*
[7] *Gartner Worldwide IT Spending Forecast from December 27, 2013, published on www.gartner.com.*

Outlook

After the 2013 investment year, which was characterized by targeted expansion of the Group's portfolio with several new product developments, the majority acquisition of B.I.G. Social Media GmbH, stepping up international business and significant expansion of the workforce, USU Software AG is positively positioned to be able to successfully implement the medium-term targets of consolidated sales of more than EUR 100 million together with an increase in the adjusted EBIT margin to over 15 % by 2017. For the 2014 fiscal year, the Management Board expects that the launch of new software products will already lead to an increase in high-margin product business, from which the USU Group generates license, maintenance and product-related consulting income. The USU subsidiary BIG, in which a majority interest was acquired in early 2013, is also expected to contribute to a significant increase in the USU Group's sales and earnings in 2014. At the same time, international business is also to be expanded further. The Management Board sees considerable growth potential here, particularly at the Group's US subsidiary Aspera Technologies and the international partner CA Technologies. For consulting-intensive service business, in which USU generates consulting sales from individual projects that are not dependent on specific products, the Management Board forecasts an increase in the utilization of in-house and freelance consultants over the course of 2014 after having gained several new orders and consequently an improvement in earnings in this segment.

Development of the proportions of the USU Group's consolidated sales achieved abroad in per cent

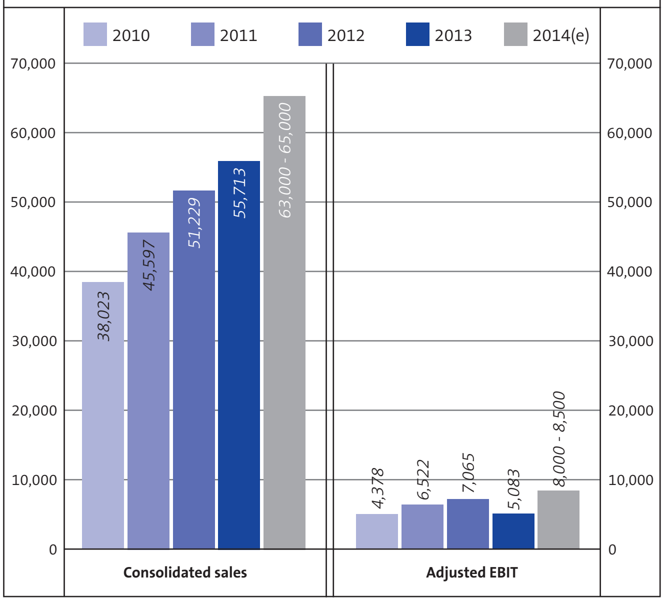


Source: USU Software AG

As in previous years, the main sales driver will be the Group subsidiary USU AG, which is expected to benefit in 2014 from the product innovations from 2013 in particular. At the same time, the subsidiaries acquired in the past years will make a positive contribution to the development of income in the USU Group. As an individual company, the Group parent company USU Software AG will continue to focus on acquiring and holding participations in IT companies and will thereby participate in the business performance of its subsidiaries.

Based on the assumptions above, the Management Board anticipates an increase in sales to EUR 63 – 65 million at Group level in 2014, corresponding to organic sales growth of over 13 %. Adjusted EBIT for the Group as a whole is expected to rise to EUR 8 – 8.5 million (2013: EUR 5.1 million) in the same period. Based on this forecast, the Management Board plans – both in 2014 and beyond – to allow the shareholders of USU Software AG to participate significantly in the Company's operating success again and thus to continue the shareholder-friendly dividend policy of the past years.

Development of consolidated sales and adjusted EBIT



Source: USU Software AG

Risk Report

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

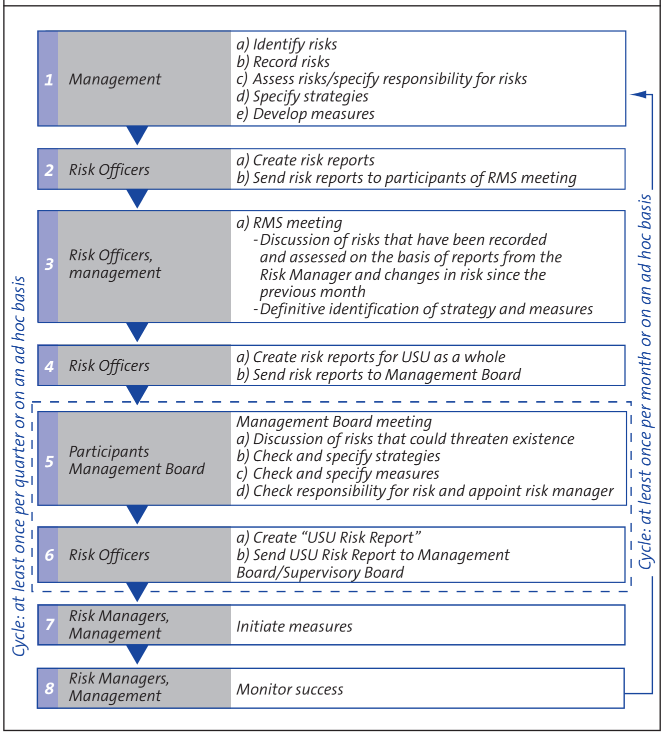
Risk Management System

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

Risk management process at the USU Group



Source: USU Software AG

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

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

Overview of Risks

It is clear from the Company's current risk report that no risks have been identified 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 during the course of risk management as serious or which could have a material effect on the Company's net assets, financial position and results of operations are listed below:

Market Risk and Competitive Risk

In view of the unstable global economic development recorded over the past years, analysis of the market and competitive situation remains an essential component of risk management at USU Software AG and its subsidiaries, particularly with regard to the forecast and planning security of USU Software AG and its subsidiaries. Assuming that there is no renewed escalation of the euro crisis, the ifo Institut[8] anticipates a global rise in total economic output of 3.3 % in 2014 (2013e: 2.7 %). For the market segments of software and IT services in which the USU Group operates, the market research company Gartner[9] even forecasts global growth rates of 6.8 % (2013e: 5.2 %) and 4.5 % (2013e: 1.8 %) respectively. Based on the forecast market development, the Management Board therefore also sees a major opportunity with regard to the operating performance of the company and of the Group as a whole. However, we cannot rule out

[8] *ifo Economic Forecast 2013/2014 of the Leibniz Institute for Economic Research from December 17, 2013*
[9] *Gartner Worldwide IT Spending Forecast from December 27, 2013, published on www.gartner.com.*

the possibility that renewed intensification of the euro crisis and an associated economic downturn could have a negative impact on the IT sector and thus restrict the development of USU Software AG and its subsidiaries.

USU Software AG operates simultaneously as a software and IT company in a highly competitive market that is subject to continuous changes. Both large and medium-sized software companies expand their own product ranges through diversification and acquisition, thereby opening up new markets.

In this context, the possibility that subsequent future development will lead to greater price erosion and cut-throat competition cannot be ruled out.

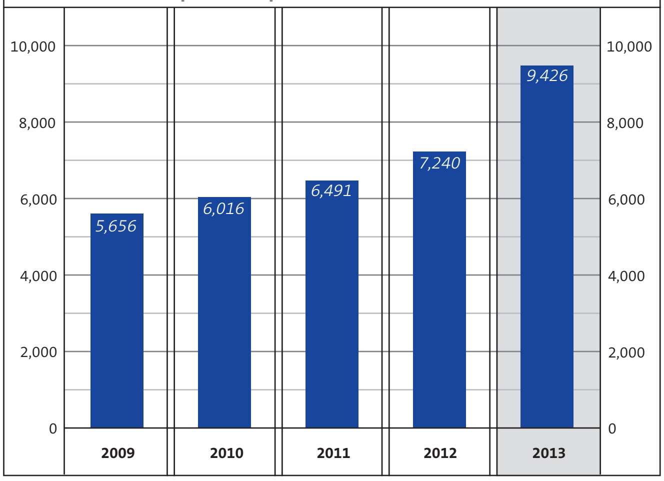
Over the past years, USU Software AG has expanded the product portfolio and the target market of the Group as a whole through the acquisition of B.I.G. Social Media GmbH and the establishment of the US subsidiary Aspera Technologies Inc. At the same time, the product portfolio has recently been enhanced with a large number of new developments, such as USU Service Manager, USU Service Intelligence, USU Lifebelt and USU KnowledgeScout. With its expanded product range, USU is strategically positioned in the growth market for knowledge-based service management solutions and is focusing on promising future areas in the field of information technology. Furthermore, its longstanding relationships with, and proximity to, its customers enable the USU Group to address specific tasks and problems more flexibly and individually. At the same time, USU involves employees of USU Software s.r.o. in consultancy projects and can deploy around 100 external consultants if required to counteract a downturn in yields in consultancy projects. Experience from the projects and feedback from various customer events in the form of suggestions for improvement are immediately applied in the further development of the Group portfolio as well as new product development, 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. At the same time, demands are also increasing as a result of rapid technological change.

In order to take account of this development, the USU Group maintains its research and development activities at a consistently high level, using the resources of its own development company USU Software s.r.o. in the Czech Republic in particular. Over 150 employees work on continuously refining the Group's internally developed software products to reflect market developments and the demands of product management. The development process is rounded off with tests and quality management measures. Close contact with leading market analysts ensures that any technical changes can be addressed rapidly. As a technology pioneer, the USU Group also devises its own innovations with the aim of permanently improving and extending its product portfolio.

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



Source: USU Software AG

Product, Project and Legal Risk

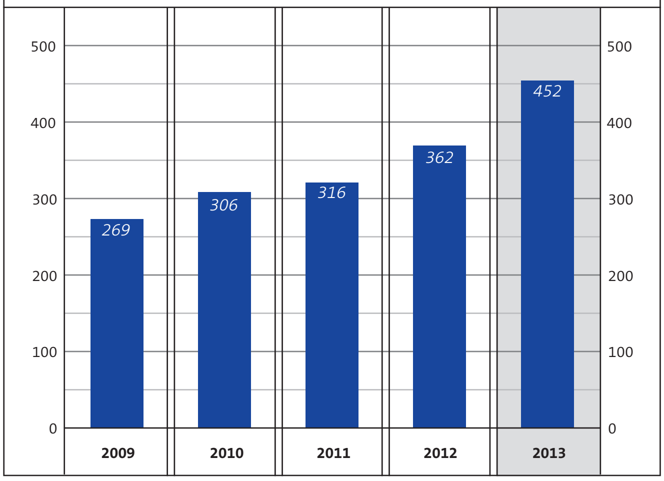
As with virtually any software, the software developed and marketed by USU Software AG and its subsidiaries may contain programming errors, which can occur despite thorough checks and careful testing. The resulting operational defects could lead to liability and warranty claims to the detriment of the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

To avoid such product and project risks, the USU Group has introduced extensive, early-stage quality management as part of its development activities and has also established its own Project Office unit so that any errors can be quickly identified and suitable countermeasures can be taken 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 40 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 intense competition on the employment market and retain highly qualified staff at the Company. The professional development of employees in accordance with their various needs is equally important within the USU Group. Specific training and development opportunities, a comprehensive career and progression model and numerous employee events help to improve the retention of professional staff and managers. A positive corporate culture also helps us to improve our success rate in attracting and retaining qualified employees, resulting in a significant increase in the Group's workforce in recent years.

Development of the USU Group's workforce



Source: USU Software AG

IT Risk

As software and IT companies, USU Software AG and its subsidiaries are dependent on the long-term functionality and security of their Group-wide data centers, networks and IT systems. 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 into the Group's risk management system.

Participation Risk

USU Software AG is indirectly exposed to the risk environment of its various subsidiaries. The Company's relationships with its subsidiaries mean that risks may arise from its legal and contractual liabilities. Another potential risk in this respect relates to the write-down of the carrying amount of the participations in USU AG, OMEGA, LeuTek, Aspera, USU Consulting and BIG 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. The Company operates an effective reporting and controlling system throughout the entire Group in order to minimize risks of this type.

Goodwill Risk

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

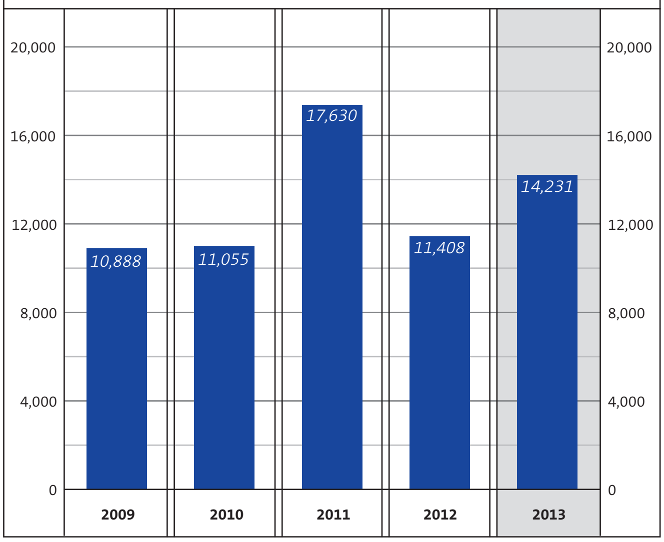
As in the previous years, the impairment tests conducted in the 2013 fiscal year did not identify any evidence of impairment of the assets assigned to this balance sheet item. Owing to its positive operating business development, USU Software AG does not expect to have to recognize any impairment losses with an adverse effect on net profit within the Group as a whole in the foreseeable future.

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

Financial and Liquidity Risk
With funds of over EUR 14 million as of December 31, 2013, 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. The Group is therefore exposed to the risk of a partial or complete loss of one or more such investments.

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

Development of the USU Group's liquidity in EUR thousand



Source: USU Software AG

Report on Opportunities

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

With the growth initiative in product business that was stepped up in 2013 and the associated development of new, innovative software products, together with the expansion of the Group's workforce that was implemented at the same time, USU has achieved two major milestones for further organic growth of the USU Group. Combined with targeted further development of the existing portfolio, USU has created the necessary conditions to expand its business with both new and existing customers in the coming years. Business with existing customers offers the potential to achieve a sustained high level of utilization of the consultant team with follow-up projects, both for product business and in particular for consulting-related service business. In addition to the core domestic market, expansion of the USU Group's international presence in the coming years offers excellent growth potential. This is based on both the global partnership agreement with the US software group CA and the Group subsidiary Aspera Technologies in the USA and also the intended additional expansion of the global network of partners. Another key component of the USU Group's growth strategy relates to rounding out the product portfolio and tapping new sales markets by means of acquisitions or participations in companies, for example the majority acquisition of B.I.G. Social Media GmbH at the start of 2013. USU has extensive Group liquidity available for this purpose, allowing it to take advantage flexibly of acquisition opportunities that arise.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company regards 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 as 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 therefore managed centrally by USU Software AG and USU AG with the clear allocation of specific areas of responsibility.

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

The USU Group has a largely uniform, standardized financial system, which clearly defined access rights ensure is only accessible to those employees who are involved in the accounting process in keeping with their area of responsibility.

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

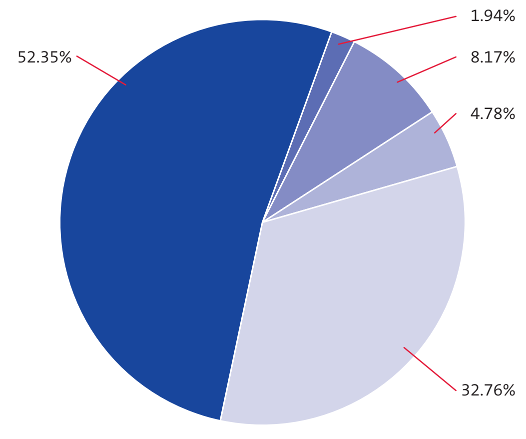
The regular upskilling of the employees involved in the accounting process and the timely investigation of new or amended accounting- related provisions serve to ensure that the preparation of the (consolidated) financial statements is up-to-date at all times.

INFORMATION RELEVANT TO ACQUISITIONS

Subscribed Capital, Shares, and Shareholder Structure

As at December 31, 2013, 10,523,770 (2012: 10,523,770) no-par value bearer shares were issued in USU Software AG, with the same number of voting rights and a notional interest in the share capital of EUR 1.00 per share. Of these, 5,509,187 (2012: 5,509,187) shares are held by the main shareholder and Chairman of the Supervisory Board of the Company, Udo Strehl, corresponding to 52.35 % (2012: 52.35 %) of the share capital. 1,989,319 (2012: 1,989,319) of these shares are held by him directly and a further 3,487,868 (2012: 3,487,868) shares are held by AUSUM GmbH, in which the majority shareholder is Udo Strehl. A further 32,000 (2012: 32,000) shares in USU Software AG are allocable to Udo Strehl via the "Wissen ist Zukunft" foundation ("WIZ foundation"), of which he is the sole managing director. A total of 8.17 % of the share capital of USU Software AG, or 860,000 shares, was allocable to Peter Scheufler, a former shareholder in LeuTek, as at December 31, 2013, according to his notification to the Company.

Shareholder structure of USU Software AG as at December 31, 2013



Udo Strehl/AUSUM GmbH/WIZ foundation	52.35%
Executive bodies of USU (excl. Udo Strehl)	1.94%
Peter Scheufler	8.17%
Former shareholders of Aspera	4.78%
Free float	32.76%

Source: USU Software AG

Management Board Authorizations on the Issue of Shares and Share Buyback

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

By resolution of the Annual General Meeting on March 2, 2000, the subscribed capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the Company and affiliated companies (contingent capital). By resolution of the Annual General Meeting on July 15, 2004, contingent capital was reduced to EUR 378 thousand. The contingent capital increase may only be exercised to the extent that the bearers of the issued options exercise their rights. There were no outstanding options as of December 31, 2013.

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 instalments, 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 an earlier authorization to acquire treasury shares, may not exceed 10 % of the Company's share capital at the time of this authorization.

Statutory Provisions and Articles of Association of USU Software AG

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

THE USU SHARE (ISIN DE000A0BVU28)

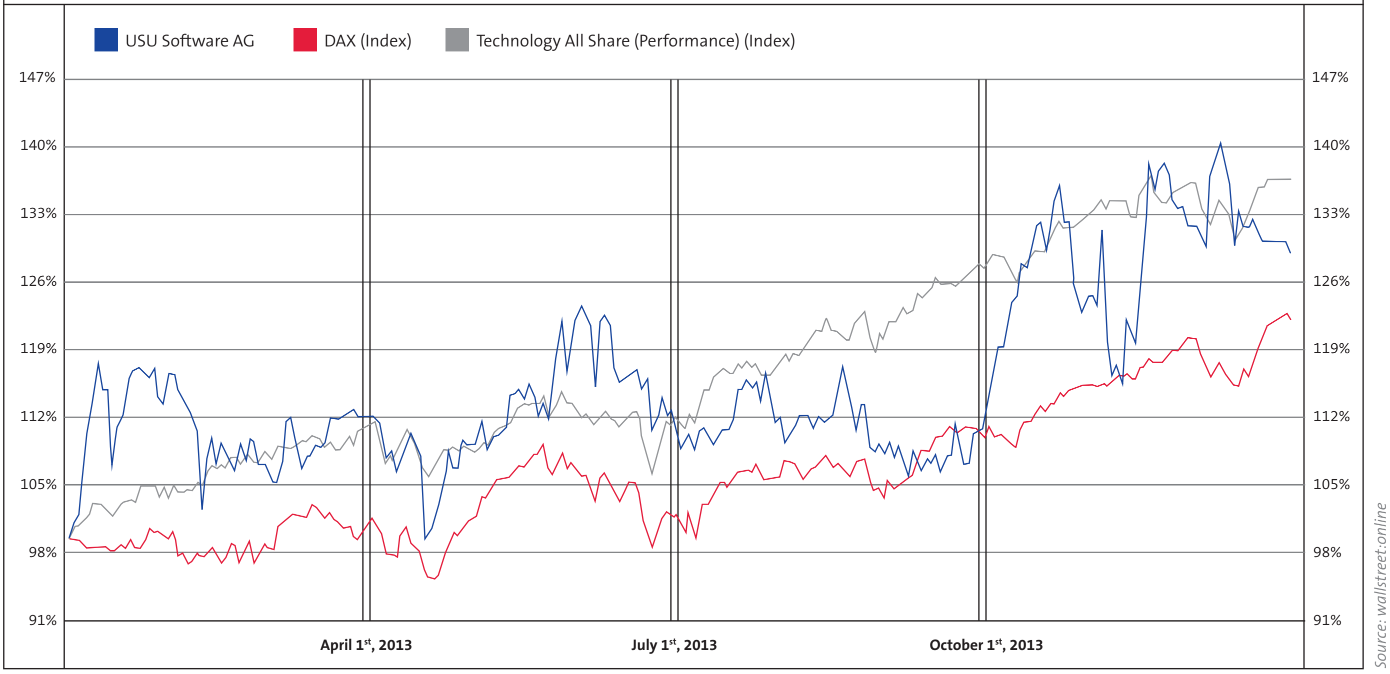
The shares of USU Software AG are listed in the Prime Standard of the Frankfurt Stock Exchange under German Securities Code Number ("WKN") A0BVU2 and International Securities Identification Number ("ISIN") DE000A0BVU28 and are authorized for trading on the regulated market of this stock exchange.

Share Price Performance

The stock market in Germany displayed a general upward trend in 2013. As a result of the continued low interest rates and positive company news, stock exchange prices rose significantly, particularly in the second half of the year. USU's shares posted a price increase of 29.8 % for the year as a whole to EUR 9.20 as of December 31, 2013 (December 31, 2012: EUR 7.09) on the electronic exchange XETRA. As such, USU's shares outperformed the German stock index (DAX), which climbed by 25.5 % to 9,552.16 points in 2013 (December 31, 2012: 7,612.39 points). The Technology All Share performed even better, with a year-on-year increase of 39.8 % to 1,412.31 points (December 31, 2012: 1,010.12 points).

The stock markets also rose sharply after December 31, 2013, leading to new highs until finalization of annual report 2013 for the DAX above the 9,700 point mark and a new 10-year high for USU's shares of EUR 10.74 on XETRA.

Price performance of USU Software AG shares in 2013



STATEMENT ON CORPORATE MANAGEMENT

Corporate Governance

Corporate governance encompasses the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the Corporate Governance Code ("Code") in the form of recommendations for implementation. The core objective of the Code is to promote the trust of investors, customers, employees and the general public in the management and supervision of listed German companies. The Code came into force in 2002 and was last updated in 2013.

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

In accordance with Section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity for 2013 on November 28, 2013, making it immediately available on the Company's website:

"The Management Board and Supervisory Board of USU Software AG declare that, since the last declaration of conformity on November 21, 2012, they have complied and will continue to comply with the recommendations of the Government Commission for the German Corporate Governance Code as amended on May 15, 2012 and, since they came into effect, as amended on May 13, 2013, whereby the following recommendations have not been or are not being applied:

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 comprised 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 comprised and continues to comprise one person who simultaneously acts as the spokesperson for the Management Board.

As such, the diversity requirements of the Code cannot be applied. A specified age limit for the Management Board of USU Software AG also is not defined or planned. In determining the composition of the Management Board, the Supervisory Board bases its decisions on the professional and personal suitability of the persons in question, irrespective of their gender or age, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Management Board.

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.

According to clause 5.4.1 of the Code, the Supervisory Board must be composed in such a way that its members collectively have the knowledge, skills and professional experience required to properly fulfil their duties. In this context, the Supervisory Board should name specific goals for its composition, which should include provisions such as an established age limit for Supervisory Board members and diversity.

With regard to its composition, the Supervisory Board of USU Software AG bases its decisions on the professional and personal suitability of the persons in question, taking account of their knowledge, skills and professional experience required to properly fulfil their duties. A specified age limit for Supervisory Board members of USU Software AG was and is not intended, as is also the case for a specified gender requirement, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Supervisory Board. In addition, a specification of this type would, from the Company's perspective, inappropriately limit the shareholders' right to vote at the Annual General Meeting.

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 members of the Supervisory Board of USU Software AG work with great commitment for the good of the Company irrespective of this. Based on the composition of the Supervisory Board with three experienced members who jointly assume the envisaged functions, the formation of Supervisory Board committees and accordingly the associated compensation has been and will also in the future continue to be forgone.

According to 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.

Signed
Management Board and Supervisory Board
of USU Software AG
Möglingen, November 28, 2013"

The current declaration of conformity and the declarations for previous years are permanently available at www.usu-software.de/investoren/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/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 Chairman of the Management Board of the Company reports to the Supervisory Board in a regular, timely and comprehensive manner on the development and position of USU Software AG and the Group, including their profitability, as well as corporate planning, risk management and significant business transactions and projects.

The Supervisory Board of the Company consists of three members and elects a Chairman and a Deputy Chairman from its members. Due to its size, the Supervisory Board has opted not to form committees. Instead, the duties of the Supervisory Board are performed jointly by its members.

The activities of the Supervisory Board are determined by the provisions of law, the German Corporate Governance Code, the Articles of Association and the rules of procedure for the Supervisory Board of USU Software AG. Among other things, these provide for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue rules of procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities. The Supervisory Board also adopts the 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 Chairman of the Management Board of the Company regularly attends these meetings. The Supervisory Board is quorate when all of the members of the Supervisory Board attend the respective meeting. Resolutions are passed by a simple majority of the votes cast unless otherwise prescribed by law or the Articles of Association.

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

COMPENSATION REPORT

Compensation of the Management Board

The total compensation of the Management Board is specified at an appropriate level by the Supervisory Board, taking into account all compensation paid within the scope of consolidation on the basis of a performance assessment. In accordance with the regulations of the German Corporate Governance Code ("the Code"), this includes monetary compensation components, pension commitments and other commitments. The monetary components of compensation for the Management Board are divided into a fixed and a variable component. The variable 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 totaling EUR 308.5 thousand (2012: EUR 326.2 thousand) shown in the following table 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 subsidiaries Openshop Internet Software GmbH and USU Austria GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board in EUR thousand	2013	2012
Fixed compensation	160.0	160.0
Contribution to social security and pension	21.6	21.6
Non-cash benefit from private use of company car	21.7	21.7
Variable compensation	105.2[1)]	122.9[2)]
	1) of which for the previous year: EUR 4.4 thousand	1) of which for the previous year: EUR -22.1 thousand

Compensation of the Supervisory Board

Compensation for the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and was last amended at the Company's

Annual General Meeting on June 30, 2011. In accordance with the provisions of the Code, total compensation for the Supervisory Board comprises a fixed and a performance-related component.

Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand for each full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. Members of the Supervisory Board also receive a variable amount each year. This depends on earnings before interest, taxes, depreciation and amortization (EBITDA), as reported in either the combined management report or the Group management report, as a proportion of the reported consolidated sales. When EBITDA exceeds 8 % of consolidated sales, for each full percentage point by which EBITDA exceeds an 8 % share of consolidated sales, a premium of 10 % of the fixed annual compensation will be paid per year as a variable component. This is subject to an upper limit for total compensation of 200 % of the fixed annual component. In fiscal year 2013, EBITDA represented 9.4 % of consolidated sales. The variable compensation of the USU Software AG Supervisory Board thus corresponded to 10 % 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 of USU AG were and are not provided for.

During the 2013 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 116.0 thousand (2012: EUR 124.5 thousand).

Individual compensation of the Supervisory Board for the 2013 fiscal year in EUR thousand			
	Udo Strehl	Günter Daiss	Erwin Staudt
Fixed compensation USU Software AG	60.0	12.5	12.5
Variable compensation USU Software AG	6.0	1.3	1.3
Fixed compensation USU AG	10.0	7.5	5.0

REPORT ON RELATED PARTIES

The Management Board of USU Software AG has compiled a report on related parties in accordance with Section 312 AktG, in which it made the following closing statement: "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."

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.

Möglingen, March 4, 2014

Bernhard Oberschmidt,
Chairman of the Management Board

Consolidated Financial Statements

Consolidated Balance Sheet as of December 31, 2013

USU Software AG, Möglingen

ASSETS	Notes	Dec. 31, 2013 EUR thousand	Dec. 31, 2012 EUR thousand
Assets			
Total non-current assets			
Intangible assets	(9)	8,176	5,626
Goodwill	(10)	34,559	32,395
Property, plant and equipment	(11)	2,099	1,194
Other financial assets	(26)	0	33
Deferred tax assets	(28)	4,099	3,194
Other assets	(12)	646	794
		49,579	**43,236**
Total current assets			
Inventories	(13)	730	693
Work in progress	(14)	3,173	2,448
Trade receivables	(15)	11,590	7,353
Income tax receivables	(16)	601	585
Other financial assets	(17)	393	282
Other assets		54	97
Prepaid expenses	(18)	1,063	619
Cash on hand and bank balances	(19)	14,231	11,408
		31,835	**23,485**
Assets		**81,414**	**66,721**

Consolidated Balance Sheet as of December 31, 2013

USU Software AG, Möglingen

LIABILITIES	Notes	Dec. 31, 2013 EUR thousand	Dec. 31, 2012 EUR thousand
Equity and liabilities			
Total shareholders' equity	(20)		
Subscribed capital		10,524	10,524
Capital reserve		52,792	52,792
Legal reserve		470	470
Other comprehensive income		-44	0
Accumulated losses		-10,467	-11,480
Shareholders' equity not including minority interests		53,275	52,306
Minority interest		-43	-11
		53,232	**52,295**
Total non-current liabilities			
Non-current liabilities	(28)	918	0
Pension provisions	(21)	1,092	993
		2,010	**993**
Total current liabilities			
Provisions for income taxes		285	433
Purchase price liabilities		2,905	0
Personnel-related provisions and liabilities	(22)	4,489	4,494
Other provisions and liabilities	(23)	2,322	1,942
Liabilities from advance payments	(24)	11,213	2,481
Trade payables	(25)	1,741	1,690
Deferred income	(27)	3,217	2,393
		26,172	**13,433**
Liabilities		**81,414**	**66,721**

Consolidated Income Statement for the Fiscal Year from January 1 to December 31, 2013

USU Software AG, Möglingen

	Notes	2013 EUR thousand	2012 EUR thousand
Sales revenues	(29)	55,713	51,229
Cost of sales	(30)	-26,932	-25,982
Gross profit		**28,781**	**25,247**
Sales and marketing expenses	(31)	-9,106	-6,925
General administrative expenses	(32)	-5,871	-4,643
Research and development expenses	(33)	-9,426	-7,240
Other operating income	(34)	614	410
Other operating expenses	(35)	-222	-2,180
Amortization of intangible assets recognized in the course of company acquisitions		-1,362	-1,141
Interest income	(36)	112	253
Interest expenses	(37)	-649	-346
Profit before taxes		**2,871**	**3,435**
Income taxes	(38)	775	1,380
Net profit/loss		**3,646**	**4,815**
of which:			
Shareholders of USU Software AG		3,678	4,828
Minority interests		-32	-13
Earnings per share (in EUR):			
Payable to the shareholders of USU Software AG: (basic and diluted)		0.35	0.46
Weighted average shares: (basic and diluted)		10,523,770	10,523,770

Consolidated Statement of Comprehensive Income for the 2013 Fiscal Year

USU Software AG, Möglingen

	Note	2013 EUR thousand	2012 EUR thousand
Net profit/loss		**3,646**	**4,815**
Items never to be reclassified to profit or loss			
Actuarial gains/losses from pension provisions	(21)	-57	-485
Deferred taxes from actuarial gains/losses		23	139
Items that have been or can be reclassified to profit or loss			
Available-for-sale financial instruments (securities)		0	7
Currency translation difference		-44	16
Other comprehensive income		**-78**	**-323**
Overall result		**3,568**	**4,492**
of which:			
shareholders of USU Software AG		3,600	4,505
minority interests		-32	-13

Consolidated Statement of Cash Flow for the 2013 Fiscal Year

USU Software AG, Möglingen

	Notes	2013 EUR thousand	2012 EUR thousand
Net cash from operating activities:			
Profit before taxes		2,871	3,435
Adjustments for:			
Financial income/financial expenditure		537	93
Depreciation and amortization		2,082	1,737
Income taxes paid		-415	-727
Income taxes refunded		96	35
Interest paid		-9	-215
Interest received		18	137
Other non-cash income and expenses		-103	-83
Change in working capital:			
Inventories		-37	170
Work in progress		-725	-1,118
Trade receivables		-2,761	-1,303
Prepaid expenses and other assets		-319	-107
Trade payables		-482	388
Personnel-related liabilities and pension provisions		-24	421
Other provisions and liabilities		9,126	2,728
	(40)	**9,855**	**5,591**
Net cash from/used in investing activities:			
Acquisition of subsidiaries less cash and cash equivalents acquired		-2,786	0
Capital expenditure in property, plant and equipment		-1,178	-710
Capital expenditure in other intangible assets		-369	-85
Sales of non-current assets		1	52
Repayment of short-term loans		33	8
Repayment of fixed deposits		0	500
	(41)	**-4,299**	**-235**
Net cash used in financing activities:			
Dividend payment		-2,631	-2,105
Repayment of purchase price liability in connection with the acquisition of subsidiaries		0	-8,978
	(42)	**-2,631**	**-11,083**
Net effect of currency translation in cash and cash equivalents		**-102**	**-12**
Increase in cash and cash equivalents		**2,823**	**-5,737**
Cash and cash equivalents – start of the fiscal year		**11,408**	**17,145**
Cash and cash equivalents – end of the fiscal year	(43)	**14,231**	**11,408**

Consolidated Statement of Changes in Equity for the 2013 Fiscal Year

USU Software AG, Möglingen

	Subscribed capital		Capital reserve	Legal reserve
	Number	EUR thousand	EUR thousand	EUR thousand
Consolidated equity as of December 31, 2011	**10,523,770**	**10,524**	**52,792**	**386**
Net profit/loss	0	0	0	0
Other comprehensive income	0	0	0	0
Overall result	**0**	**0**	**0**	**0**
Transfer to legal reserve	0	0	0	84
Dividend payment	0	0	0	0
Consolidated equity as of December 31, 2012	**10,523,770**	**10,524**	**52,792**	**470**
Net profit/loss	0	0	0	0
Other comprehensive income	0	0	0	0
Overall result	**0**	**0**	**0**	**0**
Dividend payment	0	0	0	0
Consolidated equity as of December 31, 2013	**10,523,770**	**10,524**	**52,792**	**470**

Treasury shares EUR thousand	Accumulated losses EUR thousand	Other comprehensive income Currency translation EUR thousand	Fair value measurement securities EUR thousand	Shareholder's equity not including minority interests EUR thousand	Minority interests EUR thousand	Total EUR thousand
0	**-13,773**	**-16**	**-7**	**49,906**	**2**	**49,908**
0	4,828	0	0	4,828	-13	4,815
0	-346	16	7	-323	0	-323
0	**4,482**	**16**	**7**	**4,505**	**-13**	**4,492**
0	-84	0	0	0	0	0
0	-2,105	0	0	-2,105	0	-2,105
0	**-11,480**	**0**	**0**	**52,306**	**-11**	**52,295**
0	3,678	0	0	3,678	-32	3,646
0	-34	-44	0	-78	0	-78
0	**3,644**	**-44**	**0**	**3,600**	**-32**	**3,568**
0	-2,631	0	0	-2,631	0	-2,631
0	**-10,467**	**-44**	**0**	**53,275**	**-43**	**53,232**

Notes to the Consolidated Statements for the 2013 Fiscal Year

USU Software AG, Möglingen

A. THE COMPANY

The Group parent company, USU Software AG, is domiciled at Spitalhof, 71696 Möglingen, Germany, and is entered in the commercial register of the Stuttgart District Court (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 Solutions segment for the optimization of knowledge-intensive business processes. The Group also provides consulting services for IT projects and individual application development in the Business Solutions segment.

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

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

B. SIGNIFICANT ACCOUNTING 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 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 and liabilities which are carried at fair value.

On March 4, 2014, 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, 2013 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 are to be applied for the first time in the 2013 fiscal year:

- In June 2011, the IASB published the **amendment to IAS 1: Presentation of Financial Statements.** The amendments were endorsed by the EU in June 2012. It is a requirement that the amended version of IAS 1 is applied for the first time to reporting periods beginning on or after July 1, 2012. The amendments relate to the presentation of items of other comprehensive income. Depending on the possibility of later reclassification to profit or loss, these are divided into two categories. Pursuant to the amendments and where applicable, the Group divides the individual items of other comprehensive income into items that can be reclassified to profit or loss (reclassifiable) or items that cannot be reclassified to profit or loss (not reclassifiable).

- In June 2011, the IASB published the **amendment to IAS 19: Employee Benefits.** The amendments were endorsed by the EU in June 2012. It is a requirement that the amended version of IAS 19 is applied for the first time to reporting periods beginning on or after January 1, 2013. The revised version of IAS 19: Employee Benefits includes significant changes regarding the recognition and measurement of changes in pension liabilities taken to profit or loss and taken directly to equity. The amendment also removes the option to use the corridor method in the case of actuarial profit and loss. There are also enhanced disclosure requirements. The amendment of IAS 19 had no effect for the Group, as changes in pension obligations were already taken to equity in the past.

- In May 2011, the IASB issued **IFRS 13: Fair Value Measurement.** The new standard was endorsed by the EU in December 2012 and is required to be applied for the first time to fiscal years beginning on or after January 1, 2013. IFRS 13 standardizes a definition of fair value and the methods to be used to measure fair value for all standards. In addition, first-time application results in additional disclosures in the notes.

- In December 2011, the IASB published an amendment to **IFRS 7: Financial Instruments: Disclosures** with regard to offsetting financial instruments. It is a requirement that the amended version of IFRS 7 is applied for the first time to reporting periods beginning on or after January 1, 2013. The amendment includes additional disclosure requirements about all recognized financial instruments that are set off in accordance with IAS 32: Financial Instruments: Presentation. In addition, it requires disclosures about all recognized financial instruments subject to enforceable master netting arrangements and similar agreements. The amended standard had no effects on the consolidated financial statements.

- In May 2012, the IASB published the improvements **IFRS 2009-2011.** The majority of the amendments are required to be applied for the first time to reporting periods beginning on or after January 1, 2013. The amendments eliminate inconsistencies and clarify formulations. The amended standards had no material effects on the consolidated financial statements.

- In May 2013, the IASB issued **amendments to IAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets.** The amendments correct the requirement introduced by IFRS 13 to disclose the recoverable amount of every cash-generating unit, which went too far. The amended standard also introduces new required disclosures to be made in the event of certain impairment losses or reversals of impairment losses. The amendment is required to be applied for the first time to reporting periods beginning on or after January 1, 2014, and was adopted early by the Group.

There was no requirement to apply the following new or amended standards and interpretations for the fiscal year beginning on January 1, 2013 and they were not adopted early:

- In November 2009, the IASB published **IFRS 9 (2009): Financial Instruments.** The intention is that the standard – together with two further supplements – will gradually replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 (2009) contains provisions governing the classification and measurement of financial assets. The standard provides for the replacement of the measurement categories used to date by the categories “amortized costs” and “fair value”.

- In October 2010, the **IASB introduced a supplement to IFRS 9 (2010): Financial Instruments.** IFRS 9 (2010) now also includes provisions governing the classification and measurement of financial liabilities and the derecognition of financial assets and liabilities. With the exception of the fair value option, IFRS 9 (2010) does not contain any major changes applicable to financial liabilities. Fair value changes under the fair value option on account of a company‘s own credit risk are to be recognized in the OCI, while all other fair value changes are to be recognized in the income statement (one-step approach). With regard to derecognition, IFRS 9 (2010) takes over from the provisions laid down in the currently applicable version of IAS 39. In November 2013, the IASB finalized phase 3 of the revision of IFRS 9: Financial Instruments and published the new chapter on hedge accounting. This primarily provides relief for hedging strategies of industrial companies in commodities hedging. It is a requirement that, if it is accepted in its current form by the EU, IFRS 9 is applied for the first time to reporting periods beginning on or after January 1, 2015. The amendments have not yet been adopted into EU law.

- In May 2011, the IASB issued the standards **IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements** and **IFRS 12: Disclosure of Interests in Other Entities.** Amendment to **IAS 27: Separate Financial Statements and IAS 28: Investments in Associates and Joint Ventures** were also published. In addition, the IASB published **revised transition guidance** for and amendments to **IFRS 10, IFRS 11, and IFRS 12** in June 2012. In October 2012, the IASB published **amendments to IFRS 10, IFRS 12 and IAS 27,** which grant an exception relating to the consolidation of subsidiaries under IFRS 10. The new and amended standards were endorsed by the EU.

- **IFRS 10: Consolidated Financial Statements** replaces the consolidation guidelines in IAS 27: Consolidated and Separate Financial Statements and SIC 12: Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities on the basis of control regardless of the type of investee (i.e. regardless of whether the entity is controlled via investors' voting rights or by other contractual arrangements, such as is customary in the case of special purpose entities). According to IFRS 10, control is determined by whether an investor has power over the investee, has opportunities and risks from variable returns from its involvement with the investee and can use its power over the investee to determine the amount of the returns.

- **IAS 27 (2011): Separate Financial Statements** aims to set standards to be applied in accounting for investments in subsidiaries, associates, and joint ventures when an entity elects, or is required by local regulations, to present separate financial statements. The consolidation requirements previously included in IAS 27 (2008) were revised and are now included in IFRS 10.

- **IFRS 11: Joint Arrangements** replaces IAS 31: Interests in Joint Ventures. The possibility to apply the proportionate consolidation method when accounting for joint ventures has been eliminated. In addition, IFRS 11 abolishes jointly controlled assets; only joint operations and joint ventures remain. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights from the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets.

- **IFRS 12: Disclosure of Interests in Other Entities** requires improved disclosures on both consolidated and unconsolidated entities in which an entity has an interest. The objective of IFRS 12 is to enable users of financial statements to evaluate the basis of control, any claims to consolidated assets and liabilities, risks from the involvement in unconsolidated special purpose entities, and the interest of minority shareholders in consolidated entities.

- **IAS 28 (2011) Investments in Associates and Joint Ventures** takes account of changes resulting from the publication of IFRS 10, IFRS 11, and IFRS 12. The new and amended standards are required to be applied in the EU for the first time to reporting periods beginning on or after January 1, 2014.

- In November 2013, the IASB published **amendments to IAS 19: Employee Benefits.** The new regulations include a clarification of how entities must recognize contributions to defined-benefit plans from employees or third parties. It is a requirement that, if it is accepted in its current form by the EU, the amendment is applied for the first time to reporting periods beginning on or after July 1, 2014. It has not yet been adopted into EU law.

- In December 2011, the IASB published a **revision of IAS 32: Financial Instruments: Presentation.** The changes relate to the offsetting of financial instruments and entail additions to the application guidance in the revision of IAS 32. The amendments to IAS 32 were endorsed by the EU in December 2012 and take effect for fiscal years beginning on or after January 1, 2014.

- In June 2013, the IASB published the **amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting.** A relief provision was added to IAS 39, whereby under certain conditions it is not necessary to discontinue hedge accounting when the original derivative is discontinued. The amendment is required to be applied for the first time for reporting periods beginning on or after January 1, 2014.

- In May 2013, the IASB published **IFRIC 21: Levies.** IFRIC 21 deals with accounting for public levies that are not income taxes as defined by IAS 12. In particular, it clarifies when obligations to pay such levies must be recognized as liabilities in the financial statements. It is a requirement that, if it is accepted in its current form by the EU, the amendment is applied for the first time to reporting periods beginning on or after January 1, 2014. It has not yet been adopted into EU law.

- The IASB published the **Improvements to IFRS 2010-2012** and the **Improvements to IFRS 2011-2013** up to December 2013. The amendments and improvements to IFRS 2010-2012 and IFRS 2011-2013 have not yet been adopted by the EU. It is a requirement that, if accepted in their current form by the EU, the amendments are applied for the first time to reporting periods beginning on or after July 1, 2014. The amendments eliminate inconsistencies and clarify formulations. The amended standards had no material effects on the consolidated financial statements.

- As a result of the new version of IFRS 9, the Group expects changes to the categorization of financial assets. The other amendments will mainly result in additional disclosures in the notes. In other cases, the Group expects no impact on the presentation of the net assets, financial position or results of operations of the Group. 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, intercompany profits, income and expenses, receivables and liabilities, provisions and contingencies are eliminated.

Minority interests in the net assets of consolidated subsidiaries are determined and reported separately in the consolidated balance sheet.

4. Consolidated Group

The Group consists of USU Software AG and eleven German and foreign subsidiaries. The scope of consolidation was extended to include B.I.G. Social Media GmbH, Berlin, which was acquired on January 15, 2013, by way of a purchase agreement dated December 20, 2012.

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

Consolidated group Name and domicile of the company	Shareholding in %	Subscribed capital EUR thousand	Shareholders' equity as of Dec. 31, 2013 EUR thousand	Net profit/loss 2013 EUR thousand
USU AG, Möglingen	100.00	5,738	12,267	-211
LeuTek GmbH, Leinfelden-Echterdingen [1)]	100.00	22	1,380	1,913
Omega Software GmbH, Obersulm [1)]	100.00	77	970	-79
USU Software s. r. o., Brno, Czech Republic	100.00	73	553	162
USU (Schweiz) AG, Zug, Switzerland	100.00	82	-20	-5
USU Austria GmbH, Wien, Austria	100.00	35	-767	18
Openshop Internet Software GmbH, Möglingen [1)]	100.00	40	-774	0
Aspera GmbH, Aachen [1)]	100.00	300	300	3,169
USU Consulting GmbH, Sursee, Switzerland	70.00	82	-151	-107
Aspera Technologies Inc., Boston, USA	100.00	36	-86	-114
B.I.G. Social Media GmbH, Berlin	51.00	25	967	154

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

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 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:

Currency (equivalent to EUR 1)	Closing rate Dec. 31, 2013	Closing rate Dec. 31 2012	Average rate 2013	Average rate 2012
Swiss francs (CHF)	1,2276	1,2072	1,2291	1,2044
Czech koruna (CZK)	27,425	25,151	26,026	25,130
US Dollar (USD)	1,3791	1,3194	1,3286	1,2856

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR 281 thousand (2012: EUR -134 thousand).

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 (see notes 7.6 and 7.17), determining the probable economic life of intangible assets (notes 7.1 and 9), the decision not to capitalize software development costs (note 7.19), bad debt allowances (note 15), contingent liabilities, pension provisions (note 21), and other provisions (note 23), as well as the estimation of the recoverability of future tax benefits in the form of the recognition of deferred taxes from tax loss carry forwards (note 28).

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, 9 and 10).

The cash flows underlying the discounted cash flow calculation as part of goodwill im-pairment 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 relate primarily 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 2012 and 2013 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 ac-quisitions, the goodwill is allocated to the corresponding CGU.

As cash flows in the USU Group are planned and deferred at the level of the subsidiaries USU AG, LeuTek GmbH, Aspera GmbH, and B.I.G. Social Media GmbH (with the exception of Omega Software GmbH), the CGUs are defined as USU AG together with Omega Software GmbH, where a distinction is also made between Product Business and Service Business, as well as the subsidiaries LeuTek GmbH, Aspera GmbH, and B.I.G. Social Media GmbH, all three of which are 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.

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 held financial assets in the loans and receivables categories only.

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

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

The fair value of financial instruments traded on organized markets is determined on the basis of the quoted market price at the 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 out at the lower of cost or net realizable value determined by reference to prices on the respective sales market. Inventories mainly relate to software licenses from third-party providers and IT hardware.

Inventory risks relating to obsolescence are recognized in the form of corresponding discounts. No inventories were written down due to a reduction in their net realizable value at the 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 that method, 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 carry forwards 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 did not hold any treasury shares on the balance sheet dates of December 31, 2012 and December 31, 2013.

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 is based on the projected unit credit method for pension commitments as prescribed by IAS 19. This procedure takes into account the pension commitment at the 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 payables and other originated financial liabilities are measured at amortized cost using the effective interest rate method.

7.13 Liabilities from Advance Payments

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

7.14 Government Grants

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

7.15 Contingent Liabilities and Events after the 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.

7.16 Leasing

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

The Group has only entered into operating leases.

7.17 Sales Revenues

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 agreement does not constitute a customer-specific contract within the meaning of IAS 11, the Group recognizes the sales resulting from these arrangements at the fair value (standard price) of the individual services. The standard price is defined as the price which would be demanded if the service was sold separately.

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

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

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

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

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

There are also cases in which the Group has entered into an agreement on the licensing and sale of software products. These agreements include the provision of additional associated services. Unlimited licensing and sales rights are granted for a product as part of the agreement. The Group also undertakes to provide maintenance services for the product. In addition to the product and the right of sale as such, the Group provides ‚second-level support‘ and training.

In view of the underlying situation in a software licensing agreement with several components and the fact that only rudimentary regulations are provided on this within IFRS, we use IAS 8.12 to recognize sales resulting from this agreement on the balance sheet in accordance with US GAAP regulations, particularly ASC 985-605 “Software Revenue Recognition”. The consideration received is recognized on a pro rata basis over the term of the agreement after the relevant conditions have been fulfilled. Considerations that have been received and are not yet to be realized are deferred accordingly and reported as advance payments received.

7.18 Cost of Sales

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

7.19 Research and Development Expenses

Research and development expenses are incurred by the Group in connection with the (further) development of its software. In accordance with IAS 38, research expenses may not be capitalized, whereas development costs must be recognized if all of the specific criteria for recognition are met. The recognition of software development costs begins when the software becomes technically feasible and ends when the software version is launched on the market. The Group defines technical feasibility as the production of a corresponding working model. Due to the short time span between technical feasibility and the date on which the software is launched on the market, no development costs 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 (2013: EUR 9,426 thousand, 2012: EUR 7,240 thousand).

C. CHANGES TO GROUP ORGANIZATION

8. Acquisition of B.I.G. Social Media GmbH, Berlin

USU Software AG acquired 51 % of shares in B.I.G. Social Media GmbH, Berlin ("BIG"), on December 20, 2012 in an agreement subject to a condition precedent. BIG is a leading international provider of software-as-a-service solutions for enterprise customers in the area of social media management.

By combining BIG's software with USU's KnowledgeCenter database, the Group hopes to create another global unique selling point in knowledge-based service management, expand Group-wide software-as-a-service ("SaaS") ranges in a targeted way and open up additional international growth potential for USU. The company's prestigious clientele includes global companies such as Audi, Bosch, Microsoft, Deutsche Post/DHL, Lufthansa, O2, and Viessmann.

The shares were transferred in title on January 15, 2013 when the first installment of the purchase price was paid (acquisition date). In 2013, BIG's sales revenues amounted to EUR 4,167 thousand. Information on BIG's net profit for 2013 can be found in note 4.

The purchase price for 51 % of shares in BIG is EUR 4,667 thousand, but may subsequently be reduced to as low as EUR 1,259 thousand as a result of various discounts totaling up to EUR 3,408 thousand. The amount of the discounts depends on BIG's EBIT for fiscal 2012, 2013 and 2014. The purchase price for 51 % of shares in BIG is thus between EUR 1,259 thousand and EUR 4,667 thousand and is to be paid in cash. Based on plans, the Company expects the purchase price to be EUR 3,203 thousand (present value).

USU Software AG is working towards a full takeover of BIG within two years. For this reason, the parties hold reciprocal options (call and put options), which can be exercised until December 31, 2015.

The purchase price that USU Software AG must pay for the remaining 49 % of shares in BIG, including the share in profits attributable to these shares for fiscal 2012, 2013 and 2014, depends, with regard to the call and put option, on the results achieved by BIG in fiscal 2012, 2013 and 2014 and will be at least EUR 2,205 thousand, whereby a maximum purchase price of EUR 10,200 thousand has been agreed for 100 % of shares in BIG including all rights to profit distribution for fiscal 2012, 2013, and 2014.

Furthermore, USU Software AG also holds a call option that is not dependent on results and that can be exercised by USU Software AG at any time up until December 31, 2014, unlike the other option rights. With this call option, the purchase price that USU Software AG must pay for the remaining 49 % of shares in BIG, including all rights to profit distributions for fiscal 2012, 2013, and 2014, is EUR 10,200 thousand less the purchase price for the 51 % stake in BIG and less all rights to profit distributions for the sellers and profit distributions to the sellers from fiscal 2012, 2013, and 2014.
As a result of this further call option, USU has an obligation to consolidate BIG fully in its consolidated financial statements from the acquisition date. The full consolidation is performed on the basis of the assumption that the purchase price for the remaining 49 % stake in BIG will be EUR 2,326 thousand (present value), including profit distributions.

All option rights contain the provision that USU Software AG is entitled to settle 20 % of the purchase price for the remaining 49 % stake in BIG in Company shares, with a 12-month lock-up period.

Calculation of the purchase price for BIG	EUR thousand
Acquisition of 51 % of BIG	3,203
Expected purchase price (incl. rights to profit distribution) for the remaining 49% of BIG (present value)	2,326
Purchase price	**5,529**
Paid in cash in 2013	3,006

Information on the liabilities from the acquisition still existent on the balance sheet date can be found in note 26.

The calculation of the goodwill is shown in the table below:

	Previous carrying amounts under IFRS EUR thousand	Fair values EUR thousand
Intangible assets	1	3,633
Property, plant and equipment and financial assets	160	160
Trade receivables	1,476	1,476
Other (financial) assets	61	61
Cash and cash equivalents	221	221
Prepaid expenses	1	23
Provisions	-225	-225
Liabilities	-702	-702
Deferred income	-180	-180
Non-current liabilities	0	-1,103
	813	**3,365**
Attributable non-tax-deductible goodwill		2,164
Purchase price		**5,529**

The additional non-tax-deductible intangible assets of EUR 3,632 thousand identified in the purchase price allocation break down as follows:

The measurement techniques used to determine the fair value of intangible assets were as follows:

	EUR thousand	Expected economic life Years
Customer relationships	3,225	7
Orders on hand	83	1
Technology	324	7
	3,632	

Relief from royalty method: The relief from royalty method considers the discounted estimated payments of royalties expected to be saved due to the fact that patents or trademarks are owned.

Multi-period excess earnings method: The multi-period excess earnings method considers the present value of expected net cash flows generated by customer relationships with the exception of all cash flows associated with supporting assets.

The goodwill results mainly from the abilities and technical skill of the workforce of B.I.G. Social Media GmbH and the synergies expected from the integration of the company into the Group's existing business. The recognized goodwill is not tax deductible.

The stay bonus of EUR 500 thousand granted to the seller of BIG is reported separately from the business combination and recognized as an expense over the term of the agreement that has been concluded, i.e. in installments until 2017.

The Group incurred costs of EUR 74 thousand for legal consulting and due diligence in connection with the business combination (EUR 64 thousand of which in 2012). These costs are recognized in “administrative expenses”.

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	2013 EUR thousand	2012 EUR thousand
USU AG/OMEGA (Product Business)	445	445
USU AG (Service Business)	85	85
LeuTek (Product Business)	829	829
Aspera (Product Business)	652	652
	2,011	**2,011**

From a commercial perspective, the end of the useful life of these brands cannot be deter-mined 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, Aspera and BIG.

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 five CGUs in the Group: Aspera, LeuTek, USU AG – Product Business and USU AG – Service Business, and BIG.

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

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

Planning is based on the following sales growth rates:

	2014	2015	2016
USU AG/OMEGA (Product Business)	11.1 %	11.7 %	7.6 %
USU AG (Service Business)	4.7 %	6.0 %	6.7 %
LeuTek (Product Business)	-2.4 %	4.7 %	6.6 %
Aspera (Product Business)	10.6 %	13.8 %	8.2 %
BIG (Product Business)	45.2 %	37.4 %	35.9 %

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 1.0 % (2012: 1.0 %).

In calculating the present value, a post-tax capitalization rate of 8.96 % to 12.25 % (2012: 8.5 %) or a pre-tax capitalization rate of 11.99 % to 16.47 % (2012: 10.9 %) was taken as a basis in the Product Business segment.

For the Service Business sector, a post-tax capitalization rate of 8.96 % (2012: 6.8 %) or a pre-tax capitalization rate of 11.54 % (2012: 8.8 %) was taken as a basis.

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

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

CGU		2013 EUR thousand	2012 EUR thousand
USU AG/OMEGA	(Product Business)	12,868	12,868
USU AG	(Service Business)	2,322	2,322
LeuTek	(Product Business)	10,448	10,448
Aspera	(Product Business)	6,757	6,757
BIG	(Product Business)	2,164	0
		34,559	**32,395**

The changes in goodwill for each reporting unit in the 2012 and 2013 fiscal years are shown in the following table.

in EUR thousand	Product Business	Service Business	Group
As of January 1, 2012	**30,073**	**2,322**	**32,395**
As of December 31, 2012	**30,073**	**2,322**	**32,395**
Acquisition of B.I.G. Social Media GmbH	2,164	0	2,164
As of December 31, 2013	**32,237**	**2,322**	**34,559**

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

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

Additional goodwill impairment loss at	1 percentage point increase in the capitalization rate	2 percentage point 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
BIG (Product Business)	0	0

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

11. Property, Plant and Equipment

Depreciation of property, plant and equipment amounted to EUR 608 thousand in the 2013 fiscal year (2012: EUR 496 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 646 thousand (2012: EUR 561 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 1,406 thousand in the past fiscal year (2012: EUR 2,343 thousand).

14. Work in Progress

The following table provides an overview of total work in progress and the associated billings as of December 31, 2012 and December 31, 2013:

	2013 EUR thousand	2012 EUR thousand
Contract costs plus unbilled contract earnings	6,462	4,107
of which: from service agreements in accordance with IAS 18	2,554	1,659
of which: from construction contracts in accordance with IAS 11	3,908	2,448
less amounts received from progress billings	-4,597	-2,863
Gross	**1,865**	**1,244**
of which: Work in progress	3,173	2,448
of which: Liabilities from advance payments	-1,308	-1,204

Sales of EUR 4,550 thousand were generated from construction contracts in accordance with IAS 11 in the 2013 fiscal year (2012: EUR 5,756 thousand).

15. Trade Receivables

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

	2013 EUR thousand	2012 EUR thousand
Trade receivables	11,865	7,729
Valuation allowances as of January 1	-376	-364
Utilizations in the fiscal year	103	0
Additions recognized in profit or loss	-74	-19
Reversals	72	7
Valuation allowances as of December 31	-275	-376
	11,590	**7,353**

As of December 31, 2013, valuation allowances were recognized for trade receivables with a nominal value of EUR 487 thousand (2012: EUR 542 thousand).

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

			Past due but not subject to valuation allowances				
Year	Total EUR thousand	Neither past due nor subject to valuation allowances EUR thousand	<30 days EUR thousand	30–90 days EUR thousand	91–180 days EUR thousand	181–360 days EUR thousand	>360 days EUR thousand
2013	11,375	9,824	1,551	0	0	0	0
2012	7,187	5,904	1,283	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:

	2013 EUR thousand	2012 EUR thousand
Receivables from investments	0	0
Receivables from employees	0	2
Interest accrued on securities	0	0
Other receivables	393	280
	393	**282**

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

Year	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	>360 days EUR thousand
2013	393	393	0	0	0	0	0
2012	282	282	0	0	0	0	0

18. Prepaid Expenses

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

19. Cash on Hand and Bank Balances

This item is broken down as follows:

	2013 EUR thousand	2012 EUR thousand
Fixed-term deposits and overnight money	10,083	6,815
Demand deposits	4,142	4,590
Cash on hand	6	3
	14,231	**11,408**

20. Total Shareholders' Equity

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

20.1 Share Capital and Shares

The subscribed capital of the Company stands at EUR 10,524 thousand as of December 31, 2013. 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.

20.2 Authorized Capital

By resolution of the Annual General Meeting of July 18, 2012, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 5,261,885.00 by issuing new bearer shares, each with a pro rata interest in the Company's share capital of EUR 1.00, in exchange for cash and/or non-cash contributions on one or more occasions up to July 17, 2017 (authorized capital 2012). Shareholders must be granted subscription rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

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

The Management Board is further authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of non-cash capital increases, particularly for the purpose of acquiring participations, companies or assets – including for a share swap – and for business combinations.

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

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

20.3 Contingent Capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may be used exclusively for granting options to the members of the Management Board and employees of the Company. There were no outstanding options as of December 31, 2013.

20.4 Capital Reserve

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

20.5 Legal Reserve

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

20.6 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.

	2013	2012
Consolidated earnings attributable to the shareholders of USU Software AG: EUR thousand	3,646	4,828
Annual average number of shares: Shares	10,523,770	10,523,770
Basic earnings per share: in EUR	0.35	0.46

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

	2013 Shares	2012 Shares
Number of shares as of January 1	10,523,770	10,523,770
Number of shares as of December 31	**10,523,770**	**10,523,770**

20.7 Appropriation of Net Profit

The Management Board is proposing the distribution of a dividend of EUR 0.25 per share for a total of 10,523,770 no-par value shares (EUR 2,631 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2013.

21. Pension Provisions

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

Pension provisions were calculated using the projected unit credit method prescribed by IAS 19. The future obligations were measured using actuarial calculations. The calculations were based on the 2005 G mortality tables, assuming a discount rate of 3.75 % (2012: 3.8 %). 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 (2012: 0 %). The expected average annual return on plan assets is 3.8 % (2012: 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, 2013.

As of December 31, 2013, the Company offset a (cumulative) total of EUR -540 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:

	2013 EUR thousand	2012 EUR thousand	2011 EUR thousand
Present value of benefit obligation at the start of the fiscal year	2,563	1,924	1,812
Current service cost	31	30	22
Interest cost	98	101	98
Actuarial gains/losses taken directly to equity resulting from			
- Demographic assumptions	-	-	-
- Financial assumptions	21	508	-8
- Experience adjustments	-	-	-
Present value of benefit obligation at the end of the fiscal year	**2,713**	**2,563**	**1,924**

Development of plan assets:

	2013 EUR thousand	2012 EUR thousand	2011 EUR thousand
Fair value of the plan assets at the start of the fiscal year	1,570	1,442	1,397
Income from plan assets (interest income)	62	58	60
Payments into the plan assets	24	48	20
Amortization of plan assets	0	0	0
Actuarial gains/losses taken directly to equity resulting from			
- Demographic assumptions	-	-	-
- Financial assumptions	-35	22	-35
- Experience adjustments	-	-	-
Fair value of the plan assets at the end of the fiscal year	**1,621**	**1,570**	**1,442**

Development of the obligation reported in the balance sheet:

	2013 EUR thousand	2012 EUR thousand	2011 EUR thousand	2010 EUR thousand	2009 EUR thousand
Present value of the pension obligation	2,713	2,563	1,924	1,812	1,542
Fair value of the plan assets	1,621	1,570	1,442	1,397	1,229
Obligation reported in the balance sheet	1,092	993	482	415	313

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 2014 fiscal year are estimated at EUR 44 thousand.

The following amounts were reported in the income statement:

	2013 EUR thousand	2012 EUR thousand	2011 EUR thousand	2010 EUR thousand	2009 EUR thousand
Current service cost	-31	-30	-22	-22	-18
Interest cost	-98	-101	-98	-90	-83
Income from plan assets (interest income)	62	58	60	48	37
Amortization of plan assets	0	0	0	0	-5
	-67	**-73**	**-60**	**-64**	**-69**

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.

Sensitivity analysis:
If other assumptions remained constant, changes in one of the major actuarial assumptions that were considered reasonably possible on the balance sheet date would have influenced the defined benefit obligation by the following amounts.

Dec. 31, 2013 Effect in EUR thousand	Increase of the defined benefit obligation EUR thousand	Decrease of the defined benefit obligation EUR thousand
Discount rate (1 % change)	456	-369
Future pension trend (1 % change)	286	-237

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

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 44 thousand in the year under review (2012: EUR 45 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 1,775 thousand (2012: EUR 1,467 thousand), of which EUR 30 thousand was attributable to Management Board members (2012: EUR 30 thousand).

22. Personnel-Related Provisions and Liabilities

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

	2013 EUR thousand	2012 EUR thousand
Vacation and variable compensation	3,726	3,970
Other personnel-related liabilities	763	524
	4,489	**4,494**

23. Other Provisions and Liabilities

Other provisions and liabilities include the following items:

	2013 EUR thousand	2012 EUR thousand
Outstanding invoices	602	470
Other liabilities	989	654
Other Provisions	731	818
	2,322	**1,942**

Other provisions mainly comprise provisions for obligations under company law and other identifiable individual risks. Other provisions developed as follows in the 2013 fiscal year:

EUR thousand	As of Jan. 1, 2013	BIG acquisition	Additions	Utilizations	Reversals	Currency difference	As of Dec. 31, 2013
Operating obligations	329	8	275	253	49	0	308
Other obligations	489	38	131	159	75	-1	423
	818	**46**	**406**	**412**	**124**	**-1**	**731**

24. Liabilities from Advance Payments

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

25. Trade Payables

All trade payables are due within one year.

26. 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 of December 31, 2013	**IAS 39-category/ IFRS 7 class**	**Carrying amount**	**Measurement in accordance with IAS 39**			**Fair value**
			Amortized cost	Fair value taken directly to equity	Fair value recognized in profit or loss	
Non-current financial instruments Loans to members of the Management Board	L+R [1)]	0	0	0	0	0
Work in progress	IAS 11	3,173	3,173	0	0	3,173
Trade receivables	L+R	11,590	11,590	0	0	11,590
Other current financial assets	L+R	393	393	0	0	393
Cash on hand and bank balances	L+R	14,231	14,231	0	0	14,231
Aggregated by class/category						
Loans and receivables	L+R	26,214	26,214	0	0	26,214
Work in progress	IAS 11	3,173	0	0	0	3,173

[1)] *L+R: Loans and Reseivables*

in EUR thousand as of December 31, 2013	IAS 39-category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value taken directly to equity	Fair value recognized in profit or loss	
Financial liabilities						
Trade payables	Amortized cost	1,741	1,741	0	0	1,741
Liabilities from advance payments	Amortized cost/IAS 11	11,213	11,213	0	0	11,213
Purchase price liabilities for the BIG shares	Amortized cost	198	198	0	0	198
Purchase price liabilities for the BIG shares	At fair value through profit or loss	2,707	0	0	2,707	2,707
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	13,152	13,152	0	0	13,152
Measured at fair value through profit or loss	At fair value through profit or loss	2,707	0	0	2,707	2,707

in EUR thousand as of December 31, 2012	IAS 39-category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value taken directly to equity	Fair value recognized in profit or loss	
Non-current financial instruments Loans to members of the Management Board	L+R [1)]	33	33	0	0	33
Work in progress	IAS 11	2,448	0	0	0	2,448
Trade receivables	L+R	7,353	7,353	0	0	7,353
Other current financial assets	L+R	282	282	0	0	282
Cash on hand and bank balances	L+R	11,408	11,408	0	0	11,408
Aggregated by class/category						
Loans and receivables	L+R	19,076	19,076	0	0	19,076
Work in progress	IAS 11	2,448	0	0	0	2,448

1) L+R: Loans and Reseivables

in EUR thousand as of December 31, 2012	IAS 39-category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value taken directly to equity	Fair value recognized in profit or loss	
Financial liabilities						
Trade payables	Amortized cost	1,690	1,690	0	0	1,690
Liabilities from advance payments	Amortized cost/IAS 11	2,481	2,481	0	0	2,481
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	4,171	4,171	0	0	4,171

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.

The purchase and transfer agreement concluded on December 20, 2012 for the acquisition of 51 % of the shares in B.I.G. Social Media GmbH, Berlin by USU Software AG granted the former shareholder a put option to sell the remaining 49 % of the shares. As part of the purchase price allocation, a liability of EUR 2,326 thousand was recognized for the payment to be made in the event that the former shareholder exercises the put option for the 49 % of the shares in B.I.G. Social Media GmbH, Berlin. The liability for the payment is carried at present value in accordance with IAS 32. Fluctuations in the fair value are to be recognized subsequently in profit or loss. The fair value of the financial liability is to be determined according to IFRS 13. Therefore, the expected payment is to be discounted as of the corresponding balance sheet date at the earliest possible date. The financial liability from the put option was discounted using a weighted average cost of capital approach (WACC). The measurement parameters for calculating the present value of the purchase price liability are not observable on the market, so the purchase price liability is assigned to hierarchy level 3. The calculation as of December 31, 2013, was based on a WACC of 9.5 %. The level of the purchase price payment is linked to the future results of B.I.G. Social Media GmbH. The planning for the future results of B.I.G. Social Media GmbH is therefore another major unob-servable input with effects on the level of the purchase price payment. The estimated fair value of the purchase price liability would increase (decrease) if:

- the WACC underlying the calculation were lower (higher) or
- the planning for the results of B.I.G. Social Media GmbH, on which the purchase price payment is based, were more ambitious (more pessimistic).

As of December 31, 2013, the fair value or present value of the purchase price liability was calculated at EUR 2,707 thousand. In the reporting period, the change from the initial recognition to the remeasurement was therefore recognized as an expense of EUR 243 thousand.

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

in EUR thousand	**From interest**	**From subsequent valuation**					**From disposals**	**Net profit/loss**	
		Fair value	Valuation allowances	Appreciation	Accumulation	Currency translation		2013	2012
Net gains/losses from financial instruments classified as									
Loans and receivables	25	0	-74	0	0	0	162	113	202
Available-for-sale	0	0	0	0	0	0	0	0	-3
Financial liabilities at amortized cost	0	0	0	0	-1	-265	0	-266	-244
Financial liabilities at fair value through profit or loss	0	0	0	0	-243	0	0	-243	0
Total	**25**	**0**	**-74**	**0**	**-244**	**-265**	**162**	**-396**	**-45**

The interest from financial instruments classified as loans and receivables and the other components of the net profit are reported in the net financial income (see notes 36 and 37). 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 0 thousand were recognized in equity in the 2013 fiscal year (2012: EUR 0 thousand). Of the amounts recognized in equity, losses totaling EUR 0 thousand (2012: losses of EUR 7 thousand) were transferred to the income statement in the 2013 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:

	2013 EUR thousand	2012 EUR thousand
Valuation allowances and write-downs in the category		
Loans and receivables	-74	-19
	-74	**-19**

27. 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.

28. Deferred Taxes

Due to the positive earnings development in recent years and the growth in earnings that is forecast for 2014 and 2015, deferred tax assets from tax loss carry forwards in the amount of the deferred tax liabilities of the two companies and of the respective fiscal scope of consolidation of EUR 2,161 thousand (2012: EUR 2,122 thousand) were recognized for future income at both USU AG and USU Software AG in the amount of EUR 4,099 thousand (2012: EUR 3,194 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:

	2013 EUR thousand	2012 EUR thousand	Change recognized in profit or loss 2013 EUR thousand	Change not recognized in profit or loss 2013 EUR thousand
Deferred tax assets:				
Provisions	300	225	52	23
Intangible assets	456	33	423	
Property, plant and equipment	10	11	-1	
Receivables	0	0	0	
Other	0	8	-8	
From tax loss carryforwards	6,260	5,316	944	
Deferred tax assets (gross)	**7,026**	**5,593**	**1,410**	**23**
Deferred tax liabilities:				
Undistributed profits	85	87	2	
Provisions	1	23	22	
Intangible assets	2,315	1,627	415	-1,103
Work in progress	1,127	655	-472	
Other liabilities	264	0	-264	
Other	53	7	-46	
Deferred tax liabilities (gross)	**3,845**	**2,399**	**-343**	**-1,103**
Deferred tax assets (net)	**3,181**	**3,194**	**1,067**	**-1,080**
After netting:				
Deferred tax assets:	4,099	3,194		
Deferred tax liabilities:	918	0		

As of December 31, 2013, deferred tax assets from tax loss carry forwards in Germany were not recognized in the amount of approximately EUR 19,245 thousand (2012: EUR 24,856 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 carry forwards totaling approximately EUR 1,227 thousand (2012: EUR 941 thousand).

Tax loss carry forwards of EUR 5,142 thousand (2012: 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 carry forwards. Tax loss carry forwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

E. NOTES TO THE CONSOLIDATED INCOME STATEMENT

29. Sales Revenues

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

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

	2013 EUR thousand	2012 EUR thousand
Consulting	31,668	29,215
Licenses	10,056	7,997
Service and maintenance	12,364	11,679
Other	1,625	2,338
	55,713	**51,229**

30. Cost of Sales

The cost of sales includes the following items:

	2013 EUR thousand	2012 EUR thousand
Personnel expenses	14,021	12,074
Fees for freelance staff and temporary workers	8,169	8,532
Depreciation and amortization	262	247
Other expenses	4,480	5,129
	26,932	**25,982**

31. Sales and Marketing Expenses

Sales and marketing expenses include the following items:

	2013 EUR thousand	2012 EUR thousand
Personnel expenses	5,197	4,168
Depreciation and amortization	95	61
Other expenses	3,814	2,696
	9,106	**6,925**

32. General Administrative Expenses

General administrative expenses include the following items:

	2013 EUR thousand	2012 EUR thousand
Personnel expenses	3,506	2,690
Depreciation and amortization	138	116
Other expenses	2,227	1,837
	5,871	**4,643**

33. Research and Development Expenses

Research and development expenses include the following items:

	2013 EUR thousand	2012 EUR thousand
Personnel expenses	7,153	5,998
Depreciation and amortization	225	172
Other expenses	2,048	1,070
	9,426	**7,240**

34. Other Operating Income

This item includes research funds in the amount of EUR 358 thousand, income from the reversal of provisions in the amount of EUR 105 thousand, and other income of EUR 151 thousand. The Group was granted government grants of EUR 192 thousand (2012: EUR 0 thousand) in connection with various research projects. These were grants for income received in line with subsidized expenses. The grants were recognized under other operating income. Receivables from grants for income were reported under current financial assets. According to the Management Board, there are no unfulfilled conditions or other contingencies.

35. Other Operating Expenses

This item includes the sales tax from non-cash benefits amounting to EUR 109 thousand. The item also includes expenses resulting from exchange rate differences in the amount of EUR 38 thousand.

36. Financial Income

Financial income includes the following items:

	2013 EUR thousand	2012 EUR thousand
Interest income	25	127
Return on plan assets (interest income)	87	58
Other	0	68
Financial income	**112**	**253**

37. Financial Expenses

Financial expenses include the following items:

	2013 EUR thousand	2012 EUR thousand
Discounting of purchase price obligation for BIG	243	203
Interest cost of pension obligation	63	101
Expenses from currency differences	265	0
Other	78	42
Financial Expenses	**649**	**346**

38. Income Taxes

Income taxes are composed as follows:

	2013 EUR thousand	2012 EUR thousand
Income taxes for the fiscal year	-373	-988
Income taxes for previous years	81	10
Deferred Taxes	1,067	2,358
Tax expenditure (-)/ tax income (+)	**775**	**1,380**

In the 2013 fiscal year, the Company's income was again subject to a corporate income tax rate of 15 % plus a solidarity surcharge of 5.5 % on corporate income tax and an effective trade tax rate of 12.8 %. The total tax rate including solidarity surcharge and effective trade tax was 28.6 %. The tax rate for the consolidated group was 29.6 %.

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:

	2013 EUR thousand	2012 EUR thousand
Profit before income taxes	2,871	3,435
Theoretical tax expense (28.6 %) (previous year: 29.6 %)	-861	-1,017
Changes in the theoretical tax expense due to:		
Offsetting of the valuation allowances on deferred taxes on loss carry forwards/ use of losses that were not previously capitalized	1,641	3,074
Non-capitalized deferred taxes on loss carry forwards	0	-11
Tax refunds/back payments for prior periods	81	10
Non-deductible expenses	-110	-29
Differences in connection with acquired subsidiaries (non-deductible)	0	-668
Deviation of tax rates from the Group's tax rate	24	21
Tax expenditure (-)/ tax income (+)	**775**	**1,380**

39. Other Disclosures on the Income Statement

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

	2013	2012
Consulting and Services	192	152
Research and Development	143	109
Administration and Finance	48	36
Sales and Marketing	54	35
	437	**332**

Personnel expenses can be broken down as follows:

	2013 EUR thousand	2012 EUR thousand
Salaries	25,627	21,402
Social security, pensions and other benefit costs	4,250	3,528
	29,877	**24,930**

Depreciation and amortization expense can be broken down as follows:

	2013 EUR thousand	2012 EUR thousand
Amortization of intangible assets	1,474	1,241
Depreciation of property, plant and equipment	608	496
	2,082	**1,737**

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 43). 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.

40. Net Cash from Operating Activities

The USU Group generated net cash from operating activities of EUR 9,855 thousand in the 2013 fiscal year.

41. Net Cash from Investing Activities

Net cash used in investing activities totaled EUR -4,299 thousand in the 2013 reporting year, compared with EUR -235 thousand in the 2012 fiscal year.

Investments in property, plant and equipment and intangible assets totaled EUR 1,547 thousand (2012: EUR 795 thousand) and related primarily to cash outflows for new and replacement investments in hardware and software. For acquisition of subsidiaries USU paid EUR 2,786 thousand adjusted for cash and cash equivalents acquired.

42. 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 fiscal 2013 in the amount of EUR 2,631 thousand (EUR 0.25 per share for a total of 10,523,770 no-par value shares).

43. 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.

	2013 EUR thousand	2012 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	10,083	6,815
Demand deposits	4,142	4,590
Cash on hand	6	3
	14,231	**11,408**

G. SEGMENT REPORTING

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

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

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

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

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

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

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

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

As with the segment profit/loss, segment assets and segment liabilities are determined in accordance with the accounting standards used by the Group in the consolidated financial statements.

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

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

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

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

in EUR thousand	Product Business		Service Business		Total Segments		Unallocated		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Sales revenues	41,995	35,534	13,616	15,647	55,611	51,181	102	48	55,713	51,229
Earnings before net financial income and income tax (EBIT)	5,768	6,657	1,047	2,014	6,815	8,671	-3,407	-5,143	3,408	3,528
Financial income	87	0	0	0	87	0	25	253	112	253
Finance costs	-312	0	-5	0	-317	0	-332	-346	-649	-346
Income taxes	122	0	0	0	122	0	653	1,380	775	1,380
Net profit/loss	**5,665**	**6,657**	**1,042**	**2,014**	**6,707**	**8,671**	**-3,061**	**-3,856**	**3,646**	**4,815**
Segment assets/ Group assets	65,515	38,343	7,228	4,195	72,743	42,538	8,671	24,183	81,414	66,721
of which goodwill	32,237	30,073	2,322	2,322	34,559	32,395	0	0	34,559	32,395
Segment liabilities/ Group liabilities	18,739	10,323	2,924	1,207	21,663	11,530	5,601	2,896	27,264	14,426
Segment investments	836	488	156	75	992	563	288	232	1,280	795
Depreciation and amortization	1,865	1,535	113	117	1,978	1,652	104	86	2,082	1,738
Amortization of goodwill	0	0	0	0	0	0	0	0	0	0
Employees at the reporting date (Dec. 31)	336	258	69	70	405	328	47	34	452	362

There were no intersegment sales in the 2013 or 2012 fiscal years.

In the 2013 fiscal year, EUR 8,737 thousand (2012: EUR 9,192 thousand) or 15.7 % (2012: 17.9 %) of consolidated sales were generated outside Germany and EUR 46,976 thousand (2012: EUR 42,036 thousand) or 84.3 % (2012: 82.1 %) 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:

	2013 EUR thousand	2012 EUR thousand
Segment assets	**72,743**	**42,538**
Unallocated assets		
Cash on hand and bank balances	2,940	7,461
Deferred tax assets	4,099	3,194
Income tax receivables	435	585
Other assets	1,197	12,943
	8,671	**24,183**
Group assets	**81,414**	**66,721**

	2013 EUR thousand	2012 EUR thousand
Segment liabilities	**21,663**	**11,530**
Unallocated liabilities		
Deferred tax liabilities	918	0
Pension provisions	1,092	993
Other income tax liabilities	34	0
Other liabilities	4,475	1,903
	6,519	**2,896**
Group liabilities	**28,182**	**14,426**

H. Other Disclosures

44. Related Party Disclosures

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

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.3. In the 2013 fiscal year, the business relationships described below existed between members of the Management Board and the Supervisory Board and the entities included in the consolidated financial statements.

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

44.1 Udo Strehl / AUSUM GmbH (AUSUM)

USU AG was charged a total of EUR 5 thousand (2012: EUR 14 thousand) for cost reim-bursements for sales activities performed by AUSUM in the 2013 fiscal year. On the other hand, in 2013 USU AG invoiced AUSUM for pro rata vehicle costs in the amount of EUR 5 thousand (2012: EUR 3 thousand).

44.2 Karin Weiler-Strehl

USU AG engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, via AUSUM on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 36 thousand in the 2013 fiscal year (2012: EUR 30 thousand).

USU AG leased the Spitalhof administrative building in Möglingen from Ms. Karin Weiler-Strehl. On July 20, 2007, these two parties concluded a new rental agreement with a term to December 31, 2017. In line with this agreement, the total monthly rent amounts to EUR 20 thousand (2012: EUR 20 thousand) plus ancillary costs. In the past fiscal year, for the rental of the administrative building and parking spaces USU AG was invoiced EUR 251 thousand (2012: EUR 252 thousand). Ms. Weiler-Strehl refunded USU AG costs of EUR 140 thousand for refurbishment at the Spitalhof administrative building.

USU Software AG also leased an office in Munchinger Strasse, Möglingen from Ms. Weiler-Strehl. In the past fiscal year, rent of EUR 10 thousand (2012: EUR 10 thousand) was paid for this office.

44.3 Loans to Shareholders

There were no claims under loan agreements as of December 31, 2013.

44.4 Compensation of Senior Management and the Supervisory Board

The management of the Group's business is the responsibility of the members of the Management Boards of USU Software 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 Board totaled EUR 902 thousand in the 2013 fiscal year (2012: EUR 1,047 thousand).

Fixed compensation:
EUR 604 thousand (2012: EUR 590 thousand).

Variable compensation:
EUR 186 thousand (2012: EUR 347 thousand).

Non-cash benefit from private use of company cars:
EUR 68 thousand (2012: EUR 66 thousand).

Defined contribution pension costs:
EUR 44 thousand (2012: EUR 44 thousand).

In 2006, a member of the Management Board of USU AG was granted a loan of EUR 140 thousand. The loan had 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 at the respective balance sheet date. Repayments are based on a certain percentage of the variable compensation earned. In fiscal 2013, the loan was repaid in full with the residual amount of EUR 33 thousand.

The total compensation paid to the Supervisory Board in the 2013 fiscal year was EUR 116 thousand (2012: EUR 125 thousand). The provisions on the compensation paid to the Supervisory Board are described in the Management Report on the Company and the Group in the chapter entitled ‚Compensation Report'.

Information on the pension provision recognized for a member of the Supervisory Board and a former member of the Management Board in the amount of EUR 2,028 thousand before setting off against the coverage assets in the amount of EUR 1,402 thousand can be found in note 21.

45. Auditor's Fees

a) Audits of financial statements (separate and consolidated financial statements): EUR 117 thousand (2012: EUR 105 thousand)
b) Other services: EUR 12 thousand (2012: EUR 19 thousand).

46. Other Disclosures

46.1 Contingent Liabilities

There were no contingent liabilities to report as of December 31, 2012 and December 31, 2013.

46.2 Other Financial Commitments

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

	2013 EUR thousand	2012 EUR thousand
Operating lease obligations		
In the next 12 months	630	557
In the next 13 to 60 months	552	452
In more than 60 months	0	0
	1,182	**1,009**
Other financial obligations from building rental		
In the next 12 months	1,283	961
In the next 13 to 60 months	1,686	1,646
In more than 60 months	190	97
	3,159	**2,704**
	4,341	**3,713**

Expenses for operating leases and rental agreements totaled EUR 1,834 thousand in the 2013 fiscal year (2012: EUR 1,446 thousand).

47. 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, 2013 and December 31, 2012, 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.

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

48. Executive Bodies

48.1 Management Board

In the 2013 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 309 thousand. Details can be found in the chapter entitled “Compensation Report” in the Management Report on the Company and the Group.

48.2 Supervisory Board

In the 2013 fiscal year, the Supervisory Board consisted of:

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

Günter Daiss, Vice Chairman
Managing Director of Uhlsport GmbH, Balingen,
Vice Chairman of the Supervisory Board of USU AG, Möglingen

Erwin Staudt,
Management Consultant, Leonberg
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

49. Financial Risk Management

In its financial activities, the Group is subject to various risks that are assessed, man-aged, 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).

49.1 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 cre-ditworthiness of the respective counterparties. As no general netting agreements are concluded with customers, the sum of the amounts reported as assets also represents the maximum default risk. In the event that the Group becomes aware of any evidence that the ability of a particular customer to meet its financial obligations is impaired, it recognizes a specific valuation allowance on the amounts due in order to reduce the net receivable to the most likely recoverable amount. The Group also performs portfolio-based measurement to reflect the risk of uncollectability.

As in the previous year, there are no indications that the Group‘s debtors whose financial assets are neither overdue nor subject to valuation allowances will fail to meet their payment obligations.

49.2 Liquidity Risks

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.

49.3 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 of December 31, 2013 and December 31, 2011, the Group held only variable-interest bonds whose fair value is not subject to interest rate risk.

49.4 Interest Rate-Related Cash Flow Risk

At USU Software AG, changes in market interest rates affect primarily cash flows from financial investments. If the market interest rate as of December 31, 2013 had been 1 % higher (lower), net profit and equity would each have been EUR 132 thousand (December 31, 2012: EUR 121 thousand) higher (lower).

49.5 Exchange Rate Risks

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

50. 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, 2013 and December 31, 2012, equity and total assets were as follows:

	2013 EUR thousand	2012 EUR thousand	Change %
Non-current liabilities	2,010	993	102.4%
Current liabilities	26,172	13,433	94.8%
Total liabilities	**28,182**	**14,426**	**95.4%**
Shareholders' equity	**53,232**	**52,295**	**1.8%**
Total liabilities and shareholders' equity	**81,414**	**66,721**	**22.0%**
Equity ratio	65.4%	78.4%	

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

51. Exemption According to Section 264 (3) HGB

The following domestic subsidiaries included in the consolidated financial statements of USU Software AG made use of the exemption provisions of Section 264 (3) HGB for fiscal 2013:

- Aspera GmbH, Aachen
- LeuTek GmbH, Leinfelden-Echterdingen
- Omega Software GmbH, Obersulm
- Openshop Internet Software GmbH, Möglingen

52. Events After the Balance Sheet Date

There were no significant events after the balance sheet date.

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. As of December 31, 2013, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows.

Shareholdings subject to mandatory disclosure	2013 Shares	2012 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

**) An additional 3,487,868 voting rights in USU Software AG (2012: 3,487,868) are allocated to Mr. Udo Strehl via AUSUM GmbH as the majority shareholder of that company pursuant to Sec. 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).*

A further 32,000 voting rights (2012: 32,000) in USU Software AG are allocated to Udo Strehl via the 'Wissen ist Zukunft' foundation in his capacity as Managing Director of that foundation pursuant to Sec. 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 2,631 thousand (EUR 0.25 per share).

K. DECLARATION OF CONFORMITY

On November 28, 2013, the Management Board and the Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu-software.de. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group in these consolidated financial statements.

Möglingen, March 4, 2014

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Development of the Consolidated Fixed Assets in 2013

USU Software AG, Möglingen

	Cost convention				
	Jan. 1, 2013 EUR thousand	Company acquisition EUR thousand	Additions EUR thousand	Disposals EUR thousand	Dec. 31, 2013 EUR thousand
Intangible assets					
Purchased software/orders on hand	5,698	325	369	0	6,392
Trademarks and brands	2,532	0	0	0	2,532
Maintenance contracts	3,008	105	0	0	3,113
Customer base	4,421	3,225	0	0	7,646
	15,659	**3,655**	**369**	**0**	**19,683**
Goodwill	**54,513**	**2,164**	**0**	**0**	**56,677**
Property, plant and equipment					
Land and buildings	206	0	27	22	211
Other equipment, operating and office equipment	3,075	160	884	784	3,335
Advance payments and assets under construction	0	0	471	0	471
	3,281	**160**	**1,382**	**806**	**4,017**

Annex A to the Notes to the Consolidated Financial Statements

Accumulated depreciation					Carrying amounts	
Jan. 1, 2013 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Currency EUR thousand	Dec. 31, 2013 EUR thousand	Dec. 31, 2013 EUR thousand	Jan. 1, 2013 EUR thousand
4,988	284	0	0	5,272	1,120	710
521	0	0	0	521	2,011	2,011
2,379	287	0	0	2,666	447	629
2,145	903	0	0	3,048	4,598	2,276
10,033	**1,474**	**0**	**0**	**11,507**	**8,176**	**5,626**
22,118	**0**	**0**	**0**	**22,118**	**34,559**	**32,395**
124	14	14	0	124	87	82
1,963	594	779	16	1,794	1,541	1,112
0	0	0	0	0	471	0
2,087	**608**	**793**	**16**	**1,918**	**2,099**	**1,194**

Development of the Consolidated Fixed Assets in 2012

USU Software AG, Möglingen

	Cost convention				
	Jan. 1, 2012 EUR thousand	Company acquisition EUR thousand	Additions EUR thousand	Disposals EUR thousand	Dec. 31, 2012 EUR thousand
Intangible assets					
Purchased software/orders on hand	5,614	0	85	1	5,698
Trademarks and brandse	2,532	0	0	0	2,532
Maintenance contracts	3,008	0	0	0	3,008
Customer base	4,421	0	0	0	4,421
	15,575	**0**	**85**	**1**	**15,659**
Goodwill	**54,513**	**0**	**0**	**0**	**54,513**
Property, plant and equipment					
Land and buildings	183	0	23	0	206
Other equipment, operating and office equipment	2,484	0	687	96	3,075
	2,667	**0**	**710**	**96**	**3,281**

Annex B to the Notes to the Consolidated Financial Statements

Accumulated depreciation					Carrying amounts	
Jan. 1, 2012 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Currency EUR thousand	Dec. 31, 2012 EUR thousand	Dec. 31, 2012 EUR thousand	Jan. 1, 2012 EUR thousand
4,593	396	1	0	4,988	710	1,021
521	0	0	0	521	2,011	2,011
1,977	402	0	0	2,379	629	1,031
1,702	443	0	0	2,145	2,276	2,719
8,793	**1,241**	**1**	**0**	**10,033**	**5,626**	**6,782**
22,118	**0**	**0**	**0**	**22,118**	**32,395**	**32,395**
113	11	0	0	124	82	70
1,547	485	65	-4	1,963	1,112	937
1,660	**496**	**65**	**-4**	**2,087**	**1,194**	**1,007**

Group Auditor's Report

We audited the consolidated financial statements prepared by **USU Software AG, Möglingen,** comprising the balance sheet, the income statement, the statement of comprehensive income, the 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, 2013. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315a (1) HGB are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprufer (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, 2014

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Grüne	Barth
German Public Auditor	German Public Auditor

Annual Financial Statements

Balance Sheet as of December 31, 2013

USU Software AG, Möglingen

ASSETS	Note	Dec. 31, 2013 EUR thousand	Dec. 31, 2012 EUR thousand
A. FIXED ASSETS	(1)		
I. Intangible assets			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		**221**	**0**
II. Tangible assets			
Other equipment, operating and office equipment		**71**	**137**
III. Financial assets			
1. Shareholdings in associated companies		37,246	34,172
2. Loans to associated companies		310	261
		37,556	**34,433**
		37,848	**34,570**
B. CURRENT ASSETS			
I. Receivables and other assets	(2)		
1. Receivables from associated companies		5,991	5,107
2. Other assets		402	561
		6,393	**5,668**
II. Cash-on-hand and bank balances		**80**	**111**
		6,473	**5,779**
C. PREPAID EXPENSES		**24**	**12**
		44,345	**40,361**

Balance Sheet as of December 31, 2013

USU Software AG, Möglingen

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Dec. 31, 2013 EUR thousand	Dec. 31, 2012 EUR thousand
A. SHAREHOLDERS' EQUITY			
I. Subscribed capital	(3)	**10,524**	**10,524**
II. Capital reserve	(6)	**13,645**	**13,645**
III. Unappropriated surplus		**4,734**	**4,341**
		28,903	**28,510**
B. PROVISIONS			
1. Taxes provisions		13	87
2. Other provisions	(7)	508	648
		521	**735**
C. LIABILITIES	(8)		
1. Trade payables		53	52
2. Liabilities to affiliated companies		14,200	10,733
3. Other liabilities		668	331
		14,921	**11,116**
		44,345	**40,361**

Income Statement for the Fiscal Year from January 1 to December 31, 2013

USU Software AG, Möglingen

	Note	2013 EUR thousand	2013 EUR thousand	2012 EUR thousand	2012 EUR thousand
1. Other operating income			593		498
2. Personnel expenses					
a) Wages and salaries		-792		-655	
b) Social security, pensions and other benefit costs (of which for pensions: EUR 14 thousand; previous year: EUR 14 thousand)		-74	-866	-54	-709
3. Amortization of intangible assets and depreciation of tangible assets			-69		-60
4. Other operating expenses			-1,064		-1,166
5. Income from participations (of which from associated companies: EUR 0 thousand; previous year: EUR 1,337 thousand)		0		1,337	
6. Expenses assumed on behalf of a subsidiary	(11)	-80		-26	
7. Income from profit transfer agreements	(11)	5,082		4,654	
8. Other interest and similar income (of which from associated companies: EUR 9 thousand; previous year: EUR 6 thousand)		11		19	
9. Interest expenses and similar expenses (of which to associated companies: EUR 361 thousand; previous year: EUR 210 thousand).		-361	4,652	-210	5,774
10. Result from ordinary operations			**3,246**		**4,337**
11. Income taxes			-222		-224
12. Net profit			**3,024**		**4,113**
13. Profit carryforwards from the previous year			1,710		228
14. Unappropriated surplus			**4,734**		**4,341**

Notes to the Financial Statements for the 2013 Fiscal Year

USU Software AG, Möglingen

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 according to Section 275 (2) HGB using the nature of expense method.

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.

Fixed assets are measured at acquisition cost (plus incidental costs), less scheduled depreciation, amortization and write-downs.

No use is made of the option to capitalize development expenses.

For intangible assets and tangible fixed assets with limited useful lives, depreciation is generally determined in accordance with rates permitted for tax purposes. The depreciation is calculated on a straight-line basis. Depreciation begins in the month of acquisition.

With regard to financial assets, shares in associated companies, loans to associated companies and participations 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. Provisions with remaining terms of more than a year are measured at present value and discounted at an interest rate in line with the terms of the provisions.

Cost increases which are expected to have a future impact until the obligation has been fulfilled are taken into account.

Provisions for variable components of remuneration for employees, including the USU Software AG Management Board, are based on the Management Board's individual opinion regarding the respective level of target achievement, taking into account the contractually agreed targets.

Liabilities are carried at their settlement amount.

Receivables and liabilities in foreign currencies are translated at the rate in effect on the transaction date. Gains/losses from exchange rate fluctuations are included in short-term receivables and liabilities in accordance with Section 256a HGB by revaluation at the middle spot exchange rate on the balance sheet date. For long-term receivables and liabilities in foreign currencies, the prudence and imparity principles are observed on the reporting date.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with Section 274 HGB. Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting and taking into account the existing tax loss carryforwards. The Company has not exercised the option of utilizing deferred tax assets (Section 274 (1) sentence 2 HGB). Deferred tax assets are measured using the Company's own tax rate (as at December 31, 2013: approximately 28.6 %).

As at the balance sheet date and subject to audit by the tax office, the Company has corporate tax loss carryforwards in the amount of EUR 25,440 thousand and business tax loss carryforwards amounting to EUR 25,358 thousand.

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

Balance sheet items	December 31, 2013 Deferred tax assets	Deferred tax liabilities
Intangible assets	x	
Financial assets	x	
Pension provisions		x
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

The information on equity and net profit represents the amounts determined for the past fiscal year in accordance with the respective national accounting standards.

USU Software AG has direct and indirect participations in the following companies:

	Participation Dec 31, 2013 in %	Total shareholders' equity Dec 31, 2013 in EUR thousand	Net profit/loss 2013 in EUR thousand
USU AG, Möglingen	100	12,267	-211
LeuTek GmbH, Leinfelden-Echterdingen [1)]	100	1,380	1,913
Omega Software GmbH, Obersulm [1)]	100	970	-79
Openshop Internet Software GmbH, Möglingen [1)]	100	-774	0
Aspera GmbH, Aachen [1)]	100	300	3,169
USU Consulting GmbH, Sursee, Switzerland	70	-151	-107
Aspera Technologies Inc., Boston, USA	100	-86	-114
B.I.G. Social Media GmbH, Berlin	51	967	154

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

	Participation Dec 31, 2013 in %	Total shareholders' equity Dec 31, 2013 in EUR thousand	Net profit/loss 2013 in EUR thousand
USU Software s. r. o., Brno, Czech Republic	100	553	162
USU (Schweiz) AG, Zug, Switzerland	100	-20	-5
USU Austria GmbH, Wien, Austria	100	-767	18

2. Receivables and Other Assets

The receivables and other assets have terms of less than one year. The receivables from associated companies relate exclusively to other assets. Other assets relate primarily to recoverable taxes.

3. Subscribed Capital

The subscribed capital of the Company is divided into 10,523,770 (2012: 10,523,770) no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

4. Authorized Capital

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

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

The Management Board is further authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the case of non-cash capital increases, particularly for the acquisition of participations, companies or assets – as well as for exchanging shares – and in the case of mergers.

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

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

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 be used only for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of associated companies. There were no outstanding options as of December 31, 2013.

6. Capital Reserve

This balance sheet item remained unchanged against the previous year and was EUR 13,645 thousand on December 31, 2013.

7. Other Provisions

Other provisions primarily include the cost of obligations under company law in the amount of EUR 301 thousand and personnel-related obligations totaling EUR 205 thousand.

8. Liabilities

All of the liabilities reported in the balance sheet are due within one year. The liabilities to affiliated companies relate exclusively to other liabilities and are secured in the amount of EUR 8,989 thousand by a global assignment of receivables. Other liabilities include tax liabilities of EUR 667 thousand (2012: EUR 331 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 Man-agement Board has reason to believe that there is no risk of the above contingent liabilities being utilized.

Furthermore, USU Software AG has provided letters of comfort for Openshop Internet Software GmbH, Möglingen (an associated company). Under the terms of those letters of comfort, USU Software AG, Möglingen, undertook to manage this subsidiary in the 2013 and 2014 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, Möglingen, in the amount of EUR 783 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. Other Financial Commitments

USU Software AG acquired 51 % of shares in B.I.G. Social Media GmbH, Berlin ("BIG"), on December 20, 2012 in an agreement subject to a condition precedent. BIG is a leading international provider of software-as-a-service solutions for enterprise customers in the area of social media management. The shares were transferred in title on January 15, 2013 when the first installment of the purchase price was paid (acquisition date).

The purchase price for 51 % of shares in BIG is EUR 4,667 thousand, but may subsequently be reduced to as low as EUR 1,259 thousand as a result of various discounts totaling up to EUR 3,408 thousand. The amount of the discounts depends on BIG's EBIT for fiscal 2012, 2013 and 2014. The purchase price for 51 % of shares in BIG is thus between EUR 1,259 thousand and EUR 4,667 thousand and is to be paid in cash. Based on plans, the Company expects the purchase price to be EUR 3,203 thousand (present value).

USU Software AG is working towards a full takeover of BIG within two years. For this reason, the parties hold reciprocal options (call and put options), which can be exercised until December 31, 2015.

The purchase price that USU Software AG (USU) must pay for the remaining 49 % of shares in BIG, including the share in profits attributable to these shares for fiscal 2012, 2013 and 2014, depends, with regard to the call and put option, on the results achieved by BIG in fiscal 2012, 2013 and 2014 and will be at least EUR 2,205 thousand, whereby a maximum purchase price of EUR 10,200 thousand has been agreed for 100 % of shares in BIG including all rights to profit distribution for fiscal 2012, 2013 and 2014.

Furthermore, USU Software AG also holds a call option that is not dependent on results and that can be exercised by USU Software AG at any time up until December 31, 2014, unlike the other option rights. With this call option, the purchase price that USU Software AG must pay for the remaining 49 % of shares in BIG, including all rights to profit distributions for fiscal 2012, 2013 and 2014, is EUR 10,200 thousand less the purchase price for the 51 % stake in BIG and less all rights to profit distributions for the sellers and profit distributions to the sellers from fiscal 2012, 2013 and 2014. As a result of this further call option, USU Software AG has an obligation to consolidate BIG fully in its consolidated financial statements from the acquisition date. This is based on the assumption that the purchase price for the remaining 49 % stake in BIG will be EUR 2,827 thousand (present value), including profit distributions.

All option rights contain the provision that USU Software AG is entitled to settle 20 % of the purchase price for the remaining 49 % stake in BIG in Company shares, with a 12-month lock-up period.

D. Notes to the Income Statement

11. 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, LeuTek GmbH on December 29, 2006 and Aspera GmbH on May 31, 2012. Under these agreements, the participating companies are required to transfer all of their profits to USU Software AG during the contractual term. Transfers to distributable reserves are permitted only with the approval of USU Software AG. In exchange, USU Software AG undertakes to offset every net loss incurred during the contractual term that cannot be offset by way of withdrawals from distributable reserves recognized during the same period.

Accordingly, the profit generated by LeuTek GmbH and Aspera GmbH in the 2013 fiscal year was transferred to USU Software AG in line with the profit transfer agreement concluded. The loss reported by Openshop Internet Software GmbH and Omega Software GmbH in the separate financial statements was paid by USU Software AG.

E. Other Disclosures

12. Supervisory Board

In the 2013 fiscal year, the Supervisory Board consisted of:

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

Günter Daiss, Vice Chairman
Managing Director of Uhlsport GmbH, Balingen,
Vice Chairman of the Supervisory Board of USU AG, Möglingen

Erwin Staudt,
Management Consultant, Leonberg
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 2013 fiscal year, the fixed component amounted to EUR 85 thousand, and the variable component to EUR 17 thousand.

13. Management Board

Bernhard Oberschmidt, Pfedelbach

Total Compensation of the Management Board
The total compensation paid to the Management Board in the 2013 fiscal year was EUR 309 thousand. Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2013 fiscal year.

14. Auditor's Fees

Financial statements
(separate and consolidated financial statements):
EUR 60 thousand

Other services:
EUR 12 thousand

15. Employees

During the 2013 fiscal year, an average of 5 (2012: 4) people were employed by the Company.

16. Group Affiliations

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

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

On November 28, 2013, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu-software.de. Further information on the declaration of conformity can be found in the Combined Management Report on the Company and the Group, which is part of these separate financial statements.

18. Appropriation of Net Profit

The Management Board proposes using the unappropriated surplus as of December 31, 2013 in the amount of EUR 4,734 thousand as follows:

- to pay a dividend of EUR 0.25 per share for 10,523,770 shares, amounting to a total of EUR 2,631 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 2,103 thousand to new account.

Möglingen, March 4, 2014

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Development of the Fixed Assets in 2013

USU Software AG, Möglingen

	Acquisition/production cost			
	Jan. 1, 2013 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Dec. 31, 2013 EUR thousand
I. Intangible assets				
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	0	224	0	224
II. Tangible assets				
Other equipment, operating and office equipment	197	0	0	197
III. Financial assets				
1. Shareholdings in associated companies	35,332	3,074	0	38,406
2. Loans to associated companies	261	50	1	310
3. Participations	200	0	0	200
	35,793	**3,124**	**1**	**38,916**
	35,990	**3,348**	**1**	**39,337**

Annex to the Financial Statements

Cumulative depreciation and amortization				Carrying amounts	
Jan. 1, 2013 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Dec. 31, 2013 EUR thousand	Dec. 31, 2013 EUR thousand	Dec. 31, 2012 EUR thousand
0	3	0	3	221	0
60	66	0	126	71	137
1,160	0	0	1,160	37,246	34,172
0	0	0	0	310	261
200	0	0	200	0	0
1,360	**0**	**0**	**1,360**	**37,556**	**34,433**
1,420	**69**	**0**	**1,489**	**37,848**	**34,570**

Auditor's Report

We 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, 2013. 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, 2014

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Grüne	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.

Möglingen, March 4, 2014

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Management Board and Supervisory Board

Management Board and Supervisory Board
of USU Software AG (from left to right):

Bernhard Oberschmidt,
Chairman of the Management Board

Udo Strehl,
Chairman of the Supervisory Board

Günter Daiss,
Vice Chairman of the Supervisory Board

Erwin Staudt,
Member of the Supervisory Board

Financial Calendar

Financial Calendar of 2014	
March 27, 2014	Publication Financial Figures 2013
May 22, 2014	Publication three months' statement 2014
June 24, 2014	Annual General Meeting, Ludwigsburg
August 21, 2014	Publication six months' statement 2014
November 21, 214	Publication nine months' statement 2014
November 24–26, 2014	Investors and analyst conference: German Equity Forum 2014, Frankfurt am Main

Glossary

Adjusted EBIT
Shows USU Software AG's non *IFRS* earnings before interest and taxes, adjusted for extraordinary items due to acquisitions.

AktG
Abbreviation for Stock Corporation Act (Aktiengesetz).

App
Abbreviation for application. In principle, the term refers to any kind of application software but it is usually used to refer to applications for smartphones and tablet computers.

Aspera
Abbreviation for Aspera GmbH. Aspera is a subsidiary of USU Software AG. As a highly specialized solution provider for software license management, Aspera operates in a strongly growing market segment. Aspera's product range includes the product *SmartTrack,* oriented toward the premium market.

Aspera Technologies
Abbreviation for Aspera Technologies Inc. Aspera Technologies is a subsidiary of USU Software AG set up in Boston, USA in 2012. The aim of the company is the sale, maintenance and implementation of USU solutions such as *SmartTrack* in the USA.

BIG
Abbreviation for B.I.G. Social Media GmbH. BIG, an international provider of *SaaS* solutions in *social media* management in which USU Software AG acquired a majority shareholding with effect from January 15, 2013. BIG has been assisting its customers to identify, manage and successfully exploit developments in social media for over ten years using its innovative products *BIG SCREEN,* *BIG CONNECT* and *BIG INSIGHTS.*

Big data
Big data refers to the use of large quantities of data from a range of sources with a high processing speed to create economic benefits. Big data is characterized by four properties: the volume of data, the large number of data sources, the speed of data production, and the growing number of users who want to exploit the potential of big data with analyses.

BIG SCREEN, BIG CONNECT, BIG INSIGHTS
Software products produced by Group subsidiary *BIG* for comprehensive *social media* analysis, for company-related, social media customer dialogue, steering marketing activities and producing reports tailored to the company's needs.

Blog
Abbreviation for web log. A blog is an area of a website containing frequently updated posts – a kind of electronic diary on the Internet.

BSI
Abbreviation for the German Federal Office for Information Security. BSI standards include the BSI's recommendations on methods, processes, procedures, approaches and measures in relation to information security.

Call center
A call center is an automated switchboard with trained staff providing optimally efficient and customer-friendly call handling. Whether in mail-order, insurance or banking, as a customer-service hotline or in telephone sales – more and more companies, across all industries, are using a call center for communications with their customers.

Call option
An option to purchase which grants the holder the right to purchase a specific item at a specified time or within a specified period under conditions agreed in advance.

CIO
Abbreviation for Chief Information Officer. The CIO generally performs the tasks of strategic and operational management of *IT* at a company. At smaller companies, the terms "Head of Information Technology" or "IT Manager" may be used instead of CIO. Stock corporations may alternatively use the term "Management Board member responsible for IT".

Cloud
See: Cloud computing.

Cloud computing
Term for accessing *IT services* via the Internet. This means that users no longer need to purchase the necessary hardware or software and install and maintain it on site but can purchase the required IT services with full flexibility and then access and use them via the Internet when needed.

CMDB
Abbreviation for Configuration Management Database. Information on all ➧ *IT* equipment and operating resources, e. g. PCs with their hardware and software components, contracts etc. is managed in this database. Unlike the traditional ➧ *IT asset management* database, the interdependency of the items managed is also mapped here.

Compliance
The personal commitment on the part of a company or its managers to adhere to the rules established by legislation, the shareholders or the supervisory board which contain many ethical aspects of the corporate philosophy. The aim hereby is to avoid creating any negative image and to prevent liability claims or actions for damages.

Configuration Management
Configuration Management provides the IT infrastructure and services data required for ➧ *IT service management.* Both the latest and historical information on the configuration items (CIs) is available in the Configuration Management Database (➧ *CMDB*).

Corporate Governance
The term for the responsible management and control of a company with the aim of sustained value creation. The key standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the German Corporate Governance Code.

CRM
Abbreviation for ➧ *customer relationship management.*

Customer relationship management
Customer relationship management or CRM encompasses all measures that result in a long-term and improved customer relationship. According to the definition of CRM, a targeted focus on customers and their needs should have a sustained positive effect on the company's performance.

Dashboard
Term for an instrument panel that provides a quick overview of all necessary information. In terms of software, a dashboard is used to display a range of information in a condensed form, chiefly using relevant key figures.

DAX
Abbreviation for the German share index. The DAX is the leading share index in Germany showing the performance of the 30 largest and highest-earning companies listed on the Frankfurt stock exchange.

Deferred tax assets/liabilities
Amounts of taxes on income recoverable or payable in future periods arising from differences between the carrying amounts in the tax base and in the financial statements.

Deferred taxes
See: Deferred tax assets/liabilities.

Destatis
Abbreviation for the German Federal Statistical Office.

D&O insurance
Abbreviation for Directors and Officers insurance. D&O insurance is fiduciary liability insurance for executive bodies such as the management boards or supervisory boards and for the executive staff of a company.

Directors' dealings
Shareholdings held by managers of an issuer and subject to mandatory disclosure pursuant to Section 15 a ➧ *WpHG* (German Securities Trading Act).

Earn-out
Agreement, for example, in the acquisition of a company, relating to the payment to the seller of a performance-related price component if the company subsequently performs successfully.

EBIT
Abbreviation for Earnings Before Interest and Taxes.

EBITDA
Abbreviation for Earnings Before Interest, Taxes, Depreciation And Amortization.

EBT
Abbreviation for Earnings Before Taxes.

Equity ratio
The equity ratio is the ratio of equity to total assets. The higher a company›s equity ratio is, the lower the company›s leverage.

First level
Abbreviation for ➧ *first level support.*

First-level support
First-level support (also known as ➧ *User HelpDesk* or ➧ *UHD*) is the first point of contact for all questions relating to ➧ *IT*. The employee is responsible for recording these in full, including all necessary additional information, and mostly processes them independently according to his or her level of knowledge. The aim is to select the problems and quickly solve as many of them as possible. This can be facilitated by the use of ➧ *knowledge databases*.

Gartner
Abbreviation for Gartner Inc., a US market research company.

GDP
Abbreviation for gross domestic product. GDP is a measure of the economic output of an economy over a specific period. It measures the monetary value of all domestically-produced goods and services. GDP adjusted for the movement in prices is referred to as real GDP. The rate of change recorded for real GDP serves as a measurement of an economy›s economic growth.

get IT Services
In July 2011, USU Software AG acquired a majority holding in get IT Services GmbH which was subsequently renamed ➧ *USU Consulting GmbH*.

Goodwill
Inherent value of an asset resulting from the takeover of operations or from capital consolidation.

Gross income
Sales less cost of sales.

HelpDesk
See: User HelpDesk.

HGB
Abbreviation for German Commercial Code (Handelsgesetzbuch).

ifo
ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e.V.
One of the leading German economic research institutes.

IFRS
International Financial Reporting Standards which assure a globally comparable framework for the preparation of financial statements and reporting, to strengthen confidence in the financial markets and improve investor protection.

Impact analysis
An impact analysis is a method for collecting and identifying processes and functions within an organization. The aim is to determine the resources on which the processes are based. In addition, a BIA can identify interdependencies between processes and/or segments and determine the effects if processes fail, how critical each process is for the Group as a whole, and the necessary recovery time. Together with a risk analysis, the impact analysis forms the basis for a security strategy that can support the company in emergencies and crises.

Impairment test
A test of impairment for the valuation of non-current assets and check for any necessary reduction is value. Thus, the goodwill reported in the consolidated balance sheet is subject to impairment testing at least once a year in accordance with ➧ *IFRS* 3, instead of to scheduled amortization. Impairment testing can result either in confirmation of the reported goodwill or in a write-down that reduces net profit for the period.

ISIN
Abbreviation for International Securities Identification Number. ISIN is a twelve-figure international identification number for securities and enables unique identification of securities traded on the stock exchange.

IT
Abbreviation for information technology.

IT asset management
Covers the automated management of all IT components and their relationships throughout their entire life cycle including all financial, procurement-related and contractual information.

IT service
Provision of one or more technical or non-technical systems (hardware, software, employees), required for the performance of business processes.

ITSM
Abbreviation for ➧ *IT service management*.

IT service management
All established measures and methods necessary to ensure the IT organization provides optimum support for all business processes. IT Service Management describes the transformation of *IT* towards customer and service orientation while retaining due regard for the economic goals. Through the value-adding integration of company-wide knowledge into the core processes of the company, USU passes on to its customers the potential to optimize their business processes further and to operate more cost-efficiently using a uniform information base. This so-called *knowledge-based service management* represents an attractive unique selling point for the USU group.

Knowledge-based service management
Value-adding addition of knowledge management solutions to the *IT service management* for optimum support of a company›s or group›s business processes. Following the integration of the *ZIS* products from *LeuTek*, *SmartTrack* from *Aspera* and the *USU KnowledgeCenter* from USU AG with *Valuemation,* USU has become the only European supplier to have its own comprehensive product suite for knowledge-based service management.

Knowledge database
Knowledge databases are special databases for knowledge management. They provide the basis for the collection of information. Organizations make their ideas, problem solutions, articles, processes, user manuals and other content available for all authorized users. A knowledge database requires a carefully structured classification system, formatting of its content and user-friendly search functions.

LeuTek
Abbreviation for LeuTek GmbH. LeuTek is a subsidiary of *USU Software AG.* LeuTek is a software company that develops and markets the standard software for systems management, such as the software products *ZIS System, ZIS GUI and ZIS SLM* developed in-house.

Lock-up
Contractually regulated blocking period within which both old and new shareholders are prevented from pledging, selling to third parties or offering to third parties any shares from their holding following an IPO or a capital increase.

Loss carryforward
Carry forward of tax losses to future fiscal years in order to offset against future profits.

Monitoring
Term for the controlling of individual PCs, servers or entire computer centers.

myCMDB
Current product suite from the subsidiary *OMEGA.* With myCMDB, the *USU Group* offers a standard software *IT service management* solution for small and medium-sized companies and public administrations. The *SaaS* solution from OMEGA operates under the name myCMDB Business.

OMEGA
Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. OMEGA's key business segment is service provision and marketing products such as the product suite *myCMDB.*

Prime Standard
The market segment at the Frankfurt stock exchange for companies aiming to position themselves for international investors. Prime Standard companies are required to fulfill stringent transparency requirements which extend far beyond the minimum statutory requirements of the regulated market.

Put option
An option to sell which grants the holder the right to sell a specific item at a specified time or within a specified period under conditions agreed in advance.

Release
The finished, published version of a piece of software is known as a release. The designation of the version usually changes, the version number is incremented.

Root cause analysis
Root cause or cause of error analysis is one of the key tools of business management. It involves recording errors and their causes and statistical analysis of these data, followed by an evaluation based on which measures for avoiding errors are derived.

SaaS
Abbreviation for *software-as-a-service.*

Self-service
Provides users with simple, intuitive access to solutions for questions and problems. Procedures and processes are simplified and accelerated and user satisfaction enhanced.

Service level agreement
Refers to the measurable description of an IT service to be performed, including the quality to be achieved and the measurements to be applied.

SLA
Abbreviation for ➧ *service level agreement.*

SmartTrack
Software license management solution from the Group subsidiary ➧ *Aspera* to ensure adherence to ➧ *compliance* guidelines that meet audit requirements with respect to the use of software licenses and also achieving extensive cost-savings through license optimization. Depending on the size of company and investment volume, customers using SmartTrack save an average of 20 % of their original outlay for software licenses and are able to prove compliance at any time. As part of the USU Group's approach to the growth market of ➧ *knowledge-based service management,* Smart-Track was integrated with the product suite ➧ *Valuemation.*

Social media
Term for media such as Facebook, Twitter and various specialist forums. Social media enable their users to exchange and create media content individually or with others. In this respect, they constitute a day-to-day medium for communication and information and are becoming more and more important to companies across areas such as marketing, sales and recruitment.

Software-as-a-service
Term for the flexible and scalable provision of software as a service via the Internet. Customers can use the necessary software as needed via the Internet and are no longer required to install it locally. SaaS is therefore a subarea of cloud computing.

Stay bonus
Part of the purchase price in the case of acquisitions such as ➧ *BIG,* ➧ *Aspera* and ➧ *USU Consulting GmbH,* for the continuation in the role of managing director of the seller for a specified period of time in order to ensure that specific expertise is retained within the Group.

Systems management
Centralized management, monitoring, visualization, automation and controlling of all a company's or a group's systems and processes required for IT operation.

User HelpDesk
System for recording, tracking and resolving external or internal requests for support. Software solutions such as Valuemation or ➧ *USU KnowledgeCenter* are used in the User HelpDesk to improve service quality through short response times and efficient problem solving as well as rapid transfer of knowledge.

USU
Abbreviation for the whole USU Group comprising the Group parent company, USU Software AG, and the Group subsidiaries including USU AG, ➧ *Aspera,* ➧ *Aspera Technologies,* ➧ *BIG,* ➧ *LeuTek,* ➧ *OMEGA* and ➧ *USU Consulting GmbH.* The USU Group has strategically positioned itself in the market for ➧ *knowledge-based service management.*

USU Consulting GmbH
USU Consulting GmbH is a Swiss subsidiary of USU Software AG. The Swiss strategy consulting company has excellent expertise in management and technical consulting, concept development, the management of major projects in the area of IT strategy and ➧ *IT service management.*

USU KnowledgeCenter
Modular, web-based product suite from USU AG for information provision in knowledge-intensive business processes. The patented technology from USU KnowledgeCenter has won many awards.

USU KnowledgeScout
A newly developed software product from USU AG that operates as an interactive advice system for technical customer service.

USU Lifebelt
A newly developed software product from USU AG that operates as a ➧ *self-service* solution for ➧ *IT* support.

USU Service Intelligence
A newly developed software product from USU AG which enables information from various source systems to be thoroughly analyzed and combined to provide reliable indicators.

USU Service Manager
A newly developed software product from USU AG for the specification, administration and management of a company's ➧ *IT service* portfolio.

USU – U Step Up
Career model from USU for ongoing development and further training of the workforce.

Valuemation
The USU product suite Valuemation is a holistic solution for comprehensive and cost-saving *knowledge-based service management* for a company or a group. Valuemation combines all technical and financial information relating to *IT* on one platform. This means that Valuemation offers all central products and modules for the presentation, administration, monitoring and originator-based billing of all IT components – from the largest servers, through the network to the mobile end-devices such as mobile phones or PDAs.

WKN
Abbreviation for the German securities code number. The WKN was used to provide unique identification of a security in Germany. As part of the global standardization of security identification, the WKN was replaced by the international security identification, *ISIN.*

WpHG
Abbreviation for the Securities Trading Act (Wertpapierhandelsgesetz).

XETRA
Abbreviation for the Exchange Electronic Trading at the Frankfurt stock exchange.

Y2K
The Year 2000 problem, also known as the Millennium bug or the Y2K bug, is a computer problem that resulted from the practice of representing year numbers as two digits in computer systems.

ZIS System, ZIS GUI, ZIS SLM, ZIS Agent
Software products from the Group subsidiary *LeuTek* for monitoring, visualization, automation and controlling of all systems and processes required for IT operation. As part of the *USU* Group's approach to the growth market of *knowledge-based service management,* the ZIS products from LeuTek were integrated with the product suite *Valuemation.*

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