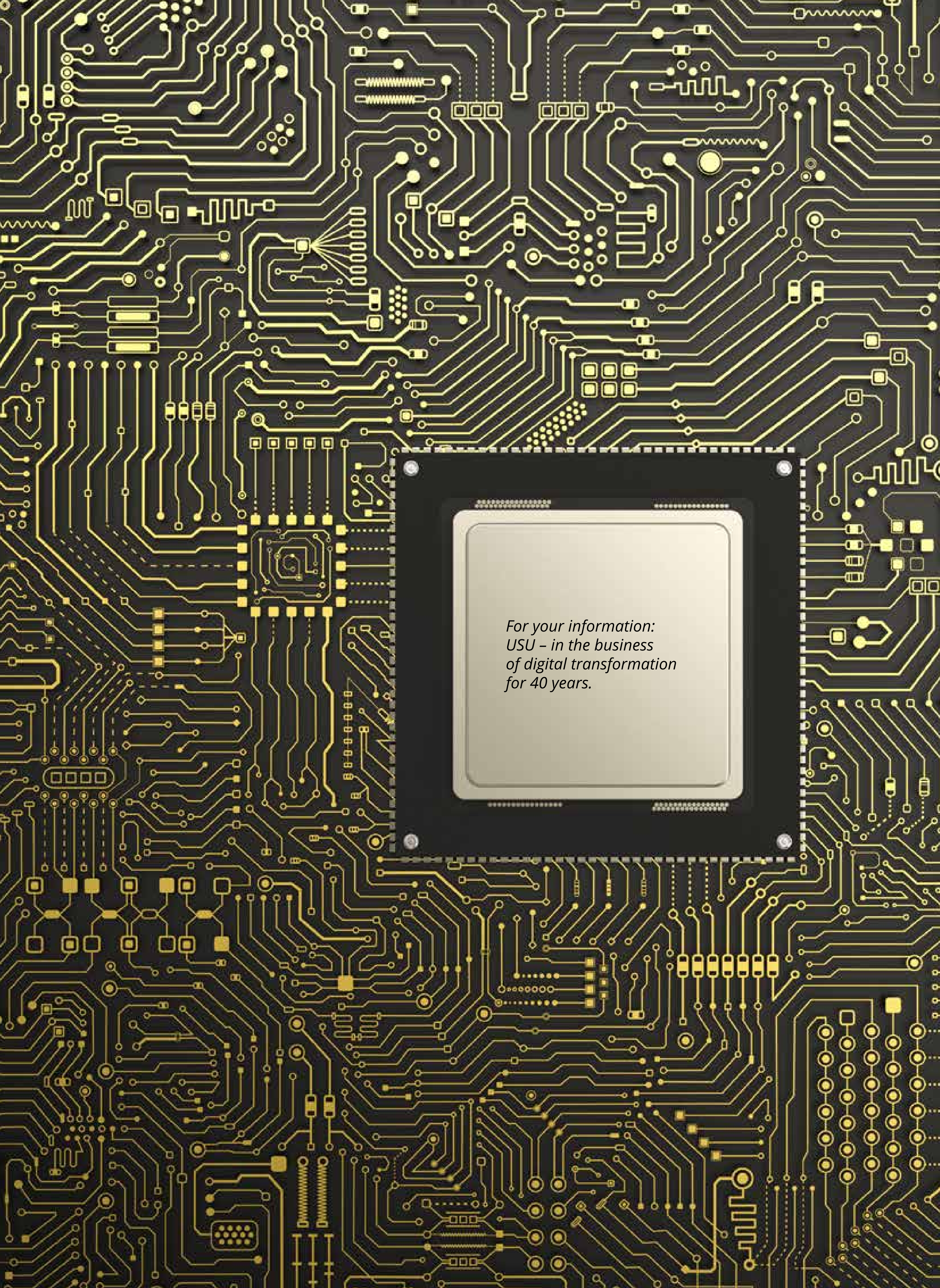
one digital day

the world of USU

Our first 40 years

ANNUAL REPORT 2017 OF USU SOFTWARE AG



*For your information:
USU – in the business
of digital transformation
for 40 years.*

OUR NEXT 24 HOURS

SOFTWARE MAKES THE WORLD GO ROUND

USU WORLD/BERLIN

Contents

Wednesday, May 10, 2017. Midnight. In ten hours, to USU World. 500 guests are

Key figures

The 2016 fiscal year for USU: IFRS figures in EUR thousand	**2017**	2016
Sales	**84,361**	72,101
Adjusted EBIT	**6,125**	9,614
Adjusted consolidated earnings	**6,089**	7,991
Adjusted earnings per share	**0,58**	0,76
EBITDA	**6,837**	10,782
EBIT	**3,222**	8,299
Net profit	**3,367**	6,784
Earnings per share	**0,32**	0,64
Shareholders' equity	**63,006**	63,623
Total assets	**99,386**	91,905
Equity ratio	**63.4%**	69.2%
Cash and cash equivalents	**15,729**	23,180
Net cash from operating activities	**5,171**	5,132
Number of employees at year-end	**668**	544

the Kosmos cinema in Berlin will open its doors
expected. Booked electronically.

In secret …

Midnight. You know your time is coming. You go over your words one more time on your laptop, even though you know it’s best to forget them so you can talk freely the next morning. “You should see the feet of the person speaking to you,” according to an Indian proverb. How very true. Especially in the world of the invisible. Everything digital is, by its nature, also invisible and only shows itself in a converted form – like the words on your screen.

“Digital Transformation” is the motto of USU World, which will start to welcome guests here in Berlin in just a few hours. 500 guests are expected. 500 real-life people who will listen to what you and your colleagues have to say. Real words, albeit digitally amplified using public address systems, controlled from a mixing desk on the other side of the room. Everything live. And yet:

Digital is everywhere. All the time.
… and we want to take you with us.

[Reading time: 51 sec.]

… the boss is still working on his speech.

Digitization worldwide

- *2010: 5 billion “things” on the internet*
- *2017: 20 billion “things” on the internet*

USU World

- *2010: 177 attendees from 84 companies*
- *2017: 502 attendees from 182 companies*

USU Software AG

- *2007: Sales of EUR 33.3 million*
- *2017: Sales of EUR 83.1 million*
- *2007: Adjusted EBIT of EUR 2.1 million*
- *2017: Adjusted EBIT of EUR 6.2 million*

Excellence …

Four decades on the market. That alone is an excellent achievement in the fast-moving digital industry. We have been represented with our own software products for 30 years. 20 years ago, we decided to go public at the turn of the century. Just like the TV Tower in Berlin, which outlived the Wall and the division of Germany, we have gone through crashes and crises, the new economy, the Neuer Markt, the global economic crisis – and come out the other side. In 2002, we rescued Openshop by merging with the former top stock market performer. We are the best. Because digitization is our business and transformation is our challenge. Since 1977. USU.

Digital is everywhere. All the time.
… and we set milestones.

[Reading time: 39 sec.]

… lasts.


Linie Ziel
Abfahrt
U5 Hönow
U5 Hönow in 5 min
Gleis 2
U5
Alexanderplatz

Development of the USU Group

- *2007: 8 companies*
  Presence/locations in 3 countries
- *2017: 14 companies*
  Presence/locations in 6 countries

The platform ...

Signals everywhere. On mobile phones. On departure boards. From speakers.

Then the blast of wind. The screeching of the brakes. The swishing of the doors. The jostling crowds. The hustle and bustle.

Whether real or digital, everything goes together, charges, discharges, climbs aboard, alights again. The subway. With the subway driver – for now. But soon driverless. You are your own destination. And yet you are always surrounded by others. With unknown destinations. But if you are lucky, you will not be a stranger among strangers. You will not be alone, but part of a group. On the same line, one that intersects with other lines to become a safe platform to the future – to USU or even to USU World, our conference. Everything fits, everything holds together so it can be used by everyone.

It has always been this way. At least at USU, which has been active on the IT market for 40 years.

Today we have a permanent, silent, invisible companion: digitization. It is our platform to the next 40 years. For the USU Group. For our customers and partners. For our employees and shareholders.

Digital is everywhere. All the time.
... and we are the destination.

[Reading time: 60 sec.]

... to the future.

1

Employees in the IT industry (Germany)

- *2008: 450,000 employees*
- *2017: 676,000 employees*

Employees at USU (worldwide)

- *2008: 245 employees*
- *2017: 668 employees*

Underground movement

Day or night. Overground or underground. It doesn't really matter when it's digital.

The bits are everywhere. Invisible. They guide us and accompany us. They are messages. To us. From us. They are music in our ears. They are there. Always. In their own invisible world. In our visible world – like at USU World on May 10, 2017, where this digital world finds expression in human words, sends out images, becomes tangible, or, put simply: is the big topic.

It is the world we concern ourselves with. With more than 600 employees around the world. With thousands and thousands of people at our customers. With billions, even. Billions of people get to participate in this digital world with our help. At home. At work. On the move.

Digital is everywhere. All the time.
... and we want to take you with us.

[Reading time: 53 sec.]

The long journey to work ...

A thing of wonder.

The global market You can feel it down to the tips of your toes.

It’s why you were born. It’s why your company was created.

It’s what your colleagues, your partners, your customers live for. It’s what everything is geared towards. The inventions. The innovations. The investments. The internationalization.

Every single piece of software. The entire digitization process. It’s all about the global market – and yet it needs to fit s o well that each of us feels it was made specially for us. A thing of wonder.

It’s a demanding task. One which requires staying power. USU has been on the move worldwide for 20 years. With good footwear. Adaptable.Dogged. Once a year, we invite the entire world to come to us. To USU World. Wonderful.

Digital is everywhere. All the time.
… and we are already there.

[Reading time: 50 sec.]

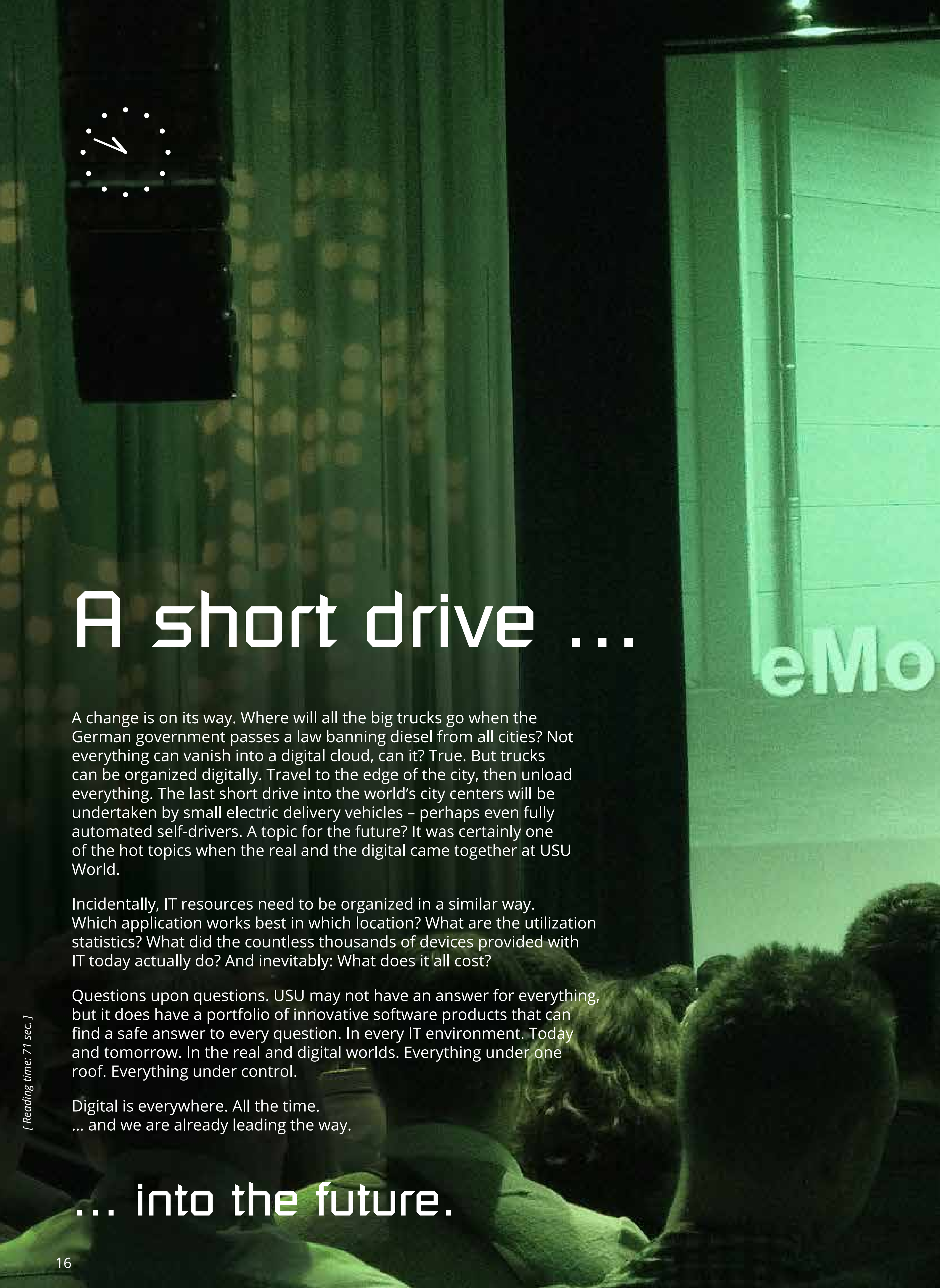
Everything fits like a glove.

Top positions among technology companies

- *2017: 85 percent of the top 500 are multis*
- *2017: 20 percent profit margin thanks to globalization*

Top figures recorded by USU Software AG

- *2017: Customers from 15 countries in Europe, the Americas, Asia and Australia*
- *2017: 28.2 percent of sales attributable to international business*



A short drive ...

A change is on its way. Where will all the big trucks go when the German government passes a law banning diesel from all cities? Not everything can vanish into a digital cloud, can it? True. But trucks can be organized digitally. Travel to the edge of the city, then unload everything. The last short drive into the world's city centers will be undertaken by small electric delivery vehicles – perhaps even fully automated self-drivers. A topic for the future? It was certainly one of the hot topics when the real and the digital came together at USU World.

Incidentally, IT resources need to be organized in a similar way. Which application works best in which location? What are the utilization statistics? What did the countless thousands of devices provided with IT today actually do? And inevitably: What does it all cost?

Questions upon questions. USU may not have an answer for everything, but it does have a portfolio of innovative software products that can find a safe answer to every question. In every IT environment. Today and tomorrow. In the real and digital worlds. Everything under one roof. Everything under control.

Digital is everywhere. All the time.
... and we are already leading the way.

[Reading time: 71 sec.]

... into the future.

- *2017: Global IT expenditure: USD 3.7 trillion*
- *2017: Global automotive sales: USD 3.5 trillion*
- *2017: USU software and services are used to manage more than 40 million IT devices*
- *2017: 6 percent of all IT devices managed by USU are mobile*

- *2017: 2.2 billion people work free of charge for Facebook. Very social.*
- *2017: 1.7 billion people are connected to Facebook on their mobile devices. Very mobile.*
- *2017: 301 USU employees look after 812 customers worldwide. With maximum commitment.*
- *2018: All of USU's consulting engagements in the area of digitization are united under a single brand. With all the expertise that entails.*

"Da kiekste, wa?"

It naturally comes as a bit of a shock when you are deep in thought and suddenly find yourselves addressed in a thick Berlin dialect. But then you recover yourself and smile. Moving from serious thoughts to a quick and cheeky conversation – no problem. Not for people from Berlin, and especially not in the capital itself.

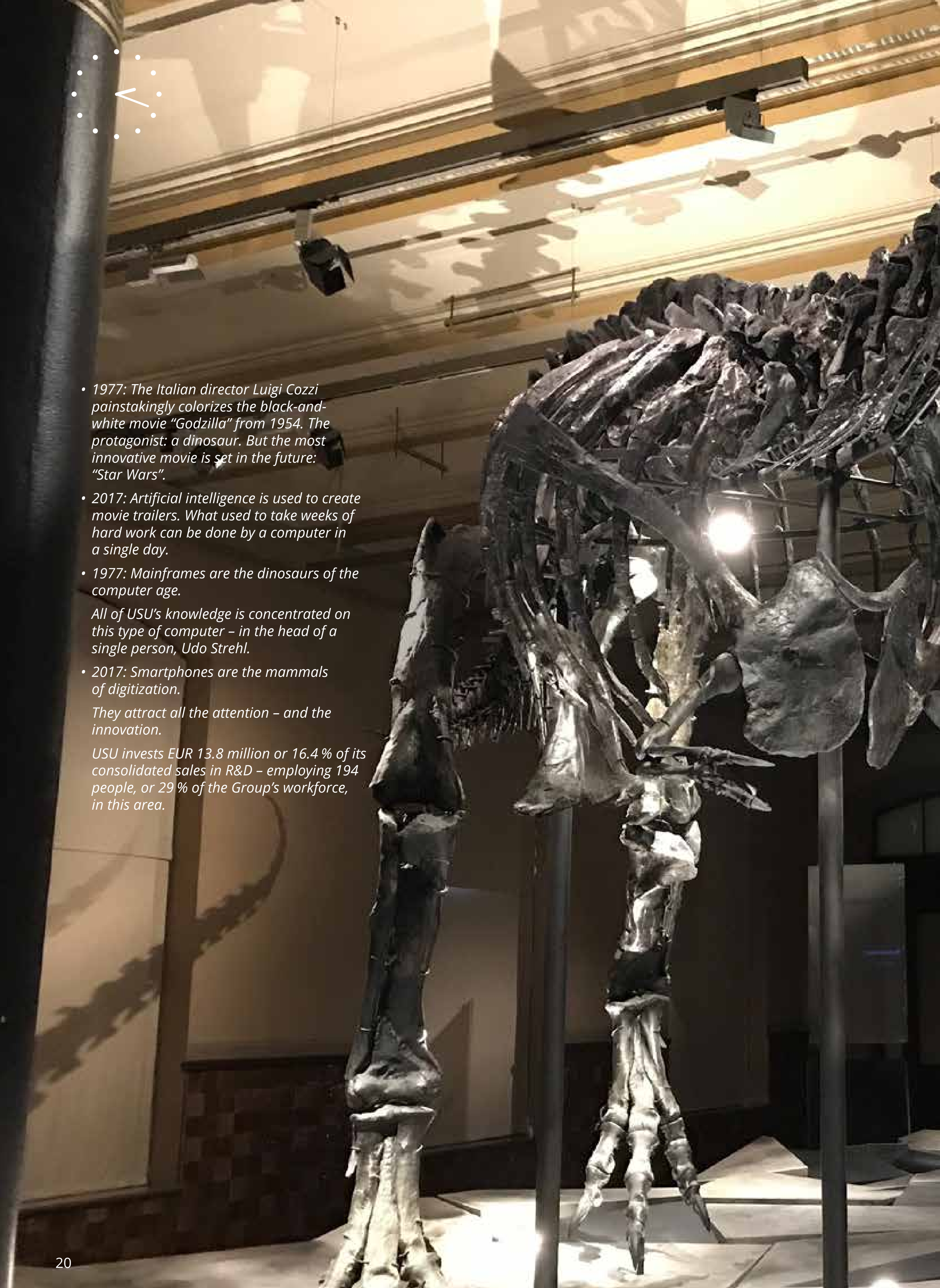
We have also made a move. We were called BIG Social Media, Business Solutions, KCenter and unitB. We all belonged together – under the umbrella of USU, our capital city. We may not have been separated by thoughts, but by languages in any case. German. English. The Swabian dialect. The Berlin dialect. We advise our customers in these and other languages and dialects on all kinds of aspects of digitization. Experience from 10,000 customer projects in forty years.

What we were missing was a shared name, a shared presence that would stand up to an international audience. And so the name "unymira" was born. "Uny" for what we have in common, "mira" for the miracle in every cooperation. With each other, but especially with customers and partners.

Digital is everywhere. All the time.
... and we have the experience.

[Reading time: 67 sec.]

"Dit ist Knorke!"

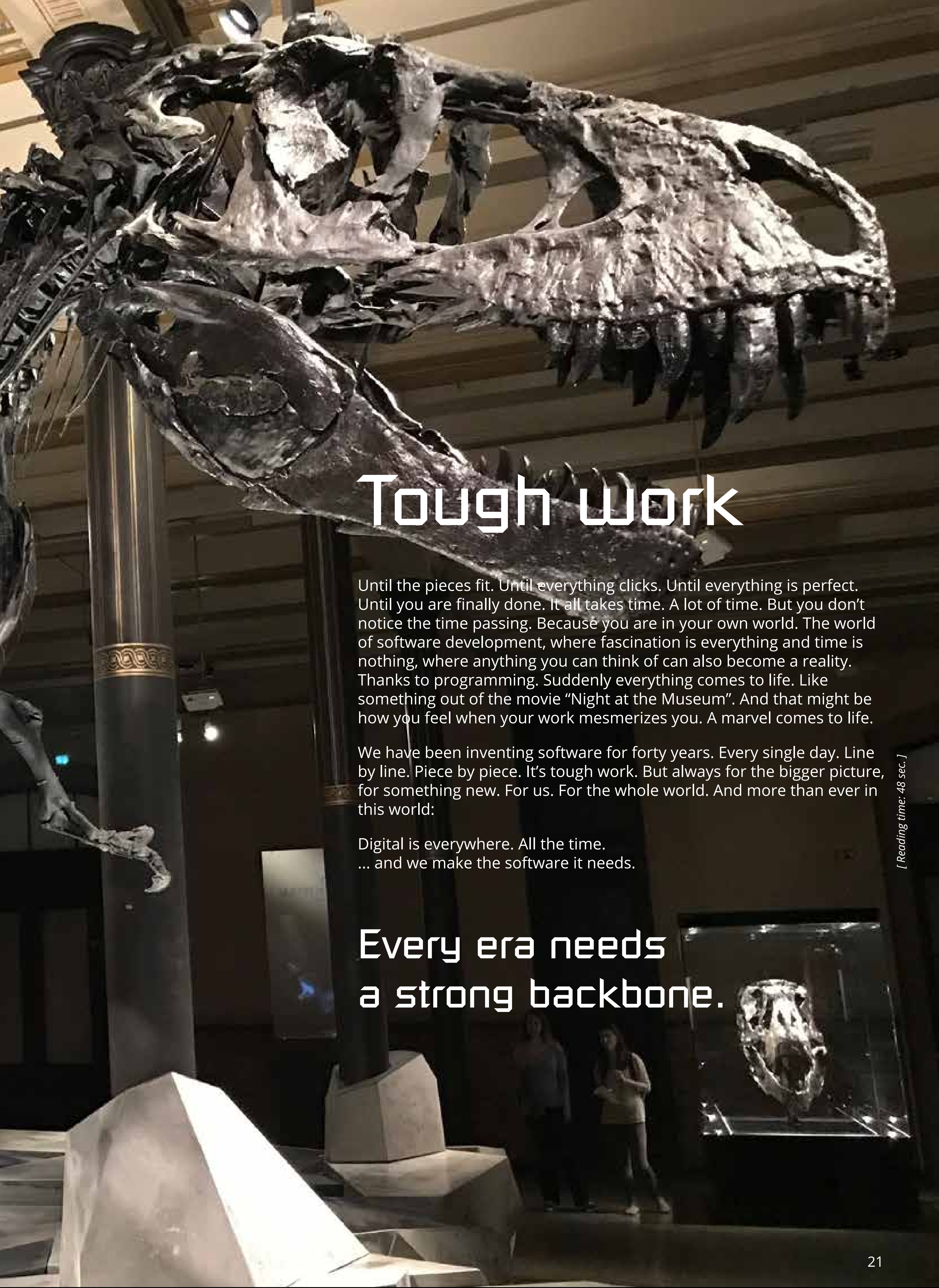


- 1977: The Italian director Luigi Cozzi painstakingly colorizes the black-and-white movie “Godzilla” from 1954. The protagonist: a dinosaur. But the most innovative movie is set in the future: “Star Wars”.
- 2017: Artificial intelligence is used to create movie trailers. What used to take weeks of hard work can be done by a computer in a single day.
- 1977: Mainframes are the dinosaurs of the computer age.

  All of USU’s knowledge is concentrated on this type of computer – in the head of a single person, Udo Strehl.
- 2017: Smartphones are the mammals of digitization.

  They attract all the attention – and the innovation.

  USU invests EUR 13.8 million or 16.4 % of its consolidated sales in R&D – employing 194 people, or 29 % of the Group’s workforce, in this area.



Tough work

Until the pieces fit. Until everything clicks. Until everything is perfect. Until you are finally done. It all takes time. A lot of time. But you don't notice the time passing. Because you are in your own world. The world of software development, where fascination is everything and time is nothing, where anything you can think of can also become a reality. Thanks to programming. Suddenly everything comes to life. Like something out of the movie "Night at the Museum". And that might be how you feel when your work mesmerizes you. A marvel comes to life.

We have been inventing software for forty years. Every single day. Line by line. Piece by piece. It's tough work. But always for the bigger picture, for something new. For us. For the whole world. And more than ever in this world:

Digital is everywhere. All the time.
... and we make the software it needs.

[Reading time: 48 sec.]

Every era needs a strong backbone.

Applause ...

Is there really such a thing as a USU share? A physical share certificate? Something you can own on paper and take home with you? After all, the shares have been traded since the turn of the millennium ...

Precisely. That is why USU's shares are fully digital. And always have been. Since 2000. But they aren't Bitcoin. They are backed by real assets that are weighed up by our shareholders every single day. In the blink of an eye, but usually with an extremely long-term perspective. Quite rightly. In 2017, our shares gained around 30 percent in value.

Every share is backed up by an enterprise value totaling EUR 250 million. In real money. As a shareholder, you can say it's your money too, even if you only own a small part of it.

Digital is everywhere. All the time.
... and we turn it into real value.

[Reading time: 54 sec.]

... for a high-flyer.

- *1977: 465 companies are traded on German stock exchanges. Their value corresponds to around 11 percent of GDP. Value: USD 65.1 billion.*
- *2016: 531 companies are listed in Germany. Their market value corresponds to 49.5 percent of GDP. Value: USD 1,716 billion.*
- *2007: Closing price of USU Software AG's shares in XETRA trading: EUR 4.20 = Market capitalization of EUR 43.4 million.*
- *2017: Closing price of USU Software AG's shares in XETRA trading: EUR 26.20 = Market capitalization of EUR 275.7 million.*

A lazy afternoon …

Sometimes you need to switch off. Your smartphone too. Sometimes it's good to just lie back and dream. Analogue dreams. Sometimes you are just a human. From one human to another. That's when you are yourself. And occasionally you are entirely selfless. Maybe this is when you become truly creative. No nonsense.

Everything from inside you. And that's when you come up with the craziest ideas. Like giving something to others. Your attention. Your strength. Your care. Or a gift. To celebrate your 40th birthday, for example.

Endlich gescheit. That's what they say in the Swabian dialect. And to help others become as gescheit – as smart – as you and your colleagues, you give 40 ipads to a school.

To be successful, you have to share your success. Then you can allow yourself to take a break every now and then. Together. On the digital riverbank. A river filled with our dreams.

Digital is everywhere. All the time.
… and we remain human.

[Reading time: 55 sec.]

… on the digital riverbank.

- 2017: 15 million people do voluntary work in Germany.
- We support them every year with projects like
  - "Birdies for Help" = multi-day golf tournament all donations and profits go to selected children's and youth projects in the district.
  - SOS Children's Villages,
  - Kinder unserer Welt,
  - Youth a New Foundation,
  - the German Sports Aid Foundation.

- *The USU Group reduced its electricity consumption in Germany by 2.15 % between 2014 and 2016.*
- *73 % of the electricity used by the USU Group in Germany in 2017 was generated from renewable sources.*

The turnaround …

Very few words have proved as sustainable as sustainability. Defined as a development process in 1987, it triggered a global turnaround. The demand: the careful use of resources. Everywhere. 30 years on, the topic of sustainability is even required to be included in annual reports.

Sustainability is something that is only seen when it is missing. A city looks after its roads and its public spaces. Every day. A country looks after its environment. Right down to the finest piece of dust. And a company? Like everyone else, it mainly looks after its figures. Figures that show everything is well, because everything is being done right: energy consumption, resource deployment, social relations. At USU, sustainability even forms part of the business model. And this approach feeds into our products. We look after our customers' IT resources.

Sustainability demands sustainability in everything we do.
Digitization helps us to immediately identify changes.
So that everything can turn around for the better.

Digital is everywhere. All the time.
… and we think ahead.

[Reading time: 57 sec.]

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… is irreversible.

- *2017: 80 percent of German companies with sales in excess of EUR 50 million have initiated digitization projects.*
- *2025: EUR 425 billion in (cumulative) value will be added in Germany over the next seven years thanks to digitization alone.*
- *2018: USU expects to increase its sales to EUR 93-98 million accompanied by adjusted EBIT of EUR 7.5-10 million*
- *2021: USU forecasts sales growth to EUR 140 million accompanied by adjusted EBIT of EUR 20 million*

Just watch!

The working day ends. Time to clock off. On foot. By bike. By car. Or maybe by train? The same procedure as yesterday. Banal decisions determined by the weather, the route, the time, the destination.

Changes tend not to leave much of an impression when you're stuck in the daily grind. And yet they are there. Zipping through the air. Navigation systems. Tweets. WhatsApp messages. The signals that will quietly transport us to tomorrow and beyond are all around us in the here and now. Powerful digital impulses. They will soon crowd out everything else. Traffic lights, road signs, place names will disappear.

But we, USU, we remain. For 40 years now. We are nowhere near ready to clock off. For us, every day is more than just a start-up to the future. We provide orientation. Especially in an age when:

Digital is everywhere. All the time.
... and we see ahead.

[Reading time: 50 sec.]

The future belongs to more than start-ups alone.

400 employees for 40,000 computers

The Baden-Württemberg state authority for IT (BITBW) is the central IT service provider in the state administration. It was formed in 2015 as the core of the state's IT reorganization. With a workforce currently totaling around 400, BITBW offers a broad range of products to its clients in the state administration.

Following a multi-stage selection process, USU AG won the tender for the project with comprehensive software and service packages. The contract includes delivering the IT service management (ITSM) software Valuemation and the accompanying services, such as installation, configuration, customization, training and additional support services. As part of the state's IT reorganization, the ITMS processes were standardized across all departments on the basis of ITIL® Best Practices. Over a planned period of six years, various standalone systems will be discontinued and gradually replaced by the state-wide use of USU's Valuemation software as the central ITSM software.

Having progressed successfully, the project went live in January 2017. All the state institutions and departments obtain IT services from BITBW as clients. BITBW uses USU's Valuemation software to offer a wide range of IT services and to consolidate the state's IT infrastructure. A service portal provides support for the commissioning and performance of standardized and customized services. Valuemation went live at BITBW in January 2017 and has since been successively rolled out at clients. BITBW currently uses Valuemation to manage around 40,000 workplace computers and 3,800 remote connections throughout the state.

"With Valuemation, we were able to successfully realize the project requirements in the first phase of implementation despite a tight schedule. Our project partner USU and the tool itself both proved to be flexible and functional, meaning that we were able to address additional requirements even during the initial project phase."

Ulrich Buck,
Service Manager and Project Manager, BITBW

BITBW

A focus on service

Jungheinrich AG is one of the world's leading intralogistics companies. With its portfolio of material handling equipment, logistics systems and services, it offers its customers comprehensive solutions from a single source. Around 16,000 employees, including more than 4,800 mobile service technicians, maintain a close-knit network providing expert consulting and comprehensive service.

Jungheinrich relies on the software and consulting expertise of USU's Valuemation segment to implement its vision of integrated service lifecycle management under the motto "A focus on service". The aim is to provide technical, procedural and professional support for all service departments in the group with the help of a central service management solution.

USU's Valuemation suite supports Jungheinrich from planning through procurement, installation and operation to the discontinuation of services – in areas such as IT asset and software license management, automated software rollout, IT support including IT self-service, IT budget planning, and the administration and management of service and infrastructure components in a service management database (SMDB) and a configuration management database (CMDB). 2017 also saw the start of a development partnership between Jungheinrich and USU aimed at jointly implementing additional requirements in the areas of order management, identity management and time recording in IT service management on the basis of Valuemation in future.

"With Valuemation as the central platform, our vision of 'A focus on service' has become a reality. USU's software gives us the flexibility to make individual adjustments to our service processes and develop dedicated modules for special tasks such as remote maintenance on this basis. Our partnership with USU is built on mutual trust. We appreciate the opportunity to shape or refine interesting new USU products with our customer feedback."

Matthias Nischwitz,
Group Leader Internal Tools, Jungheinrich AG

JUNGHEINRICH

Smart license management

The Haufe Group is synonymous with successful transformation processes. In two decades, the medium-sized company has evolved from a publishing house into a software company and now generates 95 percent of its sales from digital products and services. Haufe currently has 1,880 employees at 19 locations in Germany and abroad.

The Haufe Group is also committed to digital change when it comes to license management. It wanted to implement modernized software asset management (SAM) in order to ensure the permanent, automated transparency of software licenses with the integration of all of the group's subsidiaries. Following an exploratory phase and a proof of concept, SmartTrack was introduced at Haufe. It was the only platform to meet the group's stringent technical requirements, and the Aspera team provided an impressive demonstration of their detailed expertise in license handling.

A conclusive license overview was created in just two months. During this time, the project team successfully implemented the SmartTrack license platform. In addition, more than thirty business processes were newly documented and optimized, thereby standardizing and harmonizing the use of licenses within the group. This ensured and will continue to ensure that no licenses are granted unnecessarily or unlawfully. The responsible managers were able to negotiate more advantageous licensing models in an audit with Microsoft on the basis of the updated license overview.

Today, the Haufe Group has an accurate picture of its licenses and usage data thanks to SmartTrack. The company has taken a major step towards ensuring compliance and achieved a high degree of maturity in license management in just a short space of time. The entire group is benefiting from improved data quality and additional information such as device details and user data, including the service desk.

"IT architectures are not standalone solutions. During the implementation of SmartTrack, colleagues from the service desk became aware of the data generated by SmartTrack. This enabled us to use the data on a cross-functional basis."

Ramona Knäble,
License Manager, Haufe Group

HAUFE.Group

Global network

The Putzmeister Group develops, produces and sells machines for pumping and distributing concrete. Its broad portfolio also includes plant engineering, concrete placing for industrial projects, tunneling and mining, and plastering machines. International cooperation is the key to successfully mastering major industrial projects on all five continents. To ensure that its globally networked teams continue to work effectively, Putzmeister required a uniform digital platform for 17 subsidiaries, 12 languages and 3,000 users. This meant establishing a flexible, open and user-friendly basis of information and communication with easy login, personalized access and decentralized maintenance. The responsible managers decided for a portal solution based on Liferay and the expertise of the Liferay Platinum Partner unymira.

The first step involved the analysis of the intranet, extranet and internet in order to ensure that the key content was included in the catalog of requirement specifications. The requirement for decentralized maintenance meant employee training was particularly important. Multi-language coverage, simple login via 10 LDAPs and a sophisticated authorization concept that assigns content automatically were among the other major functions implemented.

Today, the integrated portal solution “InSite Putzmeister” delivers a positive user experience for all partners, employees and customers. Because Liferay allows personalized access. This is particularly important for the dealer extranet. All employees have access to the intranet and can view relevant work documents in their language as well as the entire product range, including all variants and country-specific products. A complete contact directory is also available to all employees worldwide – making subject-specific cooperation a lot simpler.

“With ‘InSite Putzmeister’, we have succeeded in comfortably connecting all 17 national subsidiaries and our entire dealer and partner network for the first time – not least thanks to the expertise of unymira.”

Holger Bartolomä,
Webmaster Putzmeister Holding GmbH

Putzmeister

Digital platform

The Chamber of Commerce and Industry of Berlin (IHK Berlin) represents the interests of the regional economy and provides a wide range of services. For example, around 200,000 companies benefit from extensive consulting services concerning all aspects of business, as well as examinations and training courses. In order to meet the new e-government requirements on improved electronic communication with members and partners, the responsible managers at IHK Berlin issued a tender for the development and implementation of an online application service. The technical basis was to be the existing Liferay extranet portal. USU's unymira division won the tender thanks to its extensive skills as a digital expert and a Liferay Premium Partner.

The aim was to map the "Examination of expertise for mortgage brokers" process. This would then serve as the blueprint for all other application processes for examinations and training courses. The milestones of the implementation included the establishment of participant management and the integration of e-payment and the IHK workflow management system. Following tests and a fine-tuning phase, the new digital platform went live in April 2017. Additional requirements were then successively implemented, including for taxi and rental car examinations. This required the system to be able to handle extreme peak loads.

Today, IHK Berlin's extranet covers all of the central processes and services with a modern interface. Fully electronic, documented processes not only minimize the processing time for examinations and training courses, but also offer considerably higher quality for applications thanks to the integration of fee payment.

"Our long-term objective is to connect and integrate all existing and future IHK Berlin applications for internal users and external customers via Liferay in a user-friendly manner. In unymira, we have an expert strategy and technology partner that will assist us with all aspects of digitization so that we can realize this challenging task."

Stephan Wolter
CIO, IHK Berlin

IHK Berlin

IT services from a single source

A centralized, transparent 360-degree view of all technical and commercial IT data – this was one of the key objectives of a major project at S&T. The Austrian-based global technology group was looking for a complete solution with a uniform data repository from a single source. It opted for the comprehensive software portfolio and technical expertise of the USU Group. The Valuemation product line from the USU division of the same name was used to support the individual processes as part of efficient and economical IT service management (ITSM). The ZIS system from the USU subsidiary LeuTek was also earmarked for the centralized monitoring of the complex IT infrastructure and services.

The project was implemented in several phases. The service operation processes, i.e. all measures for the provision and maintenance of IT services, were implemented and went live within just a few months. Now, numerous interfaces to all major partner solutions mean that data transfer is smooth – including to the LeuTek monitoring solution. Since October 2017, this has ensured that all centralized and decentralized IT services and service levels are monitored and compiled into an overview for the clients. The knowledge database Knowledge Center and a configuration management database (CMDB)

are currently being implemented. Another planned step involves the realization of service portfolio management and financial management. In the medium term, the USU system will also support all service orders of the company's technical field service. The USU system as a whole replaces a number of heterogeneous standalone solutions.

"Professional IT service management is the backbone of our business model. Despite the complexity, we were able to implement the ITSM project extremely successfully thanks to the USU Group's technology and expertise. We now have a comprehensive overview of our IT and our services."

Hannes Föttinger,
Responsible for ITSM at S&T AG

The personal direct bank

The Berlin-based Allgemeine Beamten Bank offers an exclusive range of services for civil servants and public employees in particular. As part of the digital transformation within the industry, one of the main aims of Allgemeine Beamten Bank was to successfully manage its evolution from a regional branch bank into a national direct bank with individual products and personal service. A high-performance digital platform was intended to significantly increase the proportion of loans concluded online in particular. The establishment and use of a new digital infrastructure also involved a relaunch of the "Allgemeine Beamten Bank" brand. Accordingly, the client opted for unymira as a service provider with extensive expertise in the areas of digital strategy, branding, digital experience and IT technologies.

The project approach focused on the client perspective. Following a website analysis and target group segmentation, the concept and design were developed for typical application scenarios and implementation was performed using the Magnolia CMS content management system as the technical basis. The main benchmark for the success of the project was the conversion rate, i.e. the percentage of website visitors that performed a predefined action, e.g. a loan application. The new design and function concept accompanied by online performance marketing measures helped to double the new lending business generated via the website.

Today, fully automated processes have replaced a large number of manual steps in application processing, such as the credit check. Ordering and marketing processes are now conducted entirely online. In addition, a wide range of Allgemeine Beamten Bank's cooperation partners were successfully integrated into the online architecture.

"In unymira, we have a partner that has not only given us an excellent positioning in terms of our online strategy, but that also delivers quick and professional solutions in day-to-day operations."

Frank Löwel,
General Manager, ABK Allgemeine Beamten Bank AG

Smart data for the fourth industrial revolution

Growing automation in mechanical and plant engineering means that the volume of data being generated – "big data" – is increasing all the time. It doubles every two years on average. By 2020, it is expected to amount to around 40 zettabytes, i.e. 40 trillion gigabytes. The "Internet of Things" is making a major contribution to this unprecedented data growth. Today's printing presses have around 2,500 sensors and report four million pieces of event data every day. This data needs to be analyzed and interpreted – turning big data into smart data.

These challenges are addressed by the "SAKE" (Semantic Analysis of Complex Events) project that is being supported by the German Federal Ministry for Economic Affairs and Energy (BMWi) as part of its "Smart Data – Innovations in Data" technology program. Participating organizations include Fraunhofer IAIS, Heidelberg Druckmaschinen AG, AviComp Controls GmbH, Ontos GmbH and Leipzig University. USU is responsible for overall coordination as the lead manager.

The SAKE platform is intended as a "big data toolbox" for processing sensor data, particularly for mechanical engineering, production and IT monitoring. In future, individual applications for different uses will be realized on the basis of prefabricated modules. The practicability of the modules will be evaluated in a real environment at the industrial partners participating in the project.

One focal point is fault analysis for printing presses. In another scenario, software will be used for early fault detection in compressor systems. Other areas of activity include the development of innovative, data-driven controller technology for turbocompressors and power generation for wind farm maintenance. The modules could also be used in areas such as mobility and health with corresponding adaptations to the evaluation algorithms.

"The use of smart data solutions represents a huge opportunity for Germany as an economic location. Flagship projects like SAKE are demonstrating the great diversity and potential of applications and services based on this technology."

Henrik Oppermann,
Head of Research, USU Software AG

SAKE
Semantische Analyse Komplexer Ereignisse

- 1977: USU GmbH founded by Udo Strehl
- 1996: Conversion to a stock corporation
- 2000: IPO
- 2002: Merger with Openshop to create the current USU Software AG
- 2005: Acquisition of Omega Software GmbH
- 2006: Acquisition of LeuTek GmbH
- 2010: Acquisition of Aspera GmbH
- 2012: Acquisition of B.I.G. Social Media GmbH
- 2013: Formation of Aspera Technologies Inc.,USA
- 2015: Acquisition of SecurIntegration GmbH
- 2016: Merger of SecurIntegration into Aspera
- 2017: Formation of KATANA, acquisition of unitB technology GmbH, acquisition of EASYTRUST SAS, France

Simply different.

Sometimes you want to go back and listen to the words of those who, 40 years ago, were talking about the world of tomorrow. Not in high-profile speeches – those are well documented – but in everyday life. From one person to another. Across all barriers.

A lot of things were simpler in 1977. A lot of things are different today. And yet we would be astonished by what we already knew back then. The foundations for the future we live in today were laid decades ago.

Digitization was already a familiar concept to those working in IT. After all, IT has always been digital. Digital is the means. And also the end.

Especially for USU Software AG, which celebrated its 40th birthday in 2017. As our favorite slogan puts it: “USU – simply different”. And that’s what we have always been. Simple, because we have always focused on digitization in its purest form: software. Different, because software quite simply changes everything.

Digital is everywhere. All the time.
... and we remain who we are.

[Reading time: 53 sec.]

40 years of USU.

Advisory Board of the USU Group

The sustainable business success and future viability of growth companies such as USU Software AG and its subsidiaries depends in particular on positive, trust-based cooperation with customers and stakeholders. This means offering customers a high level of service and demonstrable added value in the interests of a long-term business partnership.

With its product- and service-oriented product portfolio, USU Software AG pursues the Group-wide objective of achieving a marked improvement in service and vast savings potential for its customers, so that investments in the USU Group's software solutions pay off in an extremely short space of time and therefore result in a win-win situation for both USU and its customers. Accordingly, the USU Group's international customer base now comprises more than 800 companies from all sectors of the economy.

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

At the regular meetings of the Advisory Board with the Management Board and the management team of USU, discussions cover current topics and 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. To ensure continuity in terms of the USU Group's Advisory Board, members are appointed for a period of two years and may be reappointed on expiry of a period in office.

The list of members of the USU Group Advisory Board when the 2017 Management Report went to press was as follows:

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

Frank Karsten,
Chairman of the Management Board,
Stuttgarter Versicherungsgruppe

Joachim Langmack,
Management consultant

Stefan Leser,
Former CEO, Kuoni Reisen AG

Uwe Neumeier,
Chief Digital Officer, Hellmann Worldwide
Logistics GmbH & Co. KG

Heike Niederau-Buck,
Head of IT Strategy (CIO), Salzgitter AG

Dr. Hans-Joachim Popp,
CIO, German Aerospace Center (DLR)

Dr. Dieter Pütz,
Senior Vice President IT Shared Services,
Deutsche Post IT Services GmbH

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

Ralf Stankat,
Member of the Management Board IT/Operations,
Basler Versicherungen

Werner Strohmayr,
Management consultant

Daniel Thomas,
Member of the Management Board, HUK-Coburg

The Management Board would like to thank all of the members of the USU Advisory Board for their dedicated support, their advice and their detailed suggestions for the further successful development of the USU Group and looks forward to continuing this trust-based partnership in the 2018 fiscal year.

Report of the Supervisory Board of USU Software AG

Dear shareholders,

USU Software AG remains on its growth path and concluded the 2017 fiscal year positively in spite of a downturn in earnings in the Group as a whole. And as an individual company, USU Software AG again recorded a net profit in 2017. In line with the dividend policy, USU Software AG therefore intends to enable its shareholders to participate in its success in the same way as in previous years. Accordingly, the Supervisory Board approves the Management Board's proposal on the appropriation of net profit for the 2017 fiscal year, which involves the payment of a dividend at the same level as in the previous year. The Management Board and Supervisory Board of USU Software AG will therefore propose an unchanged dividend distribution of EUR 0.40 per share to the Annual General Meeting of the Company on June 28, 2018.

Performance of Supervisory Board duties

In the 2017 fiscal year, the Supervisory Board performed all the tasks and duties prescribed by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code, including regularly monitoring and advising the Management Board in its activities. The Management Board continuously, promptly and comprehensively informed the Supervisory Board of the development and position of USU Software AG and the Group, corporate planning, any deviations of business performance from the original planning, risk management and compliance as well as key business transactions. The Supervisory Board oversaw the business development of USU Software AG and the Group, meaning that it remained in close contact with the Management Board during the year. The Supervisory Board was directly involved at an early stage in decisions of major importance to the Company. The Supervisory Board was comprehensively informed in advance of, and carefully examined and unanimously approved, all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board and Supervisory Board of USU Software AG in the 2017 fiscal year.

Since the Supervisory Board comprises three members, no committees were set up in the 2017 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

Six ordinary Supervisory Board meetings were held in the 2017 fiscal year. All the members of the Supervisory Board attended these meetings in person, meaning that the average meeting attendance rate of the Supervisory Board members was 100%.

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

At the accounts meeting of the Supervisory Board on March 15, 2017, the auditors reported on the key findings of their audit of the financial statements, the single-entity and consolidated financial statements and the management report and Group management report were approved following in-depth discussion with the Management Board and the auditors, and the single-entity financial statements were adopted. The Supervisory Board approved the recommendation of the Management Board to propose to the Company's Annual General Meeting a dividend of EUR 0.40 per share. This Supervisory Board meeting also addressed the status reports of the Management Board on individual areas and the Group as a whole and the presentation of EASYTRUST as a potential candidate for acquisition.

The Supervisory Board meeting on May 12, 2017, which was attended by the managing directors of unitB technology GmbH, addressed the current business development of USU Software AG and its subsidiaries and, in particular, the development of the newest Group subsidiary unitB technology GmbH. Other topics discussed included the potential acquisition of EASYTRUST SAS and the agenda for the Annual General Meeting on July 4, 2017, which was unanimously adopted by the meeting.

The Supervisory Board meeting on July 3, 2017, the day before the Annual General Meeting, addressed the Management Board's report on the current course of business of USU Software AG and the Group as a whole and its planning for the subsequent quarters, as well as preparations for the Annual General Meeting. The meeting also discussed the early extension of the contract of the Management Board member Bernhard Böhler and ultimately resolved to extend his contract ahead of schedule until September 30, 2021. Within the Management Board team, Böhler has been responsible for sales and the internationalization of the USU Group since October 2014.

In addition to the Management Board's report on the current course of business of USU Software AG and the Group as a whole and its planning for the subsequent quarters, the Supervisory Board meeting on September 12, 2017 addressed the planned consolidation of the four previously separate USU divisions, BIG Social Media, Business Solutions, KCenter and unitB technology, under a single brand focusing on the intelligent digitization of service-related business processes. The meeting also discussed the detailed development of the newest USU subsidiary EASYTRUST SAS.

The Supervisory Board meeting on November 30, 2017, mainly addressed the report on current business development and the projections for the full 2017 fiscal year, including deviations from planning. The Supervisory Board also discussed the necessary plan reduction, including the resulting consequences, with the Management Board. In addition, the Supervisory Board and the Management Board discussed the potential need for the court appointment of a new auditor due to the possibility of a formal dependency on the part of the existing auditor. This Supervisory Board meeting also dealt with the planned implementation of the provisions of the German Corporate Governance Code, including the adoption of the corresponding declaration of conformity.In this context, the Supervisory Board established a target figure of zero for the proportion of women on the Management Board and Supervisory Board by June 30, 2021 and prepared a profile of skills for the Supervisory Board. This profile requires the members of the Supervisory Board to have the following skills in particular: (1) Several years of experience as an entrepreneur or a member of management at a medium-sized or large company and (2) several years of professional experience in national and international sales within the IT industry. These skills are fully covered by the existing Supervisory Board. Furthermore, the Supervisory Board believes that at least two of its three members should be independent shareholder representatives. This target is achieved with the independent members Günter Daiss and Erwin Staudt. The Supervisory Board also conducted an efficiency audit at its meeting on November 30, 2017, which was concluded with a positive outcome.

The Supervisory Board meeting on December 18, 2017, focused on the business development of USU Software AG and the Group as a whole, including projections for the full 2017 fiscal year and planning for the following year as well as medium-term planning to 2021. The Supervisory Board discussed these plans in detail with the Management Board and unanimously approved the planning for the 2018 fiscal year.

Corporate governance and declaration of conformity

Responsible management and control of USU Software AG and the Group with the aim of sustained value creation are, and will remain in the future, the focus of the activities of the Management Board and Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On November 30, 2017, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Company's website. This declaration of conformity is included in the combined management report in this annual report as part of the statement on corporate management of USU Software AG in accordance with section 289a of the German Commercial Code (HGB) under "VII. 2 Statement on corporate management in accordance with section 289f and 315d HGB and corporate governance report in accordance with section 3.10 of the German Corporate Governance Code (GCGC)", which also contains the compensation report with the individual compensation of the members of the Management Board and the Supervisory Board for the 2017 fiscal year.

Audit of the single-entity and consolidated financial statements

Based on a court appointment, the Supervisory Board commissioned Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as the auditor of the financial statements and agreed the focal points of the audit for the 2017 fiscal year.

The objects of the audit were the accounting, the 2017 financial statements prepared in accordance with HGB, the 2017 consolidated financial statements prepared under section 315a HGB in accordance with the provisions of the International Financial Reporting Standards (IFRS), as applicable within the European Union, and the additional requirements of German law under section 315a (1) HGB as well as the accompanying combined management report for the 2017 fiscal year. The Supervisory Board also examined the non-financial Group declaration by USU Software AG, which was published on the Company's website on March 19, 2018.

The financial statements of USU Software AG, the consolidated financial statements and the combined management report for the 2017 fiscal year were each issued with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned year-end closing documents, including the Management Board's proposal on the appropriation of net profit and the non-financial declaration 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 19, 2018. Following its own examination and an extensive discussion with the Management Board and the auditors, the Supervisory Board concurred with the findings of the audit and raised no objections. The Supervisory Board approved the financial statements and consolidated financial statements presented to it by the Management Board as well as the combined management report for the 2017 fiscal year. The annual financial statements have therefore been adopted.

At the same time, the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, under which the HGB unappropriated surplus of USU Software AG as of December 31, 2017 in the amount of EUR 6,175 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.40 per share for 10,523,770 shares, amounting to a total of EUR 4,210 thousand; and

- to carry forward the remaining unappropriated surplus of EUR 1,965 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with sections 289 (3) and (4) and 315 (4) HGB and the corresponding reports. Further information can be found in the disclosures and explanations in the combined management report for the 2017 fiscal year under "V. Accounting-related internal control and risk management system" and "VIII. Non-financial Group declaration". The Supervisory Board has examined the reports and the disclosures and explanations contained therein and is satisfied that these are complete and correct in terms of their content. Accordingly, the Supervisory Board has adopted the reports. The Supervisory Board therefore agrees with and raises no objections to the non-financial declaration and the disclosures on the accounting-related internal control and risk management system.

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, 2017 to December 31, 2017 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

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

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft examined the report on related parties and issued the following audit opinion:

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

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

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

Concluding remarks and thanks

The sustained success of USU Software AG and its subsidiaries throughout their 40-year history is largely thanks to the efforts of the entire Group workforce. On behalf of the Supervisory Board, I would like to take this opportunity to explicitly thank all of the employees of the USU Group for their high level of dedication and loyalty. I also wish to thank to the management teams of the subsidiaries for their high degree of personal commitment and their outstanding achievements. Furthermore, I would particularly like to thank the Management Board for the passion and entrepreneurial spirit with which they help to drive the continued positive development of USU Software AG and the entire USU Group. The Supervisory Board is optimistic that the Management Board will press ahead with the Company's successful growth trend both sustainably and profitably, and looks forward to further professional cooperation in a spirit of mutual trust.

Möglingen, March 19, 2018

For the Supervisory Board

Udo Strehl
Chairman of the Supervisory Board of USU Software AG

Management Report on the Company and the Group for the 2017 Fiscal Year

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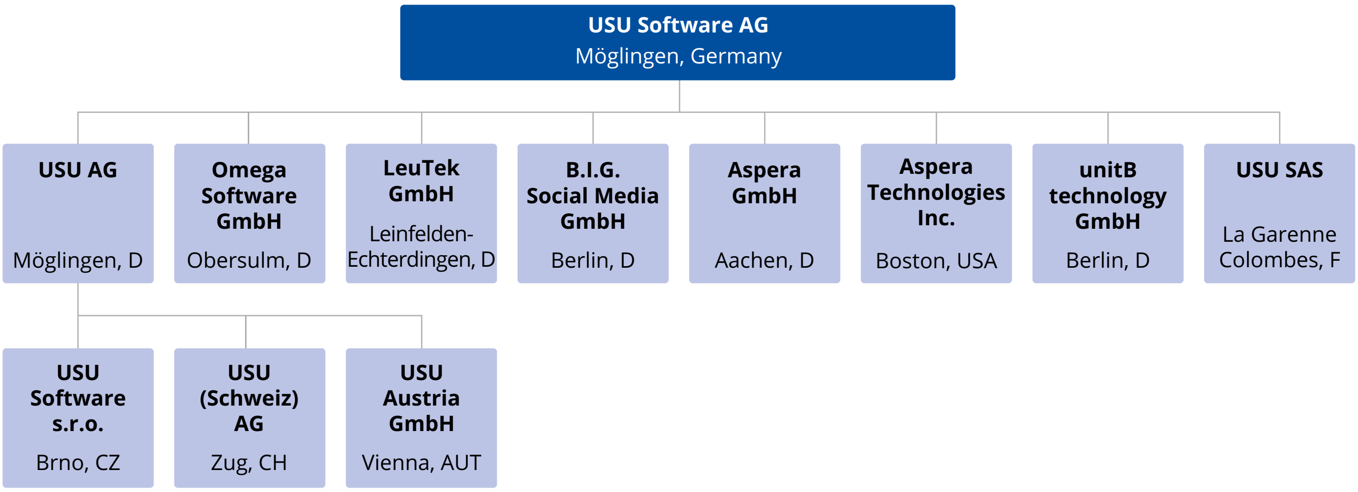
Management Report on the Company and the Group

The USU Software AG and its subsidiaries



I. BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

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

I.1 Current corporate structure of USU Software AG

On January 5, 2017, USU Software AG acquired 100% of shares in unitB technology GmbH, Berlin ("unitB technology"), an internationally oriented full-service agency for digital communications and IT.

Further information on the acquisition of unitB technology can be found under Change in Group organization in the notes to the consolidated financial statements in this 2017 annual report.

The company acquired all shares in EASYTRUST SAS, La Garenne Colombes, France, ("EASYTRUST") on May 4, 2017. With the acquisition of EASYTRUST, the USU Group is expanding its vertical integration in the field of IT management and its international presence on the key French market.

EASYTRUST is a highly specialized software provider for the automatic detection and analysis of hardware and software in complex infrastructures and the software license management of Oracle products. EASYTRUST SAS was renamed USU SAS with effect from September 19, 2017.

Further information on the acquisition of EASYTRUST can be found under Change in Group organization in the notes to the consolidated financial statements in this 2017 annual report.

With effect from January 1, 2018, USU bundled its established strategy and technology portfolio for customer and IT service in the new unymira segment. Combining the four previously independent USU divisions, BIG Social Media, Business Solutions, KCenter and unitB technology, this segment will focus on the intelligent digitization of service-related business processes.

I.2 Business model, objectives, strategies and controlling system

USU Software AG and its subsidiaries (hereinafter also referred to as the "USU Group or "USU") develop and market software solutions for knowledge-based service management. USU is Europe's largest provider of IT and knowledge management software.

In the area of IT management, USU supports companies with comprehensive ITIL®-compliant solutions for strategic and operational IT and enterprise service management. USU solutions give customers an overall view of their IT processes and IT infrastructure and enable them to transparently plan, allocate, monitor and actively manage services. USU is one of the world's leading manufacturers in the area of software license management.

USU is driving the digitization of business processes with its intelligent solutions and expertise in the area of digital interaction. Standard software and consulting services are used to automate service workflows and actively provide knowledge for all communications channels and points of customer contact in sales, marketing and customer service. The portfolio in this area is rounded off by software for industrial big data and the service segment with system integration and individual applications.

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

USU Software AG has made it its goal to achieve growth in consolidated sales above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group's international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy.

Taking the latest operational developments into account, the Management Board is forecasting an increase in consolidated sales to between EUR 93 million and EUR 98 million in the current fiscal year, accompanied by an increase in adjusted EBIT to between EUR 7.5 million and EUR 10 million. The current medium-term forecast to 2021 projects growth in consolidated sales to EUR 140 million accompanied by an increase in adjusted EBIT to EUR 20 million.

The key performance indicators for USU Software AG and the Group are sales and adjusted earnings before interest and taxes.

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

I.3 Research and development

In light of the challenges of digital transformation, innovative strength is a crucial component of a company's long-term business success. Among other things, it defines the cooperation with customers and partners, leads to the development of new products and services, and to the implementation of new business models. The Swiss investment research company ALPORA recognized the USU Group as a TOP INNOVATOR for 2017. ALPORA's detailed analysis method is based on scientific research and delivers a comprehensive picture of a company's innovative capability. This measurement approach has objectively confirmed the high innovative capability of USU Software, says Dr. Julian Vincent Kauffeldt from ALPORA.

USU Software AG has been investing heavily in research and development (R&D) for years. In the 2017 fiscal year, it invested a total of EUR 13,817 thousand in R&D (2016: EUR 11,276 thousand), corresponding to 16.4% of consolidated sales (2016: 15.6%). The number of employees in this area totaled 194 as of December 31, 2017 (December 31, 2016: 158). The USU Group does not capitalize its R&D expenses.

The completion and release of version 5.0 of the IT service management suite Valuemation in summer 2017 was a milestone in the R&D activities of the segment of the same name. The main aspects of this new product version are the interface redesign and the optimization of process-oriented user guidance, which have met with extremely positive feedback from customers and interested parties alike. The self-service functions have also been integrated into Valuemation in response to requests from numerous customers. In future, a dedicated module will bundle end-user requests across all platforms in a single channel. The field support application has also been expanded to include the end-user function for the mobile environment. In addition, the analytics tool Service Intelligence is now being marketed under the name Valuemation Analytics in order to highlight its stronger links with the Valuemation service management product line. At the same time, the development team began implementing new functions for the next version of Valuemation, including improvements to web-based user administration and performance monitoring.

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

Analytical presentation of Valuemation within the incident process

In the Business Service Monitoring and Alarm Management segment, new versions of ZIS were released in 2017. In addition to traditional infrastructure such as servers, databases and networks, the system now provides a transparent, consolidated overview of the entire cloud infrastructure. The new ZIS Cloud Connector allows the effective monitoring of private, public and hybrid clouds from the respective providers. The interfaces with the market leaders Amazon WebServices, Windows Azure and Google Cloud Platform have already been created, with further connectors in development. In addition, various modules were implemented on the current HTML5 web standard and data capacity monitoring was expanded.

ZIS system screenshot

In the Software License Management segment, new versions of the Aspera software SmartTrack were delivered. Among other things, the new release allows simulation tables to be imported, making it easy to run comparisons of different scenarios. New features include Microsoft license metrics, shareable table views and connectors, which allow device and software data to be imported from the Microsoft Active Directory. The knowledge database Knowledge Center was also integrated. The calculation options for license expenses were also improved. In its License Control for Salesforce application, Aspera has published the first license optimization solution for Salesforce users. New versions for the Aspera solutions SAM Intelligence and License Control for SAP® Software have also been released. The intuitive user interface of the latter primarily optimizes the indirect use of systems that access SAP.

The technologies of USU SAS (formerly Easytrust SAS), a license management provider specializing in Oracle, were successively integrated into the overall Aspera portfolio and enhanced in the course of 2017, resulting in the creation of License Control for Oracle. The tool takes into account the complex infrastructure (hardware, virtualization, systems) and contracts and licenses, providing a comprehensive overview of compliance and audit risks.

Novartis AG and F. Hoffmann-La Roche AG received a SAMS Europe Award 2017 for the use of Aspera products and their successful license management projects.

SmartTrack screenshot

At the start of 2018, USU bundled the previously independent divisions, BIG Social Media, Business Solutions, KCenter and unitb technology, as a single portfolio under the new unymira brand. This relates in particular to products for social media management and IT and customer service, which are now being developed centrally.

The core product remains the intelligent knowledge database Knowledge Center. New versions were published in 2017. In addition to guided fault diagnosis using interaction guidelines with graphic modeling and document viewing on popular mobile devices, they included improvements to the editorial functions and simpler processing of larger document volumes.

A new version of Knowledge First was also released. The web self-service solution now boasts significantly improved integration, particularly for one-page sites. One new development is the Knowledge Bot solution, which was presented in late September 2017. This intelligent service and FAQ bot application makes defined content available for customer communication on an automated basis.

USU again received several awards for software innovation in this segment in 2017, including the Contact Center Technology Award from the media company TMC. USU is also one of the top 20 solution providers in the field of knowledge management according to the US magazine CIO Review.

Knowledge Center screenshot

In the area of social media management, the Connect software for engagement, publishing and monitoring was enhanced. Activities also focused on service bots for social media. The new product "Bot Hub" acts as a hub for small, configurable service programs. It provides one or more service bots for various communication channels as needed, boasts improved response recognition thanks to natural language processing and, if required, also regulates the handover to service agents.

In the Katana division, which focuses on the growth area of industrial big data and became the latest business segment to emerge from the research segment in 2017, work was done on an SaaS solution that will soon be marketed mainly to smaller customers with cost-effective and standardized solutions. This solution is intended to supplement the existing application, which is offered on-demand at customers or as a service using an ASP model in a private cloud. The operational system for the reference customer Heidelberger Druckmaschinen was expanded further and is currently the world's biggest documented predictive maintenance application. The division has also developed Katana Flow, an application for the graphical programming of data pipelines in beta development status.

Cooperation with universities, institutions and analysts plays an important role in the area of research. USU regularly also participates in interdisciplinary research projects supported by German Federal Ministry of Transport and Digital Infrastructure. For example, the major "Linked Data for Mobility" (LIMBO) project involves processing geodata for innovative mobility solutions and new business models. SmartMMI is another current project focusing on geodata. USU is contributing its data analysis expertise to the task of deriving connection scheduling on the basis of the local public transport system's traffic data. In addition, industrial property rights for two inventions have been applied for in the area of data analysis.

II. ECONOMIC REPORT

II.1 Summary

In the 2017 fiscal year, USU Software AG increased its consolidated sales (IFRS) by 17.0 % year-on-year to EUR 84,361 thousand (2016: EUR 72,101 thousand). This was due in particular to strong domestic business, which increased by 17.2 % to EUR 60,573 thousand (2016: EUR 51,672 thousand). In addition to organic sales growth, this was driven by the acquisition-based business expansion. USU also improved its international business for the year as a whole, with consolidated sales increasing by a total of 16.4 % to EUR 23,788 thousand (2016: EUR 20,429 thousand) thanks in particular to numerous licenses concluded abroad in the fourth quarter of 2017.

The increase in the USU Group's investment activity outside Germany had an impact on earnings development in the 2017 fiscal year compared with the same period of the previous year. Accordingly, EBITDA fell by 36.6 % year-on-year to EUR 6,837 thousand (2016: EUR 10,782 thousand), while EBIT totaled EUR 3,222 thousand (2016: EUR 8,299 thousand). Consolidated net profit also declined by around two-thirds, from EUR 6,784 thousand in the previous year to EUR 3,367 thousand. Accordingly, earnings per share amounted to EUR 0.32 (2016: EUR 0.64).

Excluding acquisition-related non-recurring effects, the USU Group's adjusted EBIT amounted to EUR 6,125 thousand (2016: EUR 9,614 thousand), down 36.3 % on the previous year. At the same time, adjusted consolidated net profit fell by 23.8 % year-on-year to EUR 6,089 thousand (2016: EUR 7,991 thousand). Adjusted earnings per share declined accordingly from EUR 0.76 in the previous year to EUR 0.58 in the period under review.

Net profit of USU Software AG calculated in accordance with the German Commercial Code (HGB) amounted to EUR 2,790 thousand in the 2017 fiscal year, down slightly on the prior-year figure (2016: EUR 2,963 thousand). Including the profit carried forward from the previous year of EUR 3,385 thousand (2016: EUR 4,631 thousand), the Company generated an unappropriated surplus of EUR 6,175 thousand (2016: EUR 7,594 thousand). As in previous years, part of this is to be used to pay a dividend to all shareholders of USU Software AG. In line with the dividend policy communicated by the Company and in the interests of continuity, the Management Board is proposing, subject to the approval of the Supervisory Board, that a dividend of EUR 0.40 per share be distributed for the 2017 fiscal year.

In the 2018 fiscal year, the Management Board expects USU Software AG to continue on the moderately positive growth path recorded in recent years in terms of EBIT and sales, although this growth will be curbed slightly by the trend towards SaaS business. The Management Board expects to see the first positive effects from investments outside Germany in the 2018 fiscal year, although the full effect will be felt only with some delay. By contrast, the portfolio expansion in the area of knowledge management in the markets outside Germany, and particularly in the USA, will have a positive effect from 2018. Domestic business is also expected to continue to develop successfully, leading to a further expansion in the product business from which the USU Group generates license, maintenance and product consulting income. Service business, in which USU generates consulting sales from individual projects that are not dependent on specific products, is also expected to continue to grow. As announced, the Management Board expects to significantly outperform the market in terms of growth once again in the 2018 fiscal year. One key indicator supporting this forecast is Group-wide orders on hand, which increased by 11.4 % year-on-year to EUR 44,055 as of December 31, 2017 (2016: EUR 39,534 thousand). Accordingly, the forecast for 2018 involves an increase in consolidated sales to between EUR 93 million and EUR 98 million, accompanied by an above-average rise in adjusted EBIT to EUR 7.5–10 million. The Management Board is also confirming its medium-term forecast to 2021, with consolidated sales set to rise to EUR 140 million and adjusted EBIT increasing to EUR 20 million. Strategic planning focuses on the three established growth pillars of the USU Group: increased internationalization, the development and launch of new product innovations, and inorganic growth through acquisitions.

II.2 Overall economic development

The economic situation in Germany in 2017 was characterized by strong economic growth. According to initial calculations by the German Federal Statistical Office (Destatis)[1], gross domestic product (GDP) adjusted for inflation was 2.2 % higher in 2017 than in the previous year. This represents the eighth successive year of growth for the German economy. Positive impetus in 2017 was primarily domestic in nature: Adjusted for inflation, private consumer spending was 2.0 % higher than in the previous year, while public consumer spending increased by a below-average 1.4 %. Gross fixed asset investments enjoyed above-average growth of 3.0 % as against the previous year. Construction investments rose by 2.6 %. Adjusted for inflation, investments in equipment (primarily machinery, systems and vehicles) were 3.5 % higher than in the previous year. Other investments, which include research and development expenditure, also increased by 3.5 % year-on-year. Total gross investments, which include gross fixed asset investments and changes in inventories, were 3.6 % higher than in 2016 after adjustment for inflation.

German exports also saw further growth across 2017 as a whole. Adjusted for inflation, exports of goods and services were 4.7 % higher than in the previous year. Imports saw stronger growth in the same period (+5.2 %). The resulting net exports, i. e. the difference between exports and imports, made a mathematical contribution to GDP growth of +0.2 percentage points.

According to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat)[2], the euro area also enjoyed strong year-on-year GDP growth of 2.5 % in 2017.

According to figures published by Statista[3], the global economy again recorded substantial GDP growth of 3.7 % in 2017 (2016: 3.2 %).

II.3 Sector development

According to forecasts by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM)[4], the German high-tech market grew by 1.9 % to EUR 160.8 billion in the period under review (2016: EUR 157.8 billion), meaning it was outperformed slightly by the economy as a whole, whereas the German IT market again enjoyed above-average growth of 3.4 % compared with the previous year. The software market

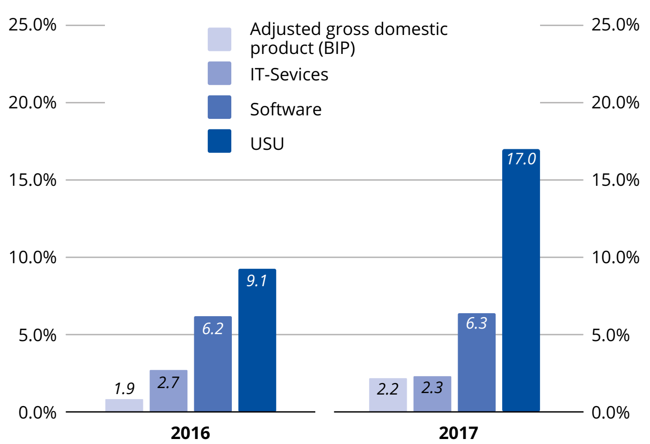
[1] *cf. destatis press release 011 dated January 11, 2018, published at https://www.destatis.de*
[2] *cf. Eurostat press release dated January 30, 2018 – 20/2018, published at http://ec.europa.eu/eurostat*
[3] *cf.: https://de.statista.com/statistik/daten/studie/197039/umfrage/veraenderung-des-weltweiten-bruttoinlandsprodukts/*
[4] *BITKOM press release dated October 18, 2016, published at www.bitkom.org*

saw another particularly strong upturn of 6.3 % in the year under review, while the market for IT services expanded by 2.3 %. A forecast by the US market research company Gartner[5] also indicates that the volume of the overall global IT market increased significantly by 3.8 % in 2017, with the global enterprise software and IT services markets enjoying clearly above-average growth rates of 8.9 % and 4.3 % respectively.

II.4 Business development

Irrespective of the shift in sales from on-premises to SasS business, USU Software AG and its subsidiaries generated consolidated sales of EUR 84,361 thousand in the 2017 fiscal year (2016: EUR 72,101 thousand), a new record high. At the same time, adjusted earnings were down on the previous year at EUR 6,125 thousand (2016: EUR 9,614 thousand) due to increased investments in international business and the USU Group's workforce, meaning that the original targets of consolidated sales of EUR 83–88 million accompanied by adjusted EBIT of EUR 10–11.5 million were not met in the year under review. However, USU Software AG met the revised guidance published during the year, which involved consolidated sales of EUR 83–86 million and adjusted EBIT of EUR 6–8 million.

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



While license business saw muted development in the first three quarters due to the shift in customer preferences from on-premises to SaaS business, this situation turned around significantly in the final quarter of the year. Accordingly, USU enjoyed the strongest full-year performance in its license business and its maintenance business, which includes SaaS income. In terms of regional performance, domestic business developed particularly well. However, USU also improved its international business thanks to numerous licenses concluded abroad, particularly in the fourth quarter of 2017. In addition to the organic business expansion, this growth was driven by acquisition-based sales contributions. At the same time, the USU Group's operating earnings declined as a result of the significant increase in the cost base following targeted investments in international business and the expansion of the Group's workforce.

II.5 Development of sales and costs

Consolidated sales

In the 2017 fiscal year, USU Software AG increased its consolidated sales (IFRS) by 17.0 % year-on-year to EUR 84,361 thousand (2016: EUR 72,101 thousand). This was due in particular to strong domestic business, which increased by 17.2 % to EUR 60,573 thousand (2016: EUR 51,672 thousand). In addition to organic sales growth, this was driven by the acquisition-based business expansion. USU also improved its international business for the year as a whole, with consolidated sales increasing by a total of 16.4 % to EUR 23,788 thousand (2016: EUR 20,429 thousand) thanks in particular to numerous licenses concluded abroad in the fourth quarter of 2017. However, the above-average growth in domestic business meant that the share of consolidated sales attributable to international business fell slightly, from 28.3 % in the previous year to 28.2 %. In light of the Group's targeted foreign investments and with a view to the expansion of SaaS business, the Management Board expects the share of consolidated sales attributable to international business to return to above 30 % in the medium term.

Irrespective of the shift towards SaaS business in the first three quarters, USU's software license business grew by 27.0 % year-on-year to EUR 15,559 thousand in the 2017 fiscal year (2016: EUR 12,250 thousand). This was primarily due to the large number of licenses concluded in the final quarter of the year, particularly in the USA but also in the other foreign markets served by USU. At the same time, maintenance business increased by 14.1 % to EUR 22,275 thousand (2016: EUR 19,515 thousand), particularly as a result of the SaaS income reported in this item.

Consulting business rose by a total of 13.4 % year-on-year to EUR 44,526 thousand in the 2017 fiscal year (2016: EUR 39,254 thousand). Other income, which primarily comprises project-related merchandise sales of third-party hardware and software, totaled EUR 2,001 thousand in the period under review (2016: EUR 1,082 thousand). This represents an increase of 85.0 % on the previous year.

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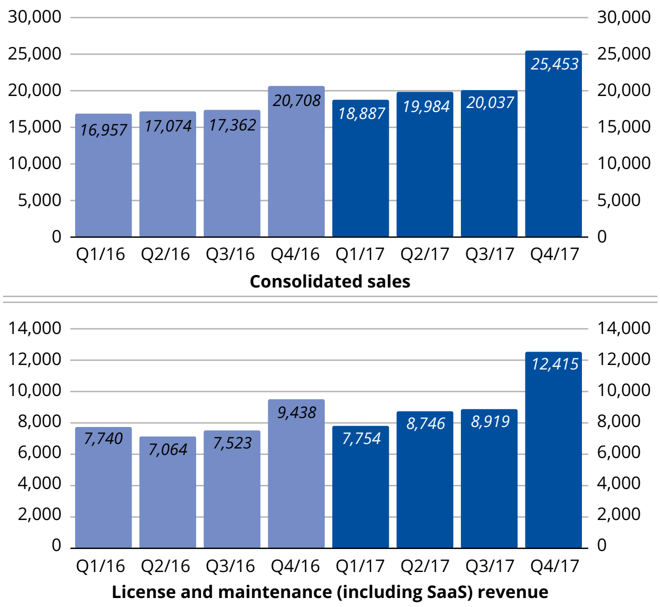
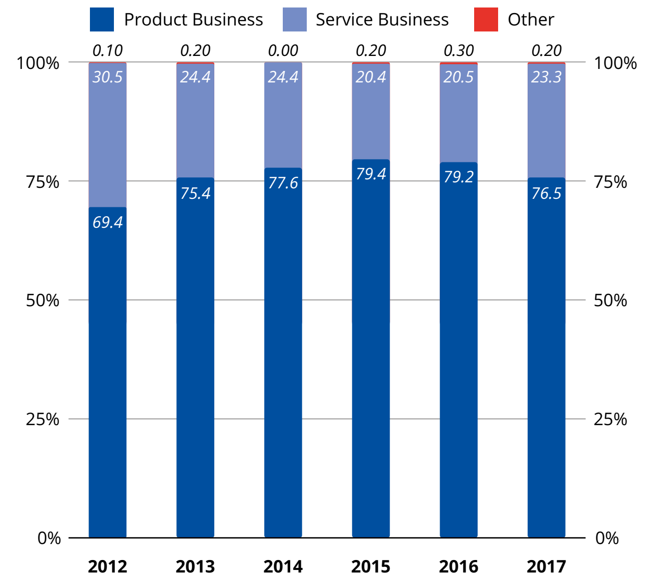
[5] *Gartner press release, Gartner Worldwide IT Spending Forecast, dated January 16, 2018, published at https://gartner.com/newsroom/id/3845563*

Sales development of the USU Group by quarter in EUR thousand



Sales development of the USU Group by segment in %



The range in the Product Business segment comprises all activities relating to USU products on the IT management solutions market, which also includes the recently acquired USU SAS (formerly EASYTRUST SAS) in France, the knowledge management market and "Katana", the new division for big data analytics that emerged from the research department. The Service Business segment comprises consulting services for IT projects, individual application development and, following the acquisition of unitB technology, digital strategy consulting, service and UX design and web portals, apps and intranets.

The Product Business segment contributed sales of EUR 64,532 thousand in the 2017 fiscal year (2016: EUR 57,140 thousand), up 12.9 % on the previous year. This was attributable to organic sales growth as well as to the acquisition of EASYTRUST SAS (now USU SAS) in France.

In the same period, the USU Group increased consulting-related sales in the Service Business segment by 33.2 % to EUR 19,696 thousand (2016: EUR 14,787 thousand). In addition to organic growth, the acquisition of unitB technology GmbH in early January 2017 especially contributed to this development. Sales not allocated to the segments totaled EUR 133 thousand in the year under review (2016: EUR 173 thousand).

Operating costs

The operating cost base of the USU Group increased by 24.6 % year-on-year to EUR 79,226 thousand in the year under review (2016: EUR 63,598 thousand).

This firstly reflects the higher level of targeted investment in marketing, sales and development outside Germany with a view to achieving a sustainable expansion in USU's foreign business, and secondly the first-time inclusion of the costs of unitB technology and EASYTRUST in the USU Group's cost base.

The cost increase also resulted from higher staff costs owing to the strategic expansion of the Group's workforce in order to successfully implement the medium-term growth target.

The cost of sales increased by 20.3 % year-on-year to EUR 38,843 thousand in the 2017 fiscal year (2016: EUR 32,281 thousand). This rise was primarily due to the year-on-year expansion of the consultant team by 22.4 % as against the previous year to 301 as of December 31, 2017 (December 31, 2016: 246). The cost of sales as a percentage of consolidated sales also increased from 44.8 % in 2016 to 46.0 %. Gross income rose to EUR 45,518 thousand in the same period (2016: EUR 39,820 thousand), corresponding to a gross margin of 54.0 % (2016: 55.2 %).

In the 2017 fiscal year, USU recorded a targeted above-average increase in its marketing and sales expenses of 29.1 % year-on-year to EUR 17,228 thousand in connection with the intensification of its activities outside Germany (2016: EUR 13,348 thousand). In this context, USU also expanded the sales team for the US and Canadian market and stepped up its marketing activities in these markets, as well as in France and the United Kingdom. Marketing and sales expenses as a share of consolidated sales therefore increased from 18.5 % in the previous year to 20.4 % in the period under review.

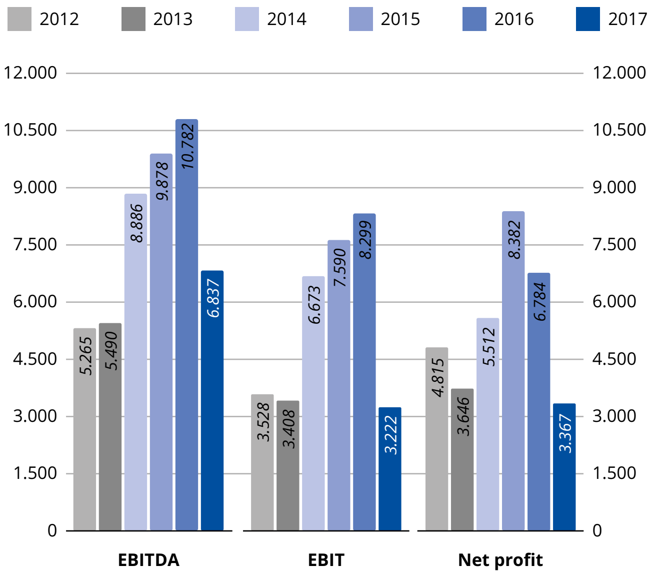
Legal consulting, due diligence and other incidental acquisition costs in connection with the acquisition of unitB technology and EASYTRUST resulted in an increase in general and administrative expenses of 39.5 % year-on-year to EUR 9,338 thousand in the 2017 fiscal year (2016: EUR 6,693 thousand). This was due in part to higher costs for the standardization of the internal Group IT administration of the USU Group. Relative to consolidated sales, the administrative cost ratio rose from 9.3 % in the previous year to 11.1 % in the 2017 fiscal year.

In line with the expansion of the research and development team to 194 as of December 31, 2017 (December 31, 2016: 158), research and development expenses climbed by 22.5 % as against the previous year to currently EUR 13,817 thousand (2016: EUR 11,276 thousand). This was also due in part to recruitment for the new KATANA division. In addition, this item includes the USU Group's investments in the continuing development of EASYTRUST software products and integrating them with existing USU products. Accordingly, the ratio of research and development expenses to consolidated sales increased slightly to 16.4 % in 2017 (2016: 15.6 %). USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please see the separate research and development report in this Group management report. Net other operating income and expenses totaled EUR 285 thousand in 2017 (2016: EUR 1,012 thousand).

II.6 Results of operations

The increase in the USU Group's investment activity outside Germany had an impact on earnings development in the 2017 fiscal year compared with the same period of the previous year. Accordingly, EBITDA declined by 36.6 % year-on-year to EUR 6,837 thousand (2016: EUR 10,782 thousand). Adjusted for depreciation and amortization of EUR 3,615 thousand (2016: EUR 2,484 thousand), USU generated EBIT of EUR 3,222 thousand in the same period (2016: EUR 8,299 thousand). Net finance costs amounted to EUR -109 thousand in 2017 (2016: EUR 11 thousand) and primarily contained expenses resulting from exchange rate differences due to the weakness of the US dollar against the euro. Taking into account income taxes of EUR 254 thousand (2016: EUR -1,526 thousand), consolidated net profit almost halved from EUR 6,784 thousand in the previous year to EUR 3,367 thousand. Accordingly, earnings per share amounted to EUR 0.32 (2016: EUR 0.64).

Earnings development of the USU Group in EUR thousand



II.7 Adjusted consolidated net profit

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 principal key performance indicator for the USU Group.

Adjusted consolidated net profit EUR thousand	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016
Profit from ordinary activities (EBIT)	**3,222**	**8,299**
Amortization of intangible assets recognized in connection with company acquisitions and goodwill amortization	2,198	1,216
Non-recurring effects relating to acquisitions	705	99
- from stay bonus	300	100
- from consulting fees for unitB technology	149	0
- from purchase price adjustments	-25	-140
- from incidental acquisition costs	281	139
Adjusted EBIT	**6,125**	**9,614**
Interest income (as per consolidated statement of profit or loss)	90	272
Interest expenses (as per consolidated statement of profit or loss)	-199	-261
Income taxes (as per consolidated statement of profit or loss)	254	-1,526
Tax effects relating to adjustments	-181	-108
- from depreciation and amortization	-181	-108
Adjusted consolidated net profit	**6,089**	**7,991**
Adjusted earnings per share (in EUR):	**0.58**	**0.76**
Weighted average shares outstanding:		
Basic and diluted	10,523,770	10,523,770

The increased level of investment outside Germany meant that adjusted EBIT declined by 36.3 % year-on-year to EUR 6,125 thousand in the 2017 fiscal year (2016: EUR 9,614 thousand). At the same time, adjusted consolidated net profit fell by 23.8 % year-on-year to EUR 6,089 thousand (2016: EUR 7,991 thousand). Adjusted earnings per share declined accordingly from EUR 0.76 in the previous year to EUR 0.58 in the period under review.

II.8 Net assets and financial position

On the asset side of the statement of financial position, the USU Group's non-current assets increased to EUR 58,828 thousand as of December 31, 2017 following the acquisitions of unitB technology GmbH and EASYTRUST (December 31, 2016: EUR 48,016 thousand).

Based on the purchase price allocation for unitB technology GmbH and EASYTRUST, intangible assets increased from EUR 5,428 thousand as of December 31, 2016 to EUR 8,487 thousand as of December 31, 2017, while goodwill increased to EUR 41,183 thousand as of the end of the reporting period (December 31, 2016: EUR 35,575 thousand). However, current assets declined from EUR 43,889 thousand as of December 31, 2016 to EUR 40,558 thousand over the same period, mainly as a result of the decrease in Group liquidity in connection with the payment of the purchase price components owed for the acquisition of unitB technology and EASYTRUST and the dividend payment to USU's shareholders. Cash and cash equivalents (cash on hand and bank balances plus securities) declined to EUR 15,729 as of December 31, 2017 (December 31, 2016: EUR 23,180 thousand)

On the equity and liabilities side of the statement of financial position, debt in the form of the USU Group's current and non-current liabilities increased to EUR 36,380 thousand as of December 31, 2017 (December 31, 2016: EUR 28,282 thousand), due among other things to higher personnel-related provisions and liabilities, increased tax liabilities and trade payables, and higher deferred income for maintenance agreements invoiced at the start of the year for which the services will be rendered and the sales recognized later in the year. Purchase price liabilities for the acquisition of unitB technology GmbH in the amount of EUR 750 thousand as of December 31, 2017 (December 31, 2016: EUR 0) provisions also contributed to this increase. At the same time, the USU Group's equity declined from EUR 63,623 thousand as of December 31, 2016 to EUR 63,006 thousand as of December 31, 2017; this was due to the dividend payment to the shareholders of USU Software AG in the amount of EUR 4,210 thousand in the 2017 fiscal year. With total assets of EUR 99,386 thousand (December 31, 2016: EUR 91,905 thousand), the equity ratio was 63.4% as of December 31, 2017 (December 31, 2016: 69.2%). This means that USU Software AG continues to enjoy extremely solid financing with no liabilities to banks.

II.9 Cash flows and capital expenditure

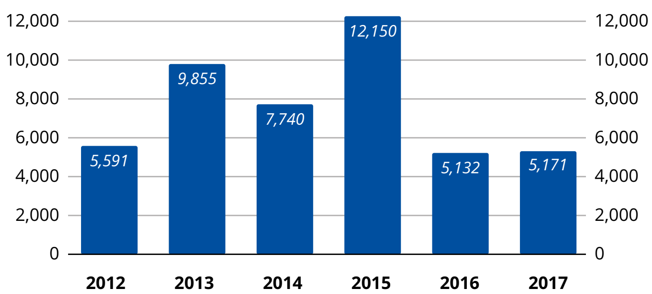
The USU Group's liquidity amounted to EUR 15,729 thousand as of December 31, 2017 (December 31, 2016: EUR 23,180 thousand). This includes securities of EUR 3,014 thousand that can be terminated at any time (2016: EUR 3,014 thousand) and cash and cash equivalents of EUR 12,715 thousand (2016: EUR 20,166 thousand). The resulting decrease is primarily attributable to the acquisition of unitB technology and EASYTRUST and the associated purchase price payments, as well as the dividend payment to the Company's shareholders.

At EUR 5,171 thousand (2016: EUR 5,132 thousand), the USU Group's cash flow from operating activities in the 2017 fiscal year increased slightly compared with the previous year. The reduction in earnings was offset by an increase in depreciation and amortization and isolated changes in working capital.

Net cash used in investing activities of EUR -8,225 thousand (2016: EUR -1,181 thousand) primarily reflects the acquisition of unitB technology and EASYTRUST and therefore contains the item "Acquisition of subsidiaries less cash and cash equivalents acquired" in the amount of EUR -7,129 thousand (2016: EUR 0 thousand). Investments in property, plant and equipment and intangible assets totaled EUR -1,375 thousand (2016: EUR -1,211 thousand).

Net cash used in financing activities totaled EUR -4,209 thousand in 2017 (2016: EUR 3,883 thousand) and related solely to the dividend payment to the shareholders of USU Software AG in the amount of EUR 0.40 per share (2016: EUR 0.35 per share) or EUR 4,209 thousand in total (2016: EUR 3,683 thousand), whereas the prior-year figure also included the repayment of purchase price liabilities in connection with the acquisition of subsidiaries in the amount of EUR -200 thousand.

Development of the USU Group's net cash from operating activities in EUR thousand



II.10 Current situation of the Group

The USU Group remains on a profitable growth path. After achieving a new sales record and a substantial net profit in the 2017 fiscal year, the USU Group continues to enjoy an excellent economic situation. With the new product innovations, including those addressing the growth markets of big data and artificial intelligence in the new KATANA division, as well as the considerable further potential offered by internationalization and the acquisitions of the new Group subsidiaries UnitB technology and EASYTRUST in 2017, the Management Board of USU Software AG believes that the Group as a whole is well positioned overall to successfully implement the targets for the years ahead, particularly in terms of its medium-term planning to 2021. One important indicator in this respect is the level of orders on hand, which the USU Group again increased in the 2017 fiscal year thanks to a significant rise in SaaS orders, among other things. The Management Board still sees the highest growth potential in the expansion of international business, particularly in North America and Europe outside Germany, as well as Asia in the medium term. However, the Management Board also continues to anticipate growth rates in Germany that are slightly above the level of the market. In addition, USU has a high level of readily available Group liquidity, allowing it to invest in further acquisition-based growth in line with its growth strategy.

II.11 Development and situation of USU Software AG

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

USU Software AG primarily focuses on acquiring and holding participations in other companies and on research, which is situated at the Company's Karlsruhe site and employed a total of 17 people as of December 31, 2017. USU Software AG's main earnings derive from its operating subsidiaries. This includes Aspera GmbH ("Aspera"), LeuTek GmbH ("LeuTek"), Omega Software GmbH ("Omega") and B.I.G. Social Media GmbH ("BIG"), with which the Company has concluded profit transfer agreements, as well as the recently acquired Group subsidiaries unitB technology GmbH and USU SAS ("EASYTRUST").

USU Software AG generated sales of EUR 1,823 thousand in the 2017 fiscal year (2016: EUR 1,323 thousand). This primarily resulted from the new Katana division, which emerged from our research division and develops and markets solutions for big data and artificial intelligence. USU also generated net income of EUR 3,873 thousand (2016: EUR 6,171 thousand) from profit transfer agreements with its Group subsidiaries and EUR 3,000 thousand from a distribution from USU AG. The Company's other operating income of EUR 2,165 thousand (2016: EUR 1,728 thousand) derives mainly from the settlement of intragroup services and grants received in connection with research projects. Other operating expenses totaling EUR 3,955 thousand (2016: EUR 2,644 thousand) primarily include costs for services provided by Group subsidiaries, event and marketing costs, legal and consulting costs, and stock exchange and investor relations costs.

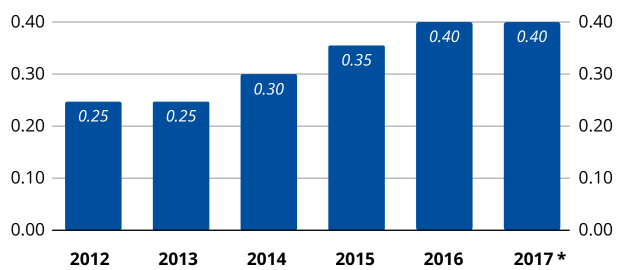
The cost of materials amounted to EUR 233 thousand in the 2017 fiscal year (2016: EUR 50). In connection with the increase in the Company's workforce to an average of 33 employees (2016: 19), staff costs at USU Software AG rose to EUR 3,454 thousand in the same period (2015: EUR 2,515 thousand).

Amortization of intangible assets and depreciation of property, plant and equipment totaled EUR 70 thousand in 2017 (2016: EUR 95 thousand). Write-downs of long-term financial assets amounted to EUR 0 thousand after EUR 400 thousand in the previous year.

Net interest amounted to EUR -372 thousand (2016: EUR -260 thousand) and mainly consisted of interest payments to subsidiaries.

Taking into account income taxes of EUR 14 thousand (2016: EUR -297 thousand), USU Software AG generated a net profit of EUR 2,790 thousand for the 2017 fiscal year as an individual company (2016: EUR 2,963 thousand). Including the profit carried forward from the previous year of EUR 3,385 thousand (2016: EUR 4,631 thousand), the Company generated an unappropriated surplus of EUR 6,175 thousand (2016: EUR 7,594 thousand). As in previous years, part of this is to be used to pay a dividend to all shareholders of USU Software AG. In line with the dividend policy communicated by the Company and in the interests of continuity, the Management Board is proposing, subject to the approval of the Supervisory Board, that a dividend of EUR 0.40 per share be distributed for the 2017 fiscal year.

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



** Proposal by the management to the Annual General Meeting of USU Software*

As an individual company, USU Software AG fell only slightly below its targets for originated sales and adjusted EBIT for 2017.

On the asset side of the statement of financial position, non-current assets increased to a total of EUR 49,478 thousand at the end of the 2017 fiscal year (2016: EUR 39,837 thousand). This was primarily attributable to the acquisition of unitB Technology and EASYTRUST. Current assets increased to EUR 15,831 thousand as of December 31, 2017 (2016: EUR 14,942 thousand). Among other things, this was due to increased receivables from affiliated companies for outstanding profit transfer payments at the reporting date. At the same time, the Company's liquidity decreased to EUR 3,364 thousand as a result of the purchase price payments for the acquisition of unitB Technology and EASYTRUST and the dividend payment to USU's shareholders (2016: EUR 4,912 thousand). On the equity and liabilities side, shareholders' equity decreased to EUR 30,343 thousand (2016: EUR 31,763 thousand) as a result of the dividend distribution in the year under review. At the same time, total liabilities increased from EUR 23,072 thousand as of December 31, 2016 to EUR 35,043 thousand, largely as a result of increased liabilities to the subsidiaries of USU Software AG. With total assets of EUR 65,401 thousand (2016: EUR 54,835 thousand), the equity ratio of USU Software AG amounted to 46.4 % at the end of the 2017 fiscal year (2016: 57.9 %).

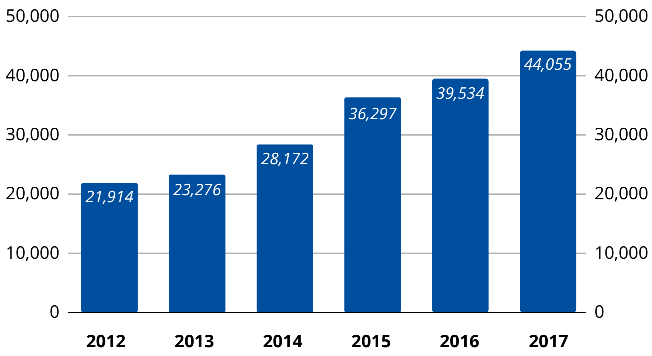
USU Software AG's focus on participation transactions means that the Company will remain highly dependent in subsequent years on the performance of its subsidiaries, particularly Aspera, LeuTek and USU AG. Information on the resulting risks and opportunities can be found in the Group risk report.

II.12 Orders on hand

The USU Group's orders on hand amounted to EUR 44,055 thousand at the end of the 2017 fiscal year, up 11.4% on the previous year (December 31, 2016: EUR 39,534 thousand). This reflects the growth in incoming orders at the existing Group companies as well as inorganic growth due to the orders on hand at the new Group subsidiaries EASYTRUST and unitB technology.

Orders on hand as of the end of the quarter show the USU Group's fixed future sales based on binding contracts for the next 12 months. These primarily consist of project-related orders and maintenance and SaaS agreements.

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



II.13 Employees

As planned, the USU Group expanded its workforce by 22.8% year-on-year to 668 employees as of December 31, 2017 (December 31, 2016: 544 employees). In addition to organic growth, this development was primarily driven by the acquisition of unitB technology and EASYTRUST, which had a total of 75 employees at the end of the 2017 fiscal year. Broken down by functional unit, a total of 301 (2016: 246) people were employed in consulting and services at the end of the 2017 fiscal year, 194 (2016: 158) in research and development, 91 (2016: 77) in sales and marketing, and 82 (2016: 63) in administration. Broken down by segment, USU had 482 (2016: 418) employees in the Product Business segment, 104 (2016: 63) in the Service Business segment, and 82 (2016: 63) in USU Group central functions.

Group employee figures do not include the three members of the Management Board of USU Software AG and the other member of the Management Board of the subsidiary USU AG, 108 freelance staff who can be employed for project work as required, 14 temporary workers, 10 trainees, and 35 interns and student workers.

The average total workforce of the USU Group increased to 661 employees in the 2017 fiscal year (2016: 528). With consolidated sales of EUR 84,361 thousand (2016: EUR 72,101 thousand), the average sales contribution per employee was lower than in the previous year at EUR 128 thousand (2016: EUR 137 thousand). This was because the USU Group significantly expanded its workforce in the year under review in order to successfully implement its medium-term planning, while the necessary induction period meant the new employees were not fully productive from the start of their employment. Reflecting this workforce expansion, staff costs increased to EUR 49,632 thousand in the 2017 fiscal year (2016: EUR 40,194 thousand). Accordingly, staff costs as a proportion of consolidated sales amounted to 58.8 % (2016: 55.7 %).

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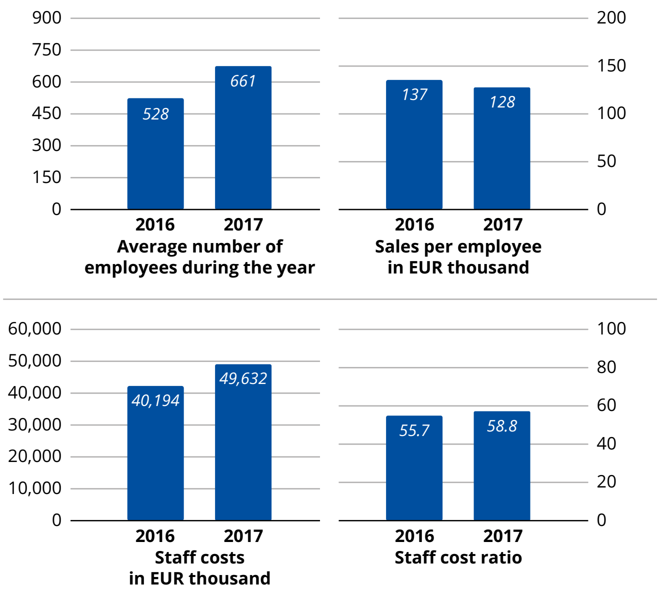
Key personnel figures of the USU Group



The Management Board intends to further increase the Group’s workforce in the 2018 fiscal year and beyond in order to achieve its medium-term growth targets. In addition to the acquisition of highly qualified technical and management employees, personnel-related measures will also focus on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the Company, and the Group as a whole. In addition, the Group also offers an extensive and flexible employee company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of the “USU – U Step Up” career model. Through this program, USU offers its employees and managers personal development opportunities in the form of ongoing refresher and consolidation courses as well as specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures aimed at developing and motivating the USU Group’s workforce over the long term.

The proportion of women in the USU Group’s workforce increased slightly year-on-year to 27 % at the end of the 2017 fiscal year (2016: 24 %).

III. SUPPLEMENTARY REPORT

The supplementary report can be found in the notes to the consolidated financial statements

IV. FORECAST, OPPORTUNITY AND RISK REPORT

IV.1 Forecast

General economy

The most recent survey by the Joint Economic Forecast Project Group[6], conducted with the participation of the leading German economic research institutes, suggests that the positive development in the German economy in 2017 is set to continue in the coming years. The upturn is now considerably more broad-based than it was one year ago. According to the joint economic forecast, investments will make a substantial contribution to macroeconomic expansion, while significant impetus will continue to be generated from abroad. At the same time, consumer demand is expected to remain strong, albeit with reduced momentum. All in all, the institutes expect German gross domestic product (GDP) to increase by 2.0 % next year and 1.8 % in the following year.

The joint economic forecast also anticipates a sustained upturn in the global economy, with production in the USA, Japan and the euro area set to grow substantially ahead of the trend. Accordingly, the institutes are forecasting above-average growth in the global economy of 3.1 % in 2018 and 2.9 % in 2019.

Sector

According to forecasts by the industry association BITKOM[7], growth in the German ITC sector, which comprises information technology, telecommunications and entertainment technology, is expected to be further boosted by the digitization of industry in the coming years. Accordingly, BITKOM is forecasting growth on the German ITC market of 1.3 % to EUR 162.9 billion in 2018 (2017: EUR 160.8 billion). In terms of the global IT market, the Worldwide IT Spending Forecast Update[8] published by the market research company Gartner on January 16, 2018, forecasts a year-on-year increase in global IT expenditure of 4.5 % to USD 3.7 trillion in 2018. According to Gartner, the biggest growth area is expected to be corporate software, with forecast growth of 9.5% to USD 389 billion (2017: USD 355 billion). Gartner is forecasting further growth in the global IT market in 2019, albeit slightly less pronounced than in 2018, with the market volume set to rise by 2.7 % to EUR 3,784 billion.

Outlook

In the 2018 fiscal year, the Management Board expects USU Software AG to continue on the moderately positive growth path recorded in recent years in terms of EBIT and sales, although this growth will be curbed slightly by the trend towards SaaS business. The Management Board expects to see the first positive effects from investments outside Germany in the 2018 fiscal year, although the full effect will only be felt with some delay. By contrast, the portfolio expansion in the area of knowledge management in the markets outside Germany, and particularly in the USA, will have a full positive effect from 2018. Domestic business is also expected to continue to develop successfully, leading to a further expansion in the product business from which the USU Group generates license, maintenance and product consulting income. Service business, in which USU generates consulting sales from individual projects that are not dependent on specific products, is also expected to continue to grow. As announced, the Management Board expects to significantly outperform the market in terms of growth once again in the 2018 fiscal year. One key indicator supporting this forecast is Group-wide orders on hand, which increased by 11.4 % year-on-year to EUR 44,055 as of December 31, 2017 (2016: EUR 39,534 thousand). Accordingly, the forecast for 2018 involves an increase in consolidated sales to between EUR 93 million and EUR 98 million, accompanied by an above-average rise in adjusted EBIT to EUR 7.5–r10 million. The Management Board is also confirming its medium-term forecast to 2021, with consolidated sales set to rise to EUR 140 million and adjusted EBIT increasing to EUR 20 million. Strategic planning focuses on the three established growth pillars of the USU Group: increased internationalization, the development and launch of new product innovations, and inorganic growth through acquisitions.

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

Based on the above assumptions, the Management Board is planning to enable the shareholders of USU Software AG to participate significantly in the Company's operating success in the 2017 fiscal year, as in the previous years, and to continue the shareholder-friendly dividend policy with the distribution of a dividend that is never lower than the

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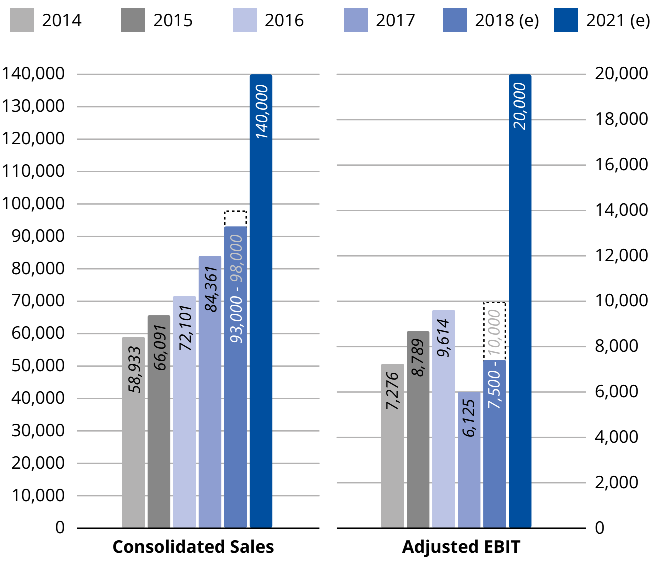
[6] *cf. Autumn joint economic forecast 2017 dated 28 September 2017, published at http://gemeinschaftsdiagnose.de/2017/09/28/*

[7] *cf. BITKOM press release dated October 25, 2017, published at www.bitkom.de*

[8] *cf. Gartner press release dated January 16, 2018, published at www.gartner.com*

previous year and that corresponds to around half of the profit generated.

Development of the USU Group's consolidated sales and adjusted EBIT in EUR thousand



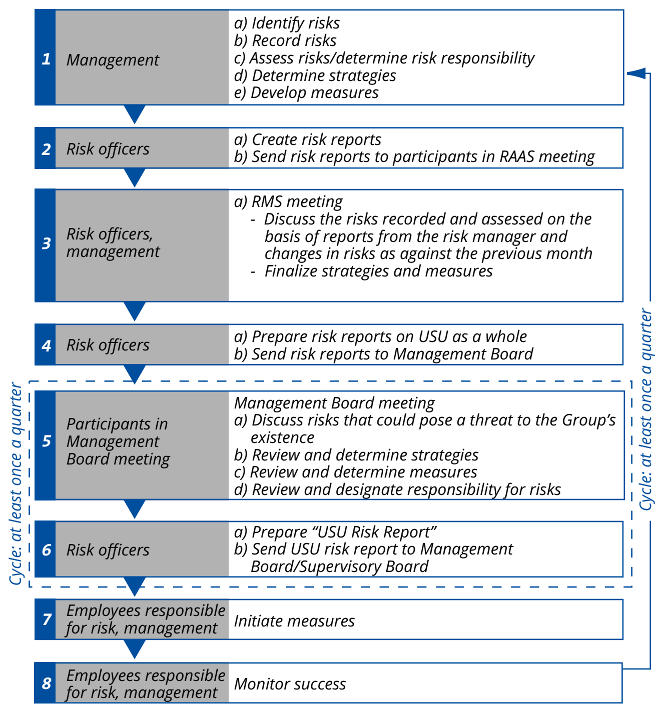
IV.2 Risk report

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



The process of risk management begins with the identification and recording of relevant risks by the Management Board, the top management and the relevant departmental managers of the respective Group subsidiaries. Risks are analyzed, documented and assessed in terms of the potential loss they may cause and the likelihood of their occurrence.

A risk matrix is used to visualize and classify the results. Depending on the resulting risk classification, specific strategies and measures are then implemented in order to control and manage the risk.

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

Overview of risks

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

Qualitative assessment

Term	Potential loss (in EUR)
Insignificant	5,000
Low	50,000
Medium	150,000
Serious	500,000
Posing a threat to the Company as a going concern	3,000,000

Probability of occurrence

Term	Probability of occurrence (in %)
Extremely unlikely	5%
Unlikely	10%
Possible	35%
Likely	60%
Extremely likely	90%

Market, competitive and service risk

In view of the unstable global economic development in the past years, analysis of the market and competitive situation remains an essential component of risk management at USU Software AG and its subsidiaries, particularly with regard to the forecast and planning security of the Company and its subsidiaries. One key focus here is market diversification in order to make the Group's business performance less dependent on the core German market while also tapping new growth markets. The business growth at the Group subsidiary Aspera Technologies and the resulting increased penetration of the US and Canadian markets, as well as the expansion of European business both generally and through the acquisition of EASYTRUST in 2017, meant that the international share of consolidated sales stabilized at just under 30 % despite the strength of the Group's domestic business. At the same time, the Management Board sees a major opportunity in the further expansion of international business with regard to the future operating performance of the Company and of the Group as a whole. However, it cannot rule out the possibility that diminishing economic momentum in the regions where USU operates could have a negative impact on the IT sector and thus restrict the development of USU Software AG and its subsidiaries.

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

In the 2017 fiscal year, USU Software AG expanded its product portfolio with the acquisition of unitB Technology GmbH and EASYTRUST SAS (now USU SAS). In addition, the product range has been enhanced with several innovative new developments. With its expanded product range, USU has strategically positioned itself in the growth market for knowledge-based service management solutions and is also focusing on promising future areas in the field of information technology, for instance, on industrial big data. USU also selectively involves employees of the Czech subsidiary USU Software s.r.o. in consultancy projects and can deploy more than 100 external consultants if required to ensure positive yields from projects.

A total of ten individual risks are allocated to market and service risk. In terms of potential loss, each of these risks is classified as "serious" after taking the measures implemented into account. In terms of probability of occurrence, four market risks are classified as "possible", two as "unlikely" and two as "likely". One service risk is classified as "likely" and one as "possible".

Product, project and legal risk

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

A total of 16 individual risks are allocated to product, project and legal risk. After taking the measures implemented into account, the product risk is considered to be “low” and the project and legal risks are considered to be “serious”. In terms of probability of occurrence, product risk is classified as “possible”, three of the project risks are classified as “unlikely” and five of the project risks are classified as “possible”. One legal risk is classified as “likely”, four legal risks are classified as “possible” and two legal risks are classified as “unlikely”.

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, BIG, unitB Technology and EASYTRUST in the single-entity financial statements of USU Software AG.

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

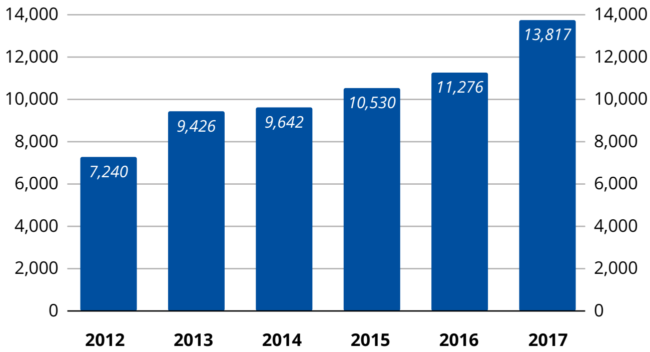
Das Beteiligungs-Risiko ist ein Teil der Rechtlichen Risiken und wird mit einer potentiellen Schadenshöhe nach Maßnahmen von „schwerwiegend“ beziffert bei einer „möglichen“ Eintrittswahrscheinlichkeit.

Participation risk forms part of legal risk. It is considered to be “serious” in terms of the potential loss and “possible” in terms of its probability of occurrence.

Research and development risk
Intense competition and specific customer attitudes require extremely short development cycles for new product versions and releases. At the same time, demands are constantly increasing as a result of rapid technological change. In order to take account of this development, the USU Group maintains its research and development activities at a consistently high level, using the resources of its own development company USU Software s.r.o. in the Czech Republic in particular, as well as local resources. Almost 200 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.

A total of two individual risks are allocated to research and development risk. After taking the measures implemented into account, research and development risk is considered to be “medium”. In terms of probability of occurrence, both of the research and development risks are classified as “possible”.

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

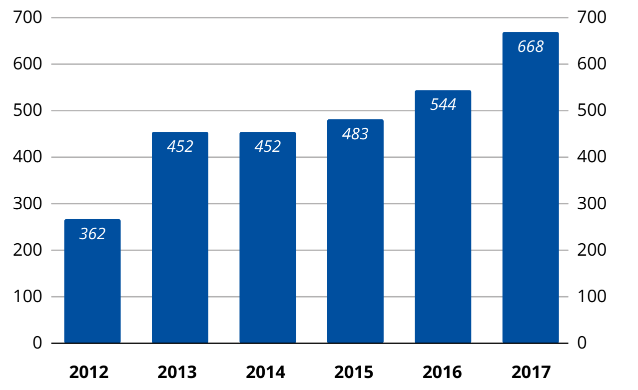


Personnel and management risk
The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries depend to a significant extent on the performance of its professional staff and managers. The Company is therefore particularly reliant on highly qualified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

The professional development of employees in accordance with their various needs is equally important within the Group as a whole. Specific training and development opportunities, an extensive talent development, career and progression model and numerous employee events help to improve the retention of professional staff and managers. A positive corporate culture also helps us to improve our success rate in attracting and retaining qualified employees. For further information on human resources, please refer to the sustainability report for the 2017 fiscal year, which is available to view and download on the Company’s website at www.usu.de/en/sustainability.

A total of ten individual risks are allocated to personnel and management risk. After taking the measures implemented into account, the personnel risk is considered to be "serious" and the management risk is considered to be "low". In terms of probability of occurrence, the management risk is classified as "extremely unlikely". Five of the personnel risks are classified as "possible", three as "unlikely" and one as "likely".

Development of the USU Group's workforce



IT risk

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

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

After taking the measures implemented into account, IT risk is classified as "medium" and comprises nine individual risks. In terms of probability of occurrence, four risks are classified as "possible", three as "likely" and two as "unlikely".

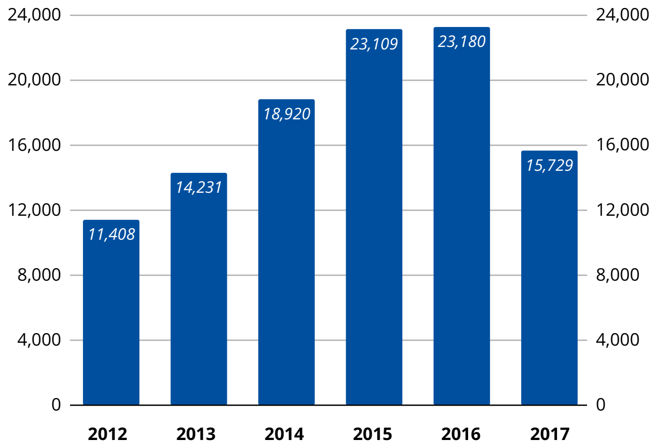
Financial and liquidity risk

With funds of around EUR 16 million as of December 31, 2017, USU Software AG has extensive Group-wide financial resources for future investments, for potential acquisitions and to secure its operating business. These funds are primarily deposited in short-term investments in order to generate interest income. The Group is therefore exposed to the risk of a partial or complete loss of one or more such investments.

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

After taking the measures implemented into account, financial risk is classified as "posing a threat to the Company as a going concern" and comprises 11 individual risks. In terms of probability of occurrence, five risks are classified as "possible", three risks as "unlikely", two risks as "extremely unlikely" and one risk as "extremely likely".

Development of the USU Group's liquidity in EUR thousand



Goodwill risk

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

The impairment tests conducted in the 2017 fiscal year required the recognition of an impairment loss of EUR 800 thousand on the goodwill of BIG. In light of the expected positive operating business development of USU Software AG and the Group as a whole, the Management Board does not expect to have to recognize any impairment losses with an adverse effect on net profit in the following year.

Goodwill risk forms part of financial risk. It is considered to be "serious" in terms of the potential loss and "unlikely" in terms of its probability of occurrence.

Default risk

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

Default risk forms part of financial risk. It is considered to be “medium” in terms of the potential loss and “possible” in terms of its probability of occurrence.

Exchange rate risk
The volume of foreign-currency transactions conducted by the Company is negligible, meaning that it is exposed to exchange rate fluctuations with an impact on its EUR-denominated assets and income to a limited extent only. In particular, US dollar volumes are increasing as the Group expands its business in the USA. Transaction risks also exist for financial assets denominated in foreign currencies, although these can also have a positive impact on the development of income.

Exchange rate risk forms part of financial risk. It is considered to be “serious” in terms of the potential loss and “possible” in terms of its probability of occurrence.

IV.3 Report on opportunities

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

With its innovative product portfolio geared towards high-growth segments of the IT market, the USU Group has ideal conditions for continuing to significantly expanding its business with both new and existing customers in the coming years. In addition to the core domestic market, excellent growth potential is offered in particular by further expansion of the USU Group’s international presence. This is based firstly on targeted growth in the Group’s own activities in Europe and the USA, and secondly on the global partnership agreement with the US software group CA Technologies and the further expansion of the Group’s global presence and the worldwide USU partner network. Another core element of the USU Group’s growth strategy is rounding off its product portfolio with new product innovations. USU has a dedicated research unit that has already contributed a new division to the USU Group portfolio in the form of Katana. This division, which develops and markets solutions for the future markets of big data and artificial intelligence (AI), offers huge growth opportunities in the medium term. The acquisition of additional technical and management employees and the associated expansion of the Group’s workforce also represents a major opportunity to fully exploit the existing growth options. The USU Group’s growth strategy also includes external growth in the form of acquisitions or participations in companies, such as the acquisition of UnitB technology and EASYTRUST in early 2017. Accordingly, USU ensures that it has extensive Group liquidity for future acquisitions so that it can take advantage of acquisition opportunities that arise in a flexible manner.

V. ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

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

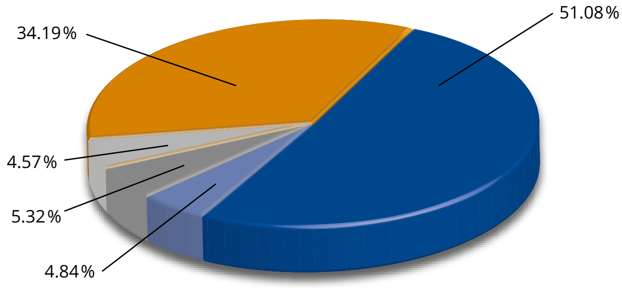
The regular upskilling of the employees involved in the accounting process and the timely investigation of new or amended accounting-related provisions serve to ensure that the preparation of the (consolidated) financial statements is up-to-date at all times.

VI. TAKEOVER-RELEVANT INFORMATION

VI.1 Issued capital, shares, and shareholder structure

As of December 31, 2017, a total of 10,523,770 (2016: 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, 5,375,044 (2016: 5,370,044) shares are held by the main shareholder and Chairman of the Supervisory Board of the Company, Udo Strehl, corresponding to 51.08 % (2016: 51.03 %) of the share capital. 5,000 (2016: 2,000,176) of these shares are held by him directly and a further 5,338,044 (2016: 3,337,868) shares are held by AUSUM GmbH, in which the majority shareholder is Udo Strehl. A further 32,000 (2016: 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 5.32 % of the share capital of USU Software AG, or 560,021 shares, was attributable to Peter Scheufler, a former shareholder in LeuTek, as of December 31, 2017, according to his notification to the Company. Another shareholder in excess of the notification threshold of 3 % is MainFirst SICAV, which informed the Company that it held a total of 481,221 shares in the Company as of December 31, 2017, corresponding to 4.57 % of the voting rights.

Shareholder structure of USU Software AG as of December 31, 2017



Udo Strehl/Ausum GmbH/WIZ-foundation	51.08 %
Executive bodies of USU (excl. Udo Strehl)	4.84 %
Peter Scheufler	5.32 %
MainFirst SICAV	4.57 %
Free float	34.19 %

VI.2 Management Board authorizations on the issue of shares and the share buyback

The Annual General Meeting of July 4, 2017 authorized the Management Board, subject to the approval of the Supervisory Board, to increase the Company's share capital by a nominal amount of up to EUR 2,630,942.00 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 3, 2022 ("Authorized Capital 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, 2017.

By resolution of the Annual General Meeting on June 18, 2015, the Company's Management Board was also authorized to acquire treasury shares in one or more installments, subject to approval of the Supervisory Board, at any time up to and including June 17, 2020. The acquired shares, together with any other shares that the Company may hold as a result of an earlier authorization to acquire treasury shares, may not exceed 10 % of the Company's share capital at the time of this authorization.

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

VI.3 USU SHARES (ISIN DE000A0BVU28)

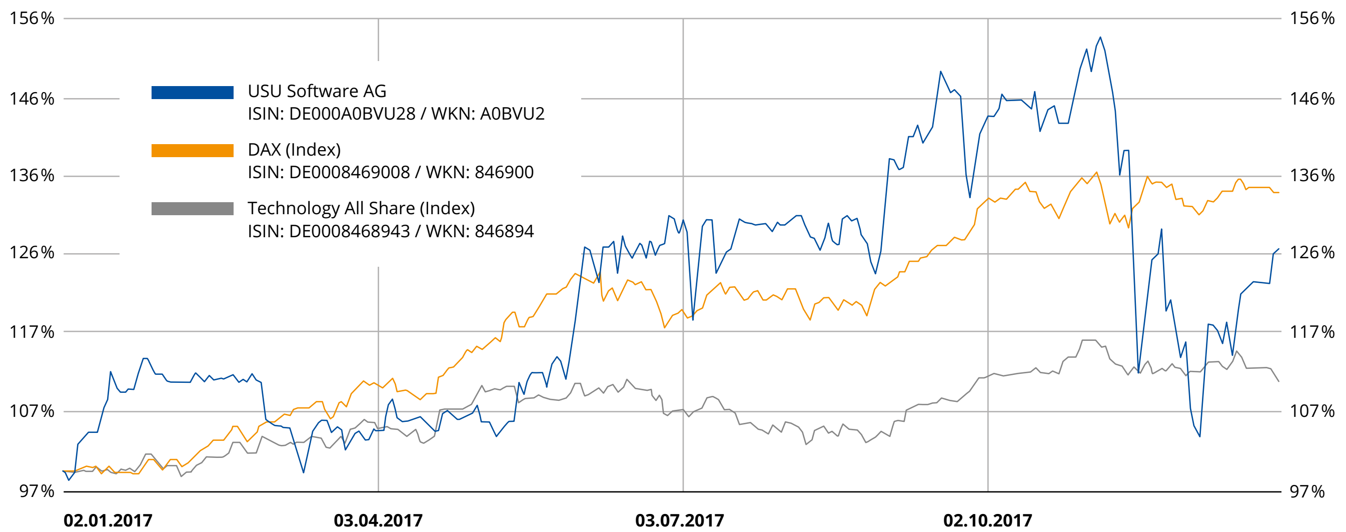
The shares of USU Software AG are listed in the Prime Standard of the Frankfurt stock exchange under the German Securities Code (WKN) A0BVU2 and International Securities Identification Number (ISIN) DE000A0BVU28, and are admitted to trading on the regulated market of this stock exchange.

VI.4 Share price performance

In 2017, the stock markets continued the positive trend recorded in the previous year, with significant price growth and new highs in some cases. Accordingly, the Technology All Share closed at 2,880.31 points on the XETRA electronic trading platform on December 31, 2017, up 37.0 % on the end of the previous year (December 31, 2017: 2102.78 points). This represented a new all-time high for the end of a year. In the same period, the DAX rose by 12.5 % to 12,917.64 points in XETRA trading (December 31, 2016: 11481.06 points), thereby also reaching a new all-time high for the end of a year.

USU Software AG's share price again enjoyed substantial growth in the 2017 fiscal year, closing at EUR 26.20 in XETRA trading on December 31, 2017. This represents an increase of 29.7 % compared with the end of the previous year (December 31, 2016: EUR 20.20). USU's shares also climbed to a new ten-year high during the year with a closing price of EUR 31.57 in XETRA trading.

Share price performance of USU Software AG in 2017



VII. CORPORATE GOVERNANCE

Corporate governance encompasses the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the Corporate Governance Code ("the Code") in the form of recommendations for implementation. The core objective of the Code is to promote the trust of investors, customers, employees and the general public in the management and supervision of listed German companies. The Code came into force in 2002 and was last updated in 2017.

VII.1 Declaration of conformity with the German Corporate Governance Code

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 2017 on November 30, 2017, making it available on the Company's website:

"The Management Board and Supervisory Board of USU Software AG declare that, since the last declaration of conformity on December 13, 2016, they have complied and will continue to comply with the recommendations of the Government Commission for the German Corporate Governance Code as amended on February 7, 2017, whereby the following recommendations have not been or are not being applied:

Section 2.1.3 of the Code recommends that the Management Board institutes appropriate measures reflecting the Company's risk situation (compliance management system) and discloses the main features of those measures.

The Management Board has implemented various measures to ensure compliance with statutory provisions and internal regulations. The main features of these measures involve training and sensitizing employees for the statutory provisions and internal regulations and risks, communicating and monitoring compliance with the internal authority guidelines and the principle of dual control, and analyzing the specific risk situation of the Company with reference to the subject of its business and performance and its contractual partners.

Section 4.2.3 of the Code recommends that variable compensation components for the Management Board members should have a multiple-year assessment basis with essentially forward-looking characteristics and that early disbursement should not be permitted. Both positive and negative developments should be taken into account when determining the variable compensation components. When concluding Management Board agreements, it must be ensured that payments to a Management Board member in the event of premature termination of their Management Board role, including fringe benefits, do not exceed the value of their annual compensation for two years (severance cap) and do not compensate more than the remaining term of the employment agreement. If the employment agreement is terminated for a good reason for which the Management Board member is responsible, then no payments are made to the Management Board member in accordance with the provisions of the Code.

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

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

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

The Management Board grew from one to three members as of October 1, 2014 and has been made up of three male members ever since. Based on the current Management Board contracts, no changes are envisaged at least until June 30, 2021. At its meeting on November 30, 2017, the Supervisory Board therefore established a target figure of zero for the proportion of women by June 30, 2021.

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

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

According to section 5.4.1 of the Code, the Supervisory Board must be composed in such a way that its members collectively have the knowledge, skills and professional experience required to properly fulfill their duties. The Supervisory Board must determine concrete objectives regarding its composition and prepare a profile of skills and expertise for the entire Board. Within the company-specific situation, the Supervisory Board must reflect appropriately the international activities of the Company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of section 5.4.2, an age limit and a regular limit to Supervisory Board members' terms of office, both to be specified, as well as diversity. For the proportion of women, the Supervisory Board must established target figures and corresponding deadlines to achieve these targets. Proposals by the Supervisory Board must take these targets into account while simultaneously aiming at fulfilling the overall profile of skills and expertise for the entire Board. The implementation status must be published in the corporate governance report. This report must also provide information about what the Supervisory Board regards as the appropriate number of independent Supervisory Board members representing shareholders and the names of these members.

With regard to its composition, the Supervisory Board of USU Software AG bases its decisions on the professional and personal suitability of the persons in question, taking account of their knowledge, skills and professional experience required to properly fulfill their duties. A specified age limit and a restriction on the length of membership for the Supervisory Board members of USU Software AG was and is not intended, as is also the case for a specified gender requirement, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned personalities in the composition of the Supervisory Board. In addition, a specification of this type would, from the Company's perspective, inappropriately limit the shareholders' right to vote at the Annual General Meeting. The Supervisory Board consists of three male members who were re-elected for another term of office in line with the Articles of Association at the Annual General Meeting on June 17, 2016. At its meeting on November 30, 2017, the Supervisory Board therefore established a target figure of zero for the proportion of women on the Supervisory Board by June 30, 2021 and prepared a profile of skills and expertise for the Supervisory Board. This profile requires the members of the Supervisory Board to have the following skills in particular: (1) Several years of experience as an entrepreneur or a member of management at a medium-sized or large company and (2) several years of professional experience in national and international sales within the IT industry. These skills are fully covered by the existing Supervisory Board. The Supervisory Board believes that at least two of its three members should be independent shareholder representatives. This target is achieved with the independent members Günter Daiss and Erwin Staudt.

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

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

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

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

Möglingen, 30 November 2017

Signed

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

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

VII.2 STATEMENT ON CORPORATE MANAGEMENT IN ACCORDANCE WITH SECTION 289F AND 315D HGB AND CORPORATE GOVERNANCE REPORT IN ACCORDANCE WITH SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE (GCGC) (UNAUDITED)

DIVERSITY CONCEPT

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

In 2015, the Management Board of USU Software AG resolved that in the recruitment for management functions at all levels below the Management Board of USU Software AG and their affiliated companies, diversity must be respected and giving due consideration to women must therefore be targeted. At the USU Group, the proportion of women at the first management level below the Management Board amounts to zero. At the second level below the Management Board, this figure is 10 %, which is in excess of the target defined by the Management Board. The Management Board established a target figure of zero for the proportion of women at the first management level and 7 % at the second management level, with June 30, 2017 as a deadline to achieve these targets. As such, these targets were met or exceeded.

The Supervisory Board and Management Board of USU Software AG are currently made up of three male members respectively. The Management Board was expanded from one to three members as of October 1, 2014. Based on the current Management Board contracts, no changes are envisaged at least until June 30, 2021. At its meeting on November 30, 2017, the Supervisory Board therefore established a target figure of zero for the proportion of women by June 30, 2021. The Supervisory Board consists of three male members who were re-elected for another term of office in line with the Articles of Association at the Annual General Meeting on June 17, 2016. At its meeting on November 30, 2017, the Supervisory Board therefore established a target figure of zero for the proportion of women on the Supervisory Board by June 30, 2021 and prepared a profile of skills and expertise for the Supervisory Board. This profile requires the members of the Supervisory Board to have the following skills in particular: (1) Several years of experience as an entrepreneur or a member of management at a medium-sized or large company and (2) several years of professional experience in national and international sales within the IT industry. These skills are fully covered by the existing Supervisory Board.

COMPENSATION REPORT

Compensation of the Management Board

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

In the 2017 fiscal year, the compensation for the Management Board of USU Software AG amounted to EUR 870.7 thousand (2016: EUR 1,026.1 thousand). This sum includes all compensation paid to the Management Board within the basis of consolidation. The Chairman of the Management Board of USU Software AG, Bernhard Oberschmidt, is also the Chairman of the Management Board of the Group subsidiary USU AG, President of the Group subsidiary USU (Schweiz) AG and Managing Director of the Group subsidiaries Openshop Internet Software GmbH, USU Austria GmbH and USU Consulting GmbH. The Management Board member Dr. Benjamin Strehl is also on the Management Board of USU AG.

IndiviIndividual compensation of the Management Board for the 2017 fiscal year — **EUR thousand**

	Bernhard Oberschmidt Chairman of the Management Board		Bernhard Böhler Member of the Management Board		Dr. Benjamin Strehl Member of the Management Board	
	2017	2016	2017	2016	2017	2016
Fixed compensation	184.0	184.0	106.7	160.0	132.0	120.0
Fringe benefits	22.4	23.3	11.4	11.6	12.0	9.0
Total	**206.4**	**207.3**	**118.1**	**171.6**	**144.0**	**129.0**
One-year variable compensation	138.2	169.3	81.9	141.1	115.2	141.5
Multi-year variable compensation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**344.6**	**376.6**	**200.0**	**312.7**	**259.2**	**270.5**
Pension expenses	22.3	22.1	22.3	22.1	22.3	22.1
Total compensation	**366.9**	**398.7**	**222.3**	**334.8**	**281.5**	**292.6**

o

Individual compensation of the Supervisory Board for the 2017 fiscal year			**EUR thousand**
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	0	10.0
Günter Daiss	12.5	0	7.5
Erwin Staudt	12.5	0	5.0

Compensation of the Supervisory Board

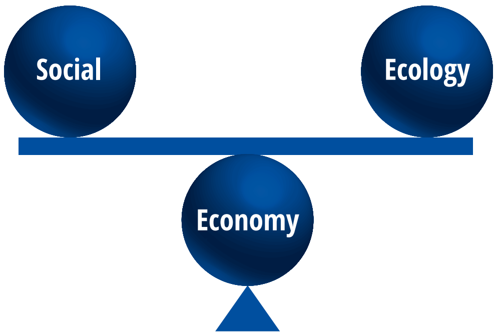
Compensation for the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and was last amended at the Company's Annual General Meeting on June 30, 2011. In accordance with the provisions of the Code, total compensation for the Supervisory Board comprises a fixed and a performance-related component. Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand for each full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. Members of the Supervisory Board also receive a variable amount each year. This depends on earnings before interest, taxes, depreciation and amortization (EBITDA), as reported in either the combined management report or the Group management report, as a proportion of the reported consolidated sales. When EBITDA exceeds 8 % of consolidated sales, for each full percentage point by which EBITDA exceeds an 8% share of consolidated sales, a premium of 10% of the fixed annual compensation will be paid per year as a variable component. This is subject to an upper limit for total compensation of 200 % of the fixed annual component. In the 2017 fiscal year, EBITDA represented 8.1 % of consolidated sales. The variable compensation of the USU Software AG Supervisory Board thus corresponded to 0 % of the basic fixed remuneration of the individual members of the Supervisory Board, meaning that no variable remuneration was paid to the Supervisory Board.

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

During the 2017 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 107.5 thousand (2016: EUR 158.5 thousand).

VIII. NON-FINANCIAL GROUP DECLARATION (UNAUDITED)

The principles of sustainable action are a core element of USU's business activities. The USU Group defines sustainable action as striking the right balance between the three dimensions of sustainability – economic, ecological and social – and incorporating the interests of stakeholders into its decision-making processes. USU is aware that this is a complex evaluation process and that interdependencies cannot always be fully assessed in advance. However, USU endeavors to continuously challenge itself and develop in order to ensure that its actions make a positive contribution to its stakeholders and society as a whole. Accordingly,



USU designs value creation and exchange processes based on the market, the environment and society. The Management Board and the Company's managers and employees take on their responsibility. Sustainability and socially and ethically aware actions have been implicitly practiced at the USU Group since its formation and are a fixed element of its corporate culture. For USU, this is a continuous improvement process that we can only realize by maintaining a constant dialog with our stakeholders.

Social responsibility at USU Software AG has many facets and is strongly anchored in our business management and business strategy. USU currently does not have a dedicated sustainability strategy, but rather an overarching overall business strategy from which all of the other sub-areas are derived. One of these sub-areas is the topic of sustainability. The overall strategy encompasses the three business principles of “Company, Customers & Products”, which form the basis for the Company’s corporate values, its commitment to sustainable action and its operational planning. The “Company” principle means that USU strives to be an attractive company for employees, investors and all those in its environment. This means dealing fairly and respectfully with stakeholders and focusing on ensuring awareness and perception of its ecological and social responsibility. This is the only way for the Company to ensure its long-term success and become more attractive to investors. The “Customers” and “Principles” principles also contribute to ensuring the USU Group’s sustainable success. USU’s actions are geared towards its customers, whom it offers individual software solutions. This individuality and proximity to the customer helps the Company to establish long-term customer relationships and partnerships. USU’s products also stand for excellent software-based solutions with a high degree of innovation. The quality of its products and the development of new innovations play an important role in the Company’s long-term success.

The USU Group is a software house whose core business involves internally developing and marketing software solutions and assisting its customers in an advisory capacity. Accordingly, its economic success depends to a large extent on the performance and knowledge of its technical and management employees. The Company is reliant on highly qualified personnel in order to continue to satisfy market demands and individual customer requirements in future. The shortage of technical and management employees within the industry makes it important to remain an attractive employer. 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. In order to counteract this risk, human resources activities focus on the recruitment of technical and management employees as well as the motivation and retention of existing staff. A variable component in the salaries of a substantial number of employees, which acts as an additional performance incentive to reward target attainment, should also be seen in this context. In addition, the Group offers an extensive and flexible company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of its career model. In addition to specialist training courses and the further development of soft skills, USU offers refresher and consolidation courses. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures in this area. Although the USU Group considers the shortage of technical and management employees to be a significant human resources risk, the acquisition of additional qualified employees and the associated expansion of the Group’s workforce in order to fully exploit the existing growth options in product and service business also represents a major opportunity.

The USU Group is also involved in numerous activities that can be subsumed under its commitment to sustainable action.

This includes

- expanding dual training and promoting new talents in order to secure technical and management employees for the long term
- pronounced social and cultural commitment, with a particular focus on regionality and relevance to the Company’s environment
- ergonomic office furniture for all employees
- the services of a company doctor
- freshly cooked meals every day and free fruit depending on the respective location and free water dispensers for employees in order to reduce resource consumption by encouraging the use of reusable water bottles
- giving employees the opportunity to use bicycles and Pedelecs leased via the Company
- special support for company cars with a good CO_2 efficiency class
- reducing electricity consumption e.g. by systematically switching to LED technology or virtualizing servers

The Management Board and the Company’s managers intend this to create a transparent view of the Company for employees as well as customers and partners of USU Software AG.

The areas of action identified in preparing the sustainability report will help to increase awareness for key topics, record their status and document improvements. In the medium term, this will provide greater orientation for employees and customers and help to secure the Company’s economic success.

Without orienting its efforts in the field of sustainability towards a single international standard for sustainable business activity, the USU Group acts in accordance with statutory provisions as well as the ten principles of the United Nations Global Compact and the core labor standards of the International Labor Organization (ILO).

VIII.1 Working practices of the Management Board and the Supervisory Board

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

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

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

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

The Supervisory Board is convened by the Chairman as required, and in any case at least four times a year in accordance with the Articles of Association. The Chairman of the Management Board of the Company regularly attends these meetings. The Supervisory Board is quorate when all of the members of the Supervisory Board participate in the respective resolution. 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 providing for a deductible has been concluded for the Management Board and the Supervisory Board.

IX. REPORT ON RELATED PARTIES

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

X. RESPONSIBILITY STATEMENT

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

Möglingen, March 6, 2018

Bernhard Oberschmidt
Chairman of the Management Board

Bernhard Böhler
Member of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

Consolidated Financial Statements

Contents

Consolidated statement of financial position as of December 31, 2017

Annex 1

USU Software AG, Möglingen

ASSETS	Note	31.12.2017 EUR thousand	31.12.2016 restated EUR thousand	01.01.2016 restated EUR thousand
Non-current assets				
Intangible assets	(10)	8,487	5,428	6,702
Goodwill	(11)	41,183	35,575	35,575
		49,670	41,003	42,277
Property, plant and equipment	(12)	2,230	2,134	2,141
Financial assets	(13)	687	681	669
Prepaid expenses	(19)	342	408	393
Deferred taxes	(33)	5,899	3,790	4,234
		58,828	**48,016**	**49,714**
Current assets				
Inventories	(14)	511	529	646
Work in progress	(15)	3,468	3,862	2,456
Trade receivables	(16)	17,443	14,190	11,498
Income tax receivables	(17)	1,012	561	367
Financial assets	(18)	1,279	833	575
Other assets		205	125	84
Prepaid expenses	(19)	911	609	737
Securities	(20)	3,014	3,014	3,014
Cash on hand and bank balances	(21)	12,715	20,166	20,095
		40,558	**43,889**	**39,472**
		99,386	**91,905**	**89,186**

Consolidated statement of financial position as of December 31, 2017

USU Software AG, Möglingen

EQUITY AND LIABILITIES	Note	31.12.2017 EUR thousand	31.12.2016 restated EUR thousand	01.01.2016 restated EUR thousand
Equity	(22)			
Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)		10,524	10,524	10,524
Capital reserves		52,792	52,792	52,792
Legal reserve		574	574	574
Other comprehensive income		-105	-330	-61
Accumulated losses/unappropriated surplus		-779	63	-3,038
		63,006	**63,623**	**60,791**
Non-current liabilities				
Financial liabilities	(23)	250	0	0
Pension provisions	(24)	2,203	2,266	1,908
Deferred income	(32)	2,443	456	457
Deferred taxes	(33)	2,457	0	108
		7,353	**2,722**	**2,473**
Current liabilities				
Income tax liabilities	(25)	1,266	529	613
Financial liabilities	(26)	918	0	335
Personnel-related liabilities	(27)	7,421	6,208	6,362
Other provisions and liabilities	(28)	3,363	1,662	2,047
Liabilities from advance payments	(29)	7,457	9,287	9,868
Trade payables	(30)	3,567	2,343	1,857
Deferred income	(32)	5,035	5,531	4,840
		29,027	**25,560**	**25,922**
		99,386	**91,905**	**89,186**

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2017

Annex 2

USU Software AG, Möglingen

	Note	2017 EUR thousand	2016 EUR thousand
Sales	(34)	84,361	72,101
Cost of sales	(35)	-38,843	-32,281
Gross profit		**45,518**	**39,820**
Selling and marketing expenses	(36)	-17,228	-13,348
General and administrative expenses	(37)	-9,338	-6,693
Research and development expenses	(38)	-13,817	-11,276
Other operating income	(39)	1,017	1,261
Other operating expenses	(40)	-732	-249
Amortization of intangible assets recognized in connection with company acquisitions and goodwill	(44)	-2,198	-1,216
Finance income	(41)	90	272
Financial expenses	(42)	-199	-261
Profit before taxes		**3,113**	**8,310**
Income taxes	(43)	254	-1,526
Consolidated net profit		**3,367**	**6,784**
Items that cannot be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions		230	-285
Deferred taxes from actuarial gains/losses		-271	86
Items that can be reclassified to profit or loss in future periods:			
Currency translation difference		267	-70
Other comprehensive income		**226**	**-269**
Total comprehensive income		**3,593**	**6,515**
Earnings per share in EUR (diluted and basic)	(22)	0,32	0,64
Number of underlying shares		10,523,770	10,523,770

Consolidated statement of cash flows for the 207 fiscal year

Annex 4

USU Software AG, Möglingen

	Note	2017 EUR thousand	2016 EUR thousand
Consolidated net profit		3,367	6,784
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets		3,615	2,483
+/- Other non-cash expenses/income		-87	-263
+/- Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities		-1,166	-4,179
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities		78	270
+/- Interest expenses/income		109	-11
+/- Income taxes paid		-488	-1,548
+/- Interest paid/received		-3	70
+/- Income tax expenses/income		-254	1,526
Net cash from operating activities	(45)	**5,171**	**5,132**
- Acquisition of subsidiaries less cash and cash equivalents acquired		-7,129	0
- Purchase of intangible assets		-165	-167
+ Proceeds from disposals of property, plant and equipment		29	30
- Purchase of property, plant and equipment		-1,210	-1,044
+ Payments received from items not related to operating or financing activities:		250	0
Net cash used in investing activities	(46)	**-8,225**	**-1,181**
- Dividends paid to shareholders of the parent		-4,209	-3,683
- Repayment of purchase price liabilities in connection with the acquisition of subsidiaries		0	-200
Net cash used in financing activities	(47)	**-4,209**	**-3,883**
Change in cash and cash equivalents		-7,263	68
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement		-188	3
+ Cash and cash equivalents at the start of the period		20,166	20,095
Cash and cash equivalents at the end of the period	(48)	**12,715**	**20,166**
Cash and cash equivalents			
Cash and cash equivalents		12,715	20,166
		12,715	**20,166**

Consolidated Statement of Changes in Equity for 2017 Fiscal Year

USU Software AG, Möglingen

	Issued capital Number	Issued capital EUR thousand	Capital reserves EUR thousand
Consolidated equity as of December 31, 2015	**10,523,770**	**10,524**	**52,792**
Error correction			
Consolidated equity as of January 1, 2016*	**10,523,770**	**10,524**	**52,792**
Consolidated net profit	0	0	0
Other comprehensive income	0	0	0
Total comprehensive income	**0**	**0**	**0**
Dividend payment	0	0	0
Consolidated equity as of December 31, 2016	**10,523,770**	**10,524**	**52,792**
Consolidated net profi	0	0	0
Other comprehensive income	0	0	0
Total comprehensive income	**0**	**0**	**0**
Dividend payment	0	0	0
Consolidated equity as of December 31, 2017	**10,523,770**	**10,524**	**52,792**

* restated to reflect the separate reporting of pensions in other comprehensive income

Legal reserve EUR thousand	Unappropriated surplus/ accumulated losses EUR thousand	Other comprehensive income Pension plans	Currency translation EUR thousand	Equity EUR thousand
574	**-3,025**	**0**	**-74**	**60,791**
	-13	13		
574	**-3,038**	**13**	**-74**	**60,791**
0	6,784	0	0	6,784
0		-199	-70	-269
0	**6,784**	**-199**	**-70**	**6,515**
0	-3,683	0	0	-3,683
574	**63**	**-186**	**-144**	**63,623**
0	3,367	0	0	3,367
0	0	-42	267	225
0	**3,367**	**-42**	**267**	**3,592**
0	-4,209	0	0	-4,209
574	**-779**	**-228**	**123**	**63,006**

Notes to the consolidated financial statements for the 2017 fiscal year

USU Software AG, Möglingen

A. THE COMPANY

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

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

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

B. SIGNIFICANT ACCOUNTING PRINCIPLES

1. Significant accounting policies

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

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

The consolidated financial statements have been prepared in the functional currency of the parent company (euro). All figures in the consolidated financial statements are rounded to thousands of euro ("EUR thousand") except for figures pertaining to shares. The reporting date is December 31, 2017.

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

The presentation in the consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year. Deferred tax assets and liabilities and provisions for pensions are typically reported as non-current items, while prepaid expenses are typically reported as current items.

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

The Management Board intends to approve the consolidated financial statements for release to the Supervisory Board on March 15, 2018. It is anticipated that the Supervisory Board will adopt the consolidated financial statements prepared by the Management Board at its meeting on March 19, 2018 and approve their publication.

The single-entity financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2017 and these consolidated financial statements are submitted to the electronic Bundesanzeiger (electronic German Federal Gazette)..

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

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

The standards required to be applied in the EU for the first time with effect from January 1, 2017 had no material impact on the consolidated financial statements.

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

- **IFRS 9 "Financial Instruments"** will replace the accounting and measurement of financial instruments under IAS 39. IFRS 9 results in a uniform approach to the classification and measurement of financial assets as well as a new impairment model based on expected loan defaults. IFRS 9 also contains new provisions on the application of hedge accounting. IFRS 9 is required to be applied to reporting periods beginning on or after January 1, 2018. Earlier application is permitted. USU Software AG does not currently employ any derivative financial instruments. In addition to trade receivables and bank balances, current assets contain securities that relate solely to listed corporate bonds with a high credit rating and hence are subject to a low impairment risk. Accordingly, USU does not expect the application of the classification and measurement provisions of IFRS 9 to have a relevant impact on its consolidated statement of financial position or shareholders' equity other than the additional disclosures required in the notes to the consolidated financial statements.

- **IFRS 15 “Revenue from Contracts with Customers”** regulates the recognition of revenue and replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue”. Under IFRS 15, revenue is recognized in an amount corresponding to the consideration that the Company is expected to receive for the goods delivered or the services performed. Revenue is recognized on a regular basis under IFRS 15 when the customer obtains control of the goods or services. IFRS 15 includes guidance on the presentation of contract balances, that is, assets and liabilities arising from the entity’s performance and the customer’s payment. IFRS 15 also requires additional disclosures in the notes on the nature, amount, timing, and uncertainty of revenue and cash flows. IFRS 15 is required to be applied to reporting periods beginning on or after January 1, 2018. USU does not expect the application of IFRS 15 “Revenue from Contracts with Customers” to have any impact on its consolidated financial statements.

- **IFRS 16 “Leases”** contains provisions on the recognition of leases and replaces IAS 17 and the associated interpretations IFRIC 4, SIC 15 and SIC 27. IFRS 16 provides a single recognition method for the lessee. As a result, the lessee will be required to report all assets for any rights of use obtained and liabilities arising from leases in the statement of financial position. An exception applies only to short-term leases with a term that does not exceed 12 months and to low-value assets. By contrast, the lessor will continue to differentiate between finance and operating leases. Furthermore, IFRS 16 contains new provisions on reporting, explanatory notes and sale and leaseback transactions. The date of first-time application of IFRS 16 is January 1, 2019.We expect the application of IFRS 16 to result in an increase in total assets, as it will require the recognition of rights of use and lease liabilities that were not previously reported in the statement of financial position, as well as an increase in the operating result, as costs previously reported as rental expenses will now be required to be classified as interest expenses. As the effects of IFRS 16 will depend on the leases held by the Company at the time of first-time application, it is not yet possible to reliably estimate the impact of IFRS 16 on our consolidated financial statements.

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

Effects of correction of errors
In preparing the consolidated financial statements of USU Software AG, it was established that, in the past, certain financial assets had not been reported in the correct item of the consolidated statement of financial position in accordance with IAS 1.54 (d) and IAS 1.54 (m) but in “Other receivables and other assets”, with corresponding disclosures in the notes to the consolidated financial statements. The longer-term components of prepaid expenses and deferred income were also not reported separately. Provisions for outstanding invoices were reported in trade payables. As a result, the prior-year figures shown in the statement of financial position for the 2017 fiscal year have been restated to reflect the applicable standards in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as follows:

Statement of financial position item EUR thousand	December 31, 2016 (reported)	Adjustments	December 31, 2016 (restated)
Non-current assets			
Financial assets	0	+681	681
Other receivables and other assets	681	-681	0
Prepaid expenses	0	+408	408
Current assets			
Financial assets	260	+573	833
Other assets	698	-573	125
Prepaid expenses	1,017	-408	609

Statement of financial position item EUR thousand	December 31, 2016 (reported)	Adjustments	December 31, 2016 (restated)
Non-current liabilities			
Deferred income	0	+456	456
Current liabilities			
Other provisions and liabilities	2,155	-493	1,662
Trade payables	1,850	+493	2,343
Deferred income	5,987	-456	5,531

3. Consolidation principles

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

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

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

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

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

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

4. Consolidated group

The Group comprises USU Software AG and 13 German and foreign subsidiaries that are all wholly owned.

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. There are no Group companies that are not included in the consolidated financial statements

Consolidated group **Name and domicile of the company**	Shareholders' equity Dec. 31, 2017 EUR thousand	Net profit/loss for 2017 EUR thousand
USU AG, Möglingen	29,623	8,664
LeuTek GmbH, Leinfelden-Echterdingen [1)]	3,428	2,049
Omega Software GmbH, Obersulm [1)]	970	180
USU Software s. r. o., Brno, Czech Republic [2)]	1,219	149
USU (Schweiz) AG, Zug, Switzerland [2)]	-39	-6
USU Austria GmbH, Vienna, Austria [2)]	-558	58
Openshop Internet Software GmbH, Möglingen [1)]	-773	-1
Aspera GmbH, Aachen [1)]	2,997	2,697
USU Consulting GmbH, Sursee, Switzerland	30	-10
Aspera Technologies Inc., Boston, USA	-1,203	531
B.I.G. Social Media GmbH, Berlin [1)]	658	-1,047
unitB Technolgy GmbH, Berlin	1,907	-36
USU SAS, Paris	-3,363	-1,434

[1)] Net profit before/equity after profit transfer to USU Software AG due to existing profit transfer agreements
[2)] Companies wholly owned by USU 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 at the end of the reporting period; non-monetary items reported at historical cost are translated at the rate on the transaction date, while non-monetary items reported at fair value are translated at the exchange rate on the date when their fair value was measured. Differences arising from currency translation at closing rates are recognized in profit or loss under other operating income and expenses.

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

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

The financial statements of foreign subsidiaries not domiciled in the euro area were translated to EUR using the following exchange rates:

Currency (equivalent to EUR 1)	Closing rate 31.12.2017	31.12.2016	Average rate 2017	2016
Swiss franc (CHF)	1.1702	1.0739	1.1117	1.0902
Czech koruna (CZK)	25.535	27.021	26.326	27.034
US dollar (USD)	1.1993	1.0541	1.1297	1.1069

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR -128 thousand (2016: EUR -66 thousand).

6. Use of significant estimates and assumptions

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

In particular, areas requiring significant estimates include the use of the percentage-of-completion method (see notes 7.6 and 7.17), determining the probable economic life of intangible assets (notes 7.1 and 9), the decision not to capitalize software development costs (note 7.19), bad debt allowances (note 16), contingent liabilities, pension provisions (note 24), and other provisions (note 28), as well as the estimation of the recoverability of future tax benefits in the form of the recognition of deferred taxes from tax loss carryforwards (note 33).

In addition, significant estimates and assumptions are required to determine the fair values of property, plant and equipment and intangible assets and of purchase price liabilities (earn-out), particularly as part of purchase price allocation in the event of business acquisitions and for goodwill impairment testing (notes 8, 9, 10 and 26).

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

7. General accounting policies

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

7.1 Intangible assets and goodwill

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

7.2 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation in accordance with IAS 16. Repair costs are expensed as incurred. Depreciation is performed on a 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 2016 fiscal year. In 2017, an impairment loss of EUR 800 thousand was recognized for the BIG CGU.

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 on financial planning and the discount rates applied must be made in order to determine the projected cash flows for each CGU.

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 10 and 11.

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

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

In accordance with IAS 36.A17 (a), the cost of capital of the cash-generating units is calculated as the weighted average cost of capital (WACC). The calculation of the weighted cost of capital includes the cost of equity, composed of a risk-free basic interest rate and a risk premium (market risk premium multiplied by a beta factor based on a peer group analysis), and the cost of debt, which corresponds to the average cost of debt for the peer group companies. The cost of equity and debt is weighted using the average capital structure of the peer group companies. The pre-tax cost of debt ranges from 2.39 % to 3.64 %. A market risk premium of 7 % is applied. The unindebted beta factor ranges from 0.77 to 1.21.

The specific cost of capital per CGU was calculated. Four different peer groups were derived on this basis: a joint peer group for the Aspera, USU Service Business, USU Product Business and LeuTek CGUs, and one peer group for each of BIG, unitB and USU SAS

CGU		**WACC**
USU Product Business	2017	7.99 %
	2016	7.10 %
USU Service Business	2017	7.99 %
	2016	7.10 %
Aspera	2017	7.98 %
	2016	7.09 %
LeuTek	2017	7.99 %
	2016	7.10 %
BIG	2017	9.73 %
	2016	8.81 %
unitB	2017	6.61 %
	2016	-
USU SAS	2017	7.39 %
	2016	-

Annual impairment testing resulted in the recognition of an impairment loss of EUR 800 thousand for the BIG CGU.

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

Reversals of goodwill impairment losses are not permitted.

The significant assumptions applied in calculating the recoverable amounts of the cash-generating units are as follows. The calculation begins with the forecast EBIT for the respective CGU (forecast period 2018 to 2020). Working capital is forecast depending on the development of sales. Capital expenditure is assumed to correspond to depreciation and amortization, meaning that measurement is based directly on EBIT. The perpetual annuity assumes a growth factor of 1 %.

7.4 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.5 Inventories

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

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

7.6 Work in progress

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

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

7.7 Deferred taxes

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

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

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

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

7.8 Treasury shares

Treasury shares are carried at their fair value on the acquisition date plus any incidental costs of acquisition and are deducted from equity. With the authorization of the Annual General Meeting, treasury shares may be used as acquisition currency and may be withdrawn. USU Software AG did not hold any treasury shares as of December 31, 2016 and December 31, 2017.

7.9 Other comprehensive income

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

7.10 Pension provisions

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

7.11 Other provisions

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

7.12 Financial liabilities

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

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

7.13 Liabilities from advance payments

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

7.14 Government grants

An unconditional government grant is recognized as other income in the statement of 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 the statement of 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 the statement of profit or loss as scheduled in the periods in which the expenses were recognized.

7.15 Contingent liabilities and events after the reporting period

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

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

7.16 Leases

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

The Group has only entered into operating leases.

7.17 Sales

The Group generates sales from issuing licenses for software products to end users, from consulting services for software and from maintenance agreements.

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 maintenance agreements are recognized on a pro rata basis over the term of the agreement.

The Group offers its customers combinations of its services in the form of single agreements (multiple-element agreement: license and maintenance) or a number of separate agreements (bundle of agreements: license, maintenance and consulting).

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 selling prices of the individual services. The individual price is calculated on the basis of the price which would be demanded if the service was sold separately.

For maintenance, the standard price is determined on the basis of the renewal rates for maintenance 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 consulting services or maintenance 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 consulting service or maintenance is deferred and recognized over the term of the consulting service or maintenance.

In cases where license fee payments are contingent on the performance of consulting services which constitute a major modification or extension of the functionality of the software, the sales for the software license and the consulting are deferred within the meaning of IAS 11 and recognized using the percentage-of-completion (POC) method. The percentage of completion is measured by comparing the volume of consulting performed to date with the total estimated volume of services required to complete the contract. Expenses for subsequent changes at the customer are reported in work in progress only to the extent that they are likely to be realized and can be reliably estimated.

The method of revenue recognition in accordance with IAS 11 is based on estimates. Due to the uncertainties inherent in the estimation process, it may be necessary to adjust the estimated completion costs at a subsequent date. Any such adjustments of costs and income are recognized in the period in which the need for adjustment is identified.

7.18 Cost of sales

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

7.19 Research and development expenses

Research and development expenses are incurred by the Group in connection with the (further) development of its software. In accordance with IAS 38, research expenses may not be capitalized, whereas development costs must be recognized if all of the specific criteria for recognition are met. The recognition of software development costs begins when the software becomes technically feasible and ends when the software version is launched on the market. The Group defines technical feasibility as the production of a corresponding working model. Due to the short time span between technical feasibility and the date on which the software is launched on the market, no development costs are capitalized as any such costs are immaterial. Accordingly, the Group expensed all its research and development expenditure for the period under review (2017: EUR 13,817 thousand, 2016: EUR 11,276 thousand).

C. CHANGE IN GROUP ORGANIZATION

8. Acquisition of unitB technology GmbH

On January 5, 2017 USU Software AG acquired 100 % of shares in unitB technology GmbH, Berlin (“unitB technology”), an internationally oriented full-service agency for digital communications and IT, and included this company in consolidation for the first time.

With its 42 employees incl. management, unitB technology generated sales of EUR 4.0 million and an operating earnings margin of 9 % in 2016. unitB technology’s portfolio ranges from digital strategic consulting and service and UX design through to the realization of complex web portals, apps and intranets. Its particular strength lies in the systematic combination of strategy, creativity and IT technology. By establishing state-of-the-art digital solutions, unitB technology is laying the foundations for effective, customer-centered online communications and the optimization of its customers’ digital transformation processes. Major companies in the banking, insurance and healthcare sectors in particular, including the Volksbanken and Raiffeisenbanken, direct line, FIDUCIA & GAD IT and Bayer, are already using unitB technology’s solutions with success. Thanks to unitB technology’s digital consulting and UX expertise and state-of-the-art technical solutions, the acquisition adds important key components to USU’s product and service range. Control of unitB technology GmbH was achieved with the acquisition of 100 % of shares. unitB technology is allocated to USU’s Service Business segment.

The purchase price, which is to be paid in cash, includes a fixed and a variable purchase price component. The fixed component is EUR 4,204 thousand. The variable component consists of two elements that amount to a maximum of EUR 900 thousand in total. One element of the variable component is linked to the continued employment of sellers at unitB technology until at least December 31, 2019 (“stay bonus”). If both sellers are employed by unitB technology at this date, a maximum stay bonus of EUR 400 thousand will result. If both sellers leave the company prematurely during this period, the stay bonus will be reduced by EUR 200 thousand per year.

The second element of the variable purchase price component is linked to unitB technology GmbH achieving an EBIT target (earn-out) for the 2016, 2017 and 2018 fiscal years and is not graduated. If the EBIT target is achieved, an earn-out payment of EUR 500 thousand will result. There will be no earn-out payment if the EBIT target is not reached. On the basis of the development of the company, management estimates a future expense of EUR 475 thousand, which means a total forecast purchase price of EUR 4,679 thousand.

The outstanding purchase price liabilities are due for payment by the end of March 2019 depending, among other things, on the EBIT generated in the 2016, 2017 and 2018 fiscal years.

In the amendment agreement to the share purchase and assignment agreement dated November 22, 2017, a stay bonus of EUR 400 thousand was agreed for 2018 and 2019 and an earn-out of EUR 250 thousand was agreed irrespective of the provisions agreed contractually for the first time coming into force.

The final purchase price allocation for this acquisition has since been determined. The table below provides an overview of the calculation of goodwill:

EUR thousand	**Fair values**
Intangible assets	1,488
Property, plant and equipment	55
Inventories	93
Trade receivables	1,263
Other assets	77
Cash and cash equivalents	1,380
Deferred tax liabilities	-449
Liabilities	-390
Provisions	-452
Deferred income	-83
	2,982
Goodwill	1,697
Purchase price (present value)	**4,679**

The net outflow of cash for the acquisition is calculated from the final purchase price of EUR 4,103 thousand less the cash and cash equivalents acquired of EUR 1,380 thousand, and amounts to EUR 2,723 thousand.

Trade receivables comprise gross amounts due of EUR 1,263 thousand, EUR 0 thousand of which is provisionally considered a bad debt as of the acquisition date.

Goodwill primarily relates to the skills and technical ability of unitB technology's workforce and the expected synergies from the integration of the company into the Group's existing business. The goodwill recognized is not tax-deductible.

The non-tax-deductible intangible assets additionally identified in final purchase price allocation of EUR 1,488 thousand break down as follows:

	EUR thousand	Estimated economic life years
Customer relationships	1,072	6
Advantageous contract	364	4
Orders on hand	42	0.5
Maintenance contracts	10	0.5
	1,488	

The measurement method used to determine the fair value of the intangible asset "Customer relationships" was the multi-period excess earnings method. This takes into account the present value of the expected net cash flows generated by the customer relationships with the exception of all cash flows relating to contributory assets.

The measurement method used to determine the fair value of the intangible asset "Advantageous contract" was the direct cash flow forecast method. Under this method, the (direct) cash inflow from an investment resulting from its operational use is compared against the operating cash outflow for the investment in the respective period. This way, specific cash flows from investments, such as those arising from contracts, can be compared against standard market cash flows and the differences can be measured.

Legal advisory and due diligence costs of EUR 231 thousand were incurred in connection with the acquisition of unitB technology. They were excluded from the consideration transferred, recognized as an expense for the fiscal year and reported under general and administrative expenses in the statement of profit or loss.

The consolidated net profit for the period contains EUR -260 thousand from the business additionally generated by unitB technology. Consolidated sales for the current fiscal year include EUR 3,863 thousand attributable to unitB technology.

unitB technology was included in the consolidated financial statements for the full 2017 fiscal year. Accordingly, there is no difference between the Group figures and a pro forma presentation.

9. Acquisition of EASYTRUST SAS (since September 19, 2017: USU SAS)

On May 4, 2017, the Company acquired 100 % of shares in EASYTRUST SAS, La Garenne Colombes, France ("EASYTRUST"). With the acquisition of EASYTRUST, the USU Group is expanding its vertical integration in the field of IT management and its international presence on the key French market. Easytrust SAS was acquired with the aim of strengthening the existing market position on the Oracle software asset management market, leveraging the corresponding synergies with Aspera GmbH by bundling activities and ultimately offering a comprehensive solution portfolio from a single source. Control of EASYTRUST was achieved with the acquisition of 100 % of shares. EASYTRUST is allocated to USU's Product Business segment.

EASYTRUST is a highly specialized software provider for the automatic detection and analysis of hardware and software in complex infrastructures. EASYTRUST's solutions ensure that current, complete and traceable information on an IT landscape is available at all times. It focuses on the detection of software and hardware in the environment of large-scale data centers. In addition, EASYTRUST FOR ORACLE offers automatic, manufacturer-verified measurement and optimization of Oracle products. This means that EASYTRUST delivers important license management data for the USU subsidiary Aspera, allowing it to reinforce its market position as the world's only one-stop, full-service provider for license management.

EASYTRUST was formed in 2010 and currently has 29 employees. Its high-profile customers include companies such as YVES ROCHER, SAFRAN and CANAL+.

In line with the purchase agreement, the complete purchase price of EUR 4,750 thousand was paid directly and in full to the seller's account. There are therefore no contingent purchase price components.

The costs for consultants and lawyers in connection with the acquisition amounted to EUR 199 thousand. They were excluded from the consideration transferred, recognized as an expense for the fiscal year and reported under general and administrative expenses in the statement of profit or loss.

The difference between the purchase price and the fair values of the assets and liabilities identified to date amounts to EUR 4,710 thousand and is reported as goodwill.

The table below provides an overview of the calculation of the provisional goodwill:

EUR thousand	**Fair values**
Intangible assets	2,953
Property, plant and equipment	6
Financial assets	30
Trade receivables	141
Other assets	263
Cash and cash equivalents	344
Deferred tax liabilities	-984
Provisions	-455
Liabilities	-1,250
Deferred income	-1,008
	40
Goodwill	4,710
Purchase price (present value)	**4,750**

The net outflow of cash for the acquisition is calculated from the purchase price of EUR 4,750 thousand less the cash and cash equivalents acquired of EUR 344 thousand, and amounts to EUR 4,406 thousand.

Trade receivables comprise gross amounts due of EUR 141 thousand, EUR 0 thousand of which is provisionally considered a bad debt as of the acquisition date.

The acquisition of Easytrust SAS resulted in goodwill as the consideration paid includes amounts for the benefits from the forecast synergies, sales growth, future development potential and existing employees. The benefits are not reported separately from goodwill.

The goodwill acquired is not tax-deductible.

The non-tax-deductible intangible assets additionally identified in provisional purchase price allocation of EUR 2,953 thousand break down as follows:

	EUR thousand	Estimated economic life years
Customer relationships	245	10
Software	2,621	10
Orders on hand	7	0.5
Maintenance contracts	80	1
	2,953	

The multi-period excess earnings method was used to measure the intangible assets "Customer relationships" and "Orders on hand". The relief from royalty method was used for "Software".

EASYTRUST SAS was renamed USU SAS with effect from September 19, 2017.

Consolidated sales include sales generated by Easytrust SAS in the amount of EUR 1,962 thousand. Easytrust made an earnings contribution of EUR 1,434 thousand in the year under review.

If the merger had taken place effective January 1, 2017, the consolidated sales of USU Software AG would have amounted to EUR 84,946 thousand and consolidated net profit would have amounted to EUR 2,616 thousand. In applying this assumption to determine the disclosures concerning consolidated sales and consolidated net profit, the Management Board of USU Software AG took into account the amortization of the acquired intangible assets as of January 1, 2017 and the depreciation of the fair values of the acquired property, plant and equipment as of January 1, 2017 in the period from January 1, 2017 to May 3, 2017. In the estimation of the Management Board of USU AG, these disclosures permit an approximate assessment of the earnings strength of USU AG following the acquisition of Easytrust SAS and provide a basis of comparison for future periods.

D. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. Intangible assets

Information on the development of intangible assets can be found in the consolidated statement of changes in non-current assets (see Annexes 3A and 3B). Annexes 3A and 3B are integral elements of the notes to the consolidated financial statements.

The carrying amount of the customer list includes contractual customer relationships in the area of consulting services identified in connection with the acquisition of unitB and EASYTRUST SAS. The addition of EUR 1,317 thousand is attributable to the acquisition of unitB in the amount of EUR 1,072 thousand and the acquisition of EASYTRUST SAS in the amount of EUR 245 thousand.

The remaining economic lives were recognized at six years for the customer relationships of unitB and ten years for the customer relationships of EASYTRUST SAS, taking into account the customer fluctuation rate in each case.

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

CGU	2017 EUR thousand	2016 EUR thousand
USU AG/Omega (Product Business	445	445
USU AG (Service Business)	85	85
LeuTek (Product Business	829	829
Aspera (Product Business	652	652
	2,011	**2,011**

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

As the trademarks and brands are included in the carrying amounts of the Group's CGUs, the required annual impairment test is covered as part of goodwill impairment testing. Further information can be found in note 11.

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

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

Software in the amount of EUR 2,621 was acquired in connection with the acquisition of EASYTRUST SAS.

11. 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 the higher of its value in use and its fair value less costs to sell.

The Group's goodwill results from the acquisitions of USU AG, OMEGA, LeuTek, Aspera, BIG, unitB Technology GmbH and USU SAS (formerly EASYTRUST SAS).

The addition to goodwill is attributable to the acquisition of EASYTRUST SAS in the amount of EUR 4,710 thousand and the acquisition of unitB in the amount of EUR 1,697 thousand.

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

The fair value less costs to sell of a CGU is determined on the basis of the present value of the future cash flows. That value is calculated using a level 3 discounted cash flow method in accordance with IAS 36.134e in conjunction with IFRS 13, in which the expected payments from the CGU are discounted. These are based on the financial planning for the next fiscal year as approved by the Supervisory Board and the mid-term planning based on it. The financial planning and the mid-term planning cover a total period of three years.

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

Planning is based on the following sales growth rates:

	2018	2019	2020
USU AG/Omega (Product Business	9.9%	11.8%	9.1%
USU AG (Service Business)	3.3%	4.3%	4.8%
unitB Technology (Service Business)	15.1%	9.8%	9.7%
LeuTek (Product Business	1.3%	3.8%	4.8%
Aspera (Product Business	25.3%	16.9%	17.3%
BIG (Product Business	-15.8%	21.6%	12.5%
USU SAS (Product Business	254.8%	24.3%	42.6%

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 1.0% (2016: 1.0%).

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	2017 EUR thousand	2016 EUR thousand
USU AG/Omega (Product Business	12,869	12,868
USU AG (Service Business)	2,322	2,322
LeuTek (Product Business	10,448	10,448
unitB Technology (Service Business)	1,697	0
Aspera (Product Business	7,773	7,773
BIG (Product Business	1,364	2,164
USU SAS (Product Business	4,710	0
	41,183	**35,575**

Annual impairment testing resulted in the recognition of an impairment loss of EUR 800 thousand on the recoverable amount of the BIG CGU. As the carrying amounts of the other CGUs were lower than their recoverable amounts, no goodwill impairment losses were recognized.

The changes in goodwill for each reporting unit in the 2016 and 2017 fiscal years are shown in the following table.

EUR thousand	Product Business	Service-Business	Group
As of January 1, 2016	33.253	2.322	35.575
Change in 2016	0	0	0
As of December 31, 2016	33.253	2.322	35.575
Change in 2017	3.910	1.698	5.608
As of December 31, 2017	**37.163**	**4.019**	**41.183**

The changes in 2017 are attributable to the acquisition of the subsidiaries unitB (EUR 1,697 thousand) and EASYTRUST SAS (EUR 4,710 thousand) and to the goodwill impairment loss at BIG (-EUR 800 thousand).

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

Additional goodwill impairment loss at	Increase in capitalization rate by 1 percentage point	Increase in capitalization rate by 1.5 percentage point
USU AG/Omega (Product Business	0	0
USU AG (Service Business)	0	0
unitB Technology (Service Business)	0	0
LeuTek (Product Business	0	0
Aspera (Product Business	0	0
BIG (Product Business	EUR 1,108 thousand	EUR 1,237 thousand
USU SAS (Product Business	0	0

With regard to the calculation of the recoverable amounts for the CGUs, an increase in the capitalization rate of 1 percent or 1.5 percent would only result in the carrying amounts exceeding the recoverable amounts at the BIG CGU.

A reduction in forecast sales of 10% p.a. with unchanged EBIT would require the recognition of an impairment loss of EUR 124 thousand for the BIG CGU. No impairment losses would be required to be recognized at any of the other CGUs.

12. Property, plant and equipment

Depreciation of property, plant and equipment amounted to EUR 1,169 thousand in the 2017 fiscal year (2016: EUR 1,043 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 3A and 3B).

13. Financial assets

The capitalized values of insurance policies under which the beneficiaries have no access to the insurance are reported in other financial assets; they totaled EUR 687 thousand (2016: EUR 681 thousand).

14. Inventories

Inventories in the amount of EUR 511 thousand (2016: EUR 529 thousand) mainly relate to software licenses from third-party providers and IT hardware. As there were no inventory risks at the end of the reporting period, no discounts were necessary.

15. Work in progress

The following table provides an overview of total work in progress and the associated billings as of December 31, 2017 and December 31, 2016:

	2017 EUR thousand	2016 EUR thousand
Contract costs plus unbilled contract earnings	7,586	9,798
Of which: from service agreements in accordance with IAS 18	5,148	5,660
of which: from construction contracts in accordance with IAS 11	2,438	4,138
less amounts received from progress billings	-6,298	-7,691
Deferred tax assets (net)	**1,288**	**2,107**
of which: work in progress	3,468	3,862
of which: liabilities from advance payments	-2,180	-1,755

Sales of EUR 5,977 thousand were generated from construction contracts in accordance with IAS 11 in the 2017 fiscal year (2016: EUR 5,278 thousand).

16. Trade receivables

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

	2017 EUR thousand	2016 EUR thousand
Trade receivables	17,611	14,519
Valuation allowances as of January 1	-329	-348
Utilizations in the fiscal year	119	6
Additions recognized in profit or loss	-13	-33
Reversals	55	46
Valuation allowances as of December 31	-168	-329
	17,443	**14,190**

As of December 31, 2017, valuation allowances were recognized for trade receivables with a nominal value of EUR 707 thousand (2016: EUR 734 thousand). Of this figure, EUR 401 thousand was up to 90 days overdue, EUR 101 thousand was between 90 and 360 days overdue, and EUR 206 thousand was over 360 days overdue.

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

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

17. Income tax receivables

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

18. Financial assets

Financial assets include advance payments in the amount of EUR 185 thousand (2016: EUR 573 thousand) and other receivables in the amount of EUR 1,094 thousand (2016: EUR 260 thousand). Of the latter figure, EUR 750 thousand relates to payments deposited in a trust account in connection with the acquisition of unitB.

19. Prepaid expenses

Prepaid expenses primarily contain prepaid trade fair costs and expenses relating to maintenance agreements.

20. Securities

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

Year	Cost EUR thousand	Unrealized gains EUR thousand	Unrealized losses EUR thousand	Fair value EUR thousand
2016	3,014	0	0	3,014
2017	3,014	18	0	3,032

21. Cash on hand and bank balances

This item is broken down as follows:

	2017 EUR thousand	2016 EUR thousand
Fixed-term deposits and overnight money	5,483	9,634
Demand deposits	7,229	10,528
Cash on hand	3	4
	12,715	**20,166**

22. Equity

The development of shareholders' equity is shown in the consolidated statement of changes in equity in Annex 5.

22.1 Share capital and shares

As in the previous year, the fully paid up subscribed capital of the Company totaled EUR 10,524 thousand as of December 31, 2017. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

22.2 Authorized capital

By resolution of the Annual General Meeting of July 4, 2017, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,630,942.00 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 3, 2022 ("Authorized Capital 2017"). 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 total amount of the share capital attributable to the new shares does not exceed 10 % – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – 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 within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2017 with shareholders' subscription rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG and by 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 2017 in analogous application of section 186 (3) sentence 4 AktG.

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

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

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from authorized capital 2017, including the further content of the share rights and the conditions for the issuing of shares.

22.3 Contingent capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may be used only for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2017.

22.4 Capital reserves

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

22.5 Legal reserve

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

22.6 Other equity components

Details of the composition of other comprehensive income and accumulated losses can be found in the statement of changes in equity in Annex 5 and the statement of comprehensive income in Annex 2.

22.7 Earnings per share

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

	2017	2016
Consolidated earnings attributable to the shareholders of USU Software AG: (EUR thousand)	3,367	6,784
Average number of shares during the year (number)	10,523,770	10,523,770
Basic and diluted earnings per share (EUR)	0.32	0.64

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

	2017 Number	2016 Number
Number of shares as of January 1	10,523,770	10,523,770
Number of shares as of December 31	**10,523,770**	**10,523,770**

22.8 Appropriation of net profit

The resolution on the utilization of USU Software AG's unappropriated surplus in the 2016 fiscal year was adopted at the Annual General Meeting on July 4, 2017. The Annual General Meeting approved the proposal of the Management Board and Supervisory Board, resulting in the distribution of a dividend of EUR 0.40 for the 10,523,770 dividend-bearing shares (EUR 4,209 thousand) on July 7, 2017.

For the past fiscal year, the Management Board is proposing the distribution of a dividend of EUR 0.40 per share for a total of 10,523,770 no-par value shares (EUR 4,209 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2017.

23. Financial liabilities

Non-current financial liabilities include a put option for the sale of 2.63% of the shares in USU SAS.

24. Pension provisions

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

Pension provisions were calculated using the projected unit credit method prescribed by IAS 19. The future obligations were measured using actuarial calculations. The calculations were based on the 2005 G mortality tables published by Prof. Klaus Heubeck, assuming a discount rate of 2.05% (2016: 1.90%). 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 (2016: 0%). The expected average annual return on plan assets is expected to be 2.05% (2016: 1.90%). 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, 2017.

As of December 31, 2017, the Company offset a (cumulative) total of EUR -1,790 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:

	2017 EUR thousand	2016 EUR thousand
Present value of benefit obligation at the start of the fiscal year	4,057	3,648
Current service cost	138	42
Interest cost	76	88
Actuarial gains/losses taken directly to equity resulting from		
- demographic assumptions	0	0
- financial assumptions	-227	279
- experience adjustments	0	0
Present value of benefit obligation at the end of the fiscal year	**4,044**	**4,057**

Development of the pension obligation:

	2017 EUR thousand	2016 EUR thousand
Fair value of plan assets at the start of the year under review	1.791	1.740
Income from plan assets (interest income)	28	34
Payments into plan assets (employer)	19	23
Amortization of plan assets	0	0
Actuarial gains/losses taken directly to equity resulting from		
- demographic assumptions	0	0
- financial assumptions	3	-6
- experience adjustments	0	0
Fair value of plan assets at the end of the fiscal year	**1.841**	**1.791**

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

	2017 EUR thousand	2016 EUR thousand
Present value of pension obligation	4,044	4,057
Fair value of plan assets	1,841	1,791
Obligation reported in the statement of financial position	**2,203**	**2,266**

There were no significant adjustments to the pension obligation or the plan assets to reflect past experience. Employer contributions to plan assets for the 2018 fiscal year are estimated at EUR 38 thousand.

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

	2017 EUR thousand	2016 EUR thousand
Current service cost	-138	-42
Interest cost	-76	-88
Income from plan assets (interest income)	28	34
Amortization of plan assets	0	0
	-187	**-96**

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 at the end of the reporting period would have influenced the defined benefit obligation by the following amounts.

December 31, 2017 Effect in EUR thousand	Increase in defined benefit obligation EUR thousand	Reduction in defined benefit obligation EUR thousand
Discount rate (1% change)	570	-468
Future pension trend (1% change)	429	-353

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

The weighted average duration of the pension obligation was around 16 years as of December 31, 2017.

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

Fiscal year as of December 31	Expected payments EUR thousand
2018 – 2022	0
2023 – 2027	49

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 52 thousand in the year under review (2016: EUR 60 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 2,628 thousand (2016: EUR 1,886 thousand), of which EUR 33 thousand was attributable to Management Board members (2016: EUR 38 thousand).

25. Income tax liabilities

Income tax liabilities in the amount of EUR 1,266 thousand (2016: EUR 529 thousand) primarily relate to corporate income tax and the solidarity surcharge, as well as trade tax for USU AG (EUR 1,206 thousand). The increase is attributable to the strong net profit for the period and the utilization of tax loss carryforwards at the Group company.

26. Financial liabilities

The current financial liabilities reported as of December 31, 2017 primarily comprise purchase price liabilities of EUR 750 thousand resulting from the acquisition of unitB as of January 1, 2017.

27. Personnel-related liabilities

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

	2017 EUR thousand	2016 EUR thousand
Vacation and variable compensation	6,117	5,220
Other personnel-related liabilities	1,304	988
	7,421	**6,208**

28. Other provisions and liabilities

Other provisions and liabilities include the following items:

	2017 EUR thousand	2016 EUR thousand
Other liabilities	2,278	1,017
Other provisions	1,084	645
	3,362	**1,662**

Other provisions mainly comprise provisions for obligations under company law and other identifiable individual risks with a term no longer than a year. Other liabilities primarily comprise sales tax liabilities.

29. 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 15). Advance payments received for licenses ordered are also included in this item.

30. Trade payables

All trade payables are due within one year. The figure for the year under review includes liabilities for outstanding invoices received in the amount of EUR 736 thousand (2016: EUR 493 thousand).

31. Additional disclosures on financial instruments

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

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A far value hierarchy must be established with three levels of measurement based on whether the fair value of financial instruments was determined by reference to quoted prices in active markets (level 1), derived from quoted prices in active markets (level 2) or derived from unobservable inputs (level 3). As its purchase price liability has now been paid, USU Software AG currently has no level 2 or 3 financial instruments.

in EUR thousand as of December 31, 2017	**IAS 39 category/ IFRS 7 class**	**Carrying amount**	**Measurement in accordance with IAS 39**			**Fair value**
			Amortized cost	**Fair value taken directly to equity**	**Fair value recognized in profit or loss**	
Work in progress	IAS 11	3,468	3,468	0	0	3,468
Trade receivables	L+R[1]	17,443	17,443	0	0	17,443
Financial assets (current)	L+R	1,279	1,279	0	0	1,279
Securities	zVv[3]	3,014	0	3,014	0	3,014
Cash on hand and bank balances	L+R	12,715	12,715	0	0	12,715
Aggregated by class/category						
Loans and receivables	L+R	31,437	31,437	0	0	31,437
Work in progress	IAS 11	3,468	3,468	0	0	3,468
Available for sale	AfS[3]	3,014	0	3,014	0	3,014

in EUR thousand as of December 31, 2017	**IAS 39 category/ IFRS 7 class**	**Carrying amount**	**Measurement in accordance with IAS 39**			**Fair value**
			Amortized cost	**Fair value taken directly to equity**	**Fair value recognized in profit or loss**	
Financial liabilities						
Trade payables	Amort. cost[2]	3,567	3,567	0	0	3,567
Liabilities from advance payments	Amortized cost/IAS 11	7,457	7,457	0	0	7,457
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	11,024	11,024	0	0	11,024

1) L+R: Loans and receivables 2) Amort. cost: Amortized cost 3) AfS: Available for sale (level 1)

in EUR thousand as of December 31, 2016	IAS 39 category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value taken directly to equity	Fair value recognized in profit or loss	
Work in progress	IAS 11	3,862	3,862	0	0	3,862
Trade receivables	L+R[1]	14,190	14,190	0	0	14,190
Other current financial assets	L+R	833	833	0	0	833
Securities	AfS[4]	3,014	0	3,014	0	3,014
Cash on hand and bank balances	L+R	20,166	20,166	0	0	20,166
Aggregated by class/category						
Loans and receivables	L+R	35,189	35,189	0	0	35,189
Work in progress	IAS 11	3,862	3,862	0	0	3,862
Available for sale	AfS	3,014	0	3,014	0	3,014

in EUR thousand as of December 31, 2016	IAS 39 category/ IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value taken directly to equity	Fair value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort. cost [2]	2,343	2,343	0	0	2,343
Liabilities from advance payments	Amort, cost/ IAS 11	9,287	9,287	0	0	9,287
Aggregated by class/category						
Measured at amortized cost	Amort, cost/ IAS 11	11,630	11,630	0	0	11,630

[1] L+R: Loans and receivables [2] Amort. cost: Amortized cost [3] FVTPOL: Measured at fair value through profit or loss (level 3) [4] AfS: Available for sale (level 1)

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

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

EUR thousand	**From interest**	**From subsequent valuation**					**From dispos-als**	**Net profit/loss**	
		At Fair value	Valuation allow-ances	Appreci-ation	Accumu-lation	From currency translation		2017	2016
Net gains/losses from financial instruments classified as									
Loans and receivables	30	0	0	18	0	-92	0	-44	33
Available for sale	0	0	0	0	0	0	0	0	0
Financial liabilities at amortized cost	0	0	0	0	0	0	0	0	0
Financial assets at fair value through profit or loss	0	0	0	0	0	0	211	211	135
Total	**30**	**0**	**0**	**18**	**0**	**-92**	**211**	**167**	**168**

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 41 and 42). This does not include valuation allowances on trade receivables, which are reported in selling expenses.

In taking changes in the value of available-for-sale financial assets directly to equity, net re-measurement gains and losses of EUR 0 thousand were recognized in other comprehensive income in the 2017 fiscal year (2016: EUR 0 thousand). Of the amounts recognized in other comprehensive income, losses totaling EUR 0 thousand (2016: losses of EUR 0 thousand) were transferred to the statement of profit or loss in the 2017 fiscal year.

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

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

	2017 EUR thousand	2016 EUR thousand
Valuation allowances and write-downs in the category Loans and receivables	0	-33

32. Deferred income

Deferred income relates to income from maintenance and service agreements for software invoiced in the period under review.

33. Deferred taxes

Due to the positive business development in the past years and the growth in earnings that is forecast for the period from 2018 to 2020, deferred tax assets are recognized at USU Software AG for tax loss carryforwards of the consolidated group in the amount of the deferred tax liabilities of the tax con-solidated group as well as for the forecast future results. The amount recognized was determined on the basis of the forecast results of USU Software AG approved by the Supervisory Board for a three-year planning period. Deferred tax liabilities are offset against deferred tax assets at the level of the consolidated group.

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

	2017 EUR thousand	2016 EUR thousand	Change recognized in profit or loss 2017 EUR thousand	Change taken directly to equity 2017 EUR thousand
Deferred tax assets:				
Provisions	456	566	161	-271
Prepaid expenses	0	33	-33	
Intangible assets	533	607	-74	
Property, plant and equipment	8	9	-1	
Other assets	171	0	171	
From loss carryforwards	5,894	5,999	-105	
Deferred tax assets (gross)	**7,062**	**7,214**	**119**	**-271**
Less netting	-1,163	-3,424		
Deferred tax assets (net)	**5,899**	**3,790**		
Deferred tax liabilities:				
Undistributed profits	338	245	-93	
Provisions	1	0	-1	
Intangible assets	2,529	1,524	428	-1,433
Work in progress	663	1,524	861	
Other	91	131	40	
Deferred tax liabilities (gross)	**3,620**	**3,424**	**1,236**	**-1,433**
Less netting	-1,163	-3,424		
Deferred tax liabilities (net)	**2,457**	**0**		
Deferred tax assets (net)	**3,442**	**3,790**	**1,355**	**-1,704**
After netting:				
Deferred tax assets	5,899	3,790		
Deferred tax liabilities	2,457	0		

As of December 31, 2017, deferred tax assets from tax loss carryforwards in Germany were not recognized in the amount of approximately EUR 16,775 thousand (2016: EUR 23,211 thousand) as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized for foreign tax loss carryforwards totaling approximately EUR 3,804 thousand (2016: approximately EUR 2,798 thousand). Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

E. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

34. Sales

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

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

	2017 EUR thousand	2016 EUR thousand
Consulting	44,526	39,254
Licenses	15,559	12,250
Service and maintenance	22,275	19,515
Other	2,001	1,082
	84,361	**72,101**

35. Cost of sales

The cost of sales includes the following items:

	2017 EUR thousand	2016 EUR thousand
Personnel expenses	21,762	18,940
Fees for freelance staff and temporary workers	8,790	7,495
Depreciation and amortization	586	484
Other expenses	7,705	5,362
	38,843	**32,281**

36. Selling and marketing expenses

Sales and marketing expenses include the following items:

	2017 EUR thousand	2016 EUR thousand
Personnel expenses	11,547	8,338
Depreciation and amortization	188	150
Other expenses	5,493	4,860
	17,228	**13,348**

37. General and administrative expenses

General administrative expenses include the following items:

	2017 EUR thousand	2016 EUR thousand
Personnel expenses	5,770	4,106
Depreciation and amortization	301	291
Other expenses	3,267	2,296
	9,338	**6,693**

38. Research and development expenses

Research and development expenses include the following items:

	2017 EUR thousand	2016 EUR thousand
Personnel expenses	10,552	8,810
Depreciation and amortization	344	343
Other expenses	2,921	2,123
	13,817	**11,276**

39. Other operating income

This item primarily includes research funds in the form of government grants in the

amount of EUR 691 thousand (2016: EUR 617 thousand), income from the reversal of provisions in the amount of EUR 22 thousand (2016: EUR 4 thousand) and income from currency differences of EUR 68 thousand (2016: EUR 34 thousand). Government grants were grants for income received in line with subsidized expenses. The grants were recognized under other operating income. Receivables from grants for income were reported under current financial assets. According to the Management Board, there are no unfulfilled conditions or other contingencies.

40. Other operating expenses

This item includes the sales tax from non-cash benefits amounting to EUR 142 thousand (2016: EUR 131 thousand). It also includes expenses resulting from exchange rate differences in the amount of EUR 128 thousand (2016: EUR 66 thousand).

41. Finance income

Financial income includes the following items:

	2017 EUR thousand	2016 EUR thousand
Interest income	30	40
Income from currency differences in bank balances	36	170
Other	24	62
Finance income	**90**	**272**

42. Financial expenses

Financial expenses include the following items:

	2017 EUR thousand	2016 EUR thousand
Expenses from currency differences in bank balances	128	195
Other	71	66
Financial expenses	**199**	**261**

43. Income taxes

Income taxes are composed as follows:

	2017 EUR thousand	2016 EUR thousand
Income taxes for the fiscal year	-1,115	-1,065
Income taxes for previous years	13	-39
Deferred taxes	1,356	-422
Tax expenditure (-)/ tax income (+)	**254**	**-1,526**

In the 2017 fiscal year, the Company's income was again subject to a corporate income tax rate of 15 % plus a solidarity surcharge of 5.5 % on corporate income tax and an effective trade tax rate of 12.8 %. The total tax rate including solidarity surcharge and effective trade tax was 28.6 %. The tax rate for the consolidated group was 30.0 %.

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

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

	2017 EUR thousand	2016 EUR thousand
Profit before income taxes	3,113	8,310
Theoretical tax expense (28,6%) (2016: 28,6%)	-890	-2,377
Changes in the theoretical tax expense due to:		
Offsetting of the valuation allowances on deferred taxes on loss carryforwards/use of loss carryforwards that were not previously capitalized	1,356	935
Tax back payments/ refunds for prior periods	-13	-39
Tax-exempt income/ non-deductible expenses	-137	92
Deviation of tax rates from the Group's tax rate	-62	-137
Tax expenditure (-)/ tax income (+)	**254**	**-1,526**

44. Other disclosures on the statement of profit or loss

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

	2017	2016
Consulting and services	295	239
Research and development	194	156
Administration and finance	81	60
Sales and marketing	90	73
	660	**528**

Der Personalaufwand stellt sich wie folgt dar:

	2017 EUR thousand	2016 EUR thousand
Salaries	43,670	34,820
Social security, pensions and other benefit costs	5,962	5,374
	49,632	**40,194**

Depreciation and amortization expense can be broken down as follows:

	2017 EUR thousand	2016 EUR thousand
Amortization of intangible assets	1,646	1,441
Depreciation of property, plant and equipment	1,169	1,043
Amortization of goodwill	800	0
	3,615	**2,484**

Amortization of intangible assets includes the amortization of intangible assets recognized in connection with company acquisitions in the amount of EUR 1,397 thousand. Of this figure, EUR 573 thousand relates to the acquisition of unitB and USU SAS in the year under review. Information on goodwill amortization in the year under review can be found in note 11.

F. NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how the cash and cash equivalents of the Group changed during the year under review as a result of cash inflows and outflows. The effects of acquisitions and other changes in the consolidated group are eliminated. When purchased subsidiaries are consolidated for the first time, only the actual cash flows are shown in the statement of cash flows. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities. The cash and cash equivalents shown in the statement of cash flows correspond to the item "Cash on hand and bank balances" in the statement of financial position with the exception of fixed deposits with a term of less than three months (see note 48). Investments in securities are made more with a view to generating a profit than for liquidity purposes, and are therefore not included in cash and cash equivalents.

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

45. Net cash from operating activities

The USU Group generated net cash from operating activities of EUR 5,171 thousand in the 2017 fiscal year (2016: EUR 5,132 thousand).

46. Net cash used in investing activities

Net cash used in investing activities totaled EUR -8,225 thousand in the 2017 reporting year, compared with EUR -1,181 thousand in the 2016 fiscal year.

Investments in property, plant and equipment and intangible assets totaled EUR 1,375 thousand (2016: EUR 1,211 thousand) and related primarily to cash outflows for new and replacement investments in hardware and software.

47. Net cash used in financing activities

Net cash used in financing activities in the period under review related to the dividend distribution to USU Software AG shareholders in the 2017 fiscal year in the amount of EUR 4,209 thousand (EUR 0.40 per share for a total of 10,523,770 no-par value shares).

48. 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.

	2017 EUR thousand	2016 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	5,483	9,634
Demand deposits	7,229	10,528
Cash on hand	3	4
	12,715	**20,166**

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.

EUR thousand	Product Business		Service Business		Segments (total)		Unallocated		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sales	64,532	57,140	19,696	14,787	84,228	71,927	133	173	84,361	72,100
Earnings before net financial income and income tax (EBIT)	7,413	10,341	1,694	1,793	9,107	12,134	-5,886	-3,835	3,222	8,299
Finance income	24	35	1	1	25	36	65	236	90	272
Financial expenses	-37	-25	-6	0	-43	-25	-156	-236	-199	-261
Income taxes	34	-34	99	-10	133	-44	121	-1,482	254	-1,526
Consolidated net profit	**7,434**	**10,317**	**1,788**	**1,784**	**9,222**	**12,101**	**-5,857**	**-5,317**	**3,367**	**6,784**
Segment assets/ Group assets	70,408	69,807	13,140	6,878	83,548	76,685	15,837	15,220	99,385	91,905
of which goodwill	37,164	33,254	4,019	2,322	41,183	35,576	0	0	41,183	35,576
Segment liabilities/ Group liabilities	25,270	23,026	4,520	2,302	29,790	25,328	6,590	2,954	36,380	28,282
Segment investments	962	933	293	161	1,255	1,094	120	116	1,375	1,210
Depreciation and amortization	2,075	2,126	589	202	2,664	2,328	151	155	2,815	2,483
Amortization of goodwill	800	0	0	0	800	0	0	0	800	0
Employees at the reporting date (Dec. 31)	482	418	104	63	586	481	82	63	668	544

There were no intersegment sales in the 2017 or 2016 fiscal years.

In the 2017 fiscal year, EUR 60,573 thousand (2016: EUR 51,672 thousand) or 71.80 % (2016: 71.67 %) of consolidated sales were generated within Germany. Sales generated outside Germany amounted to EUR 23,788 thousand (2016: EUR 20,429) or 28.20 % of total sales (2016: 28.33 %). In particular, sales of EUR 10,896 thousand were generated in the USA (2016: EUR 8,620 thousand), EUR 2,101 thousand in Switzerland (2016: EUR 3,142 thousand) and EUR 2,158 thousand in Austria (2016: EUR 1,250 thousand). 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 investments made outside Germany account for 16 % of the respective total amount. Investments outside Germany primarily relate to the Group companies in the USA, the Czech Republic and France.

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

	2017 EUR thousand	2016 EUR thousand
Segment assets	**83,548**	**76,685**
Unallocated assets		
Cash on hand and bank balances	4,501	6,468
Securities	3,014	3,014
Deferred tax assets	5,899	3,790
Income tax receivables	636	554
Other assets	1,787	1,394
	15,837	**15,220**
Group assets	**99,385**	**91,905**

	2017 EUR thousand	2016 EUR thousand
Segment liabilities	**29,790**	**25,328**
Unallocated liabilities		
Deferred tax liabilities	1,205	0
Pension provisions	1,279	1,480
Other income tax liabilities	1,206	472
Other liabilities	2,900	1,002
	6,590	**2,954**
Group liabilities	**36,380**	**28,282**

H. OTHER DISCLOSURES

49. Related party disclosures

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

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.9. In the 2017 fiscal year, the business relationships described below existed between members of the Management Board and the Supervisory Board and the persons and entities not 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.

49.1 Udo Strehl/AUSUM GmbH (AUSUM)

As in the previous year, there were no cost reimbursements on behalf of USU AG to AUSUM in the 2017 fiscal year. On the other hand, in 2017 USU AG invoiced AUSUM for pro rata vehicle costs in the amount of EUR 10 thousand (2016: EUR 7 thousand).

49.2 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 2017 fiscal year (2016: EUR 42 thousand).

USU AG leased the Spitalhof administrative building in Möglingen from Ms. Karin Weiler-Strehl. On July 20, 2007, these two parties concluded a new rental agreement with a term to December 31, 2017. The rental agreement is extended by an additional four years if is not terminated at least 24 months before the end of its term. As the rental agreement is not currently terminated, its term has been extended to December 31, 2021. In line with this agreement, the total monthly rent amounts to EUR 24 thousand (2016: EUR 23.5 thousand) plus ancillary costs. In the past fiscal year, USU AG was invoiced EUR 299 thousand (2016: EUR 293 thousand) for the rental of the administrative building and parking spaces.

USU Software AG also leased an office in Münchinger Strasse, Möglingen from Ms. Karin Weiler-Strehl. In the past fiscal year, rent of EUR 10 thousand (2016: EUR 10 thousand) was paid for this office.

49.3 Loans to shareholders

There were no claims under loan agreements as of December 31, 2017.

49.4 Compensation of senior management and the Supervisory Board

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

Bernhard Oberschmidt	(Chief Executive Officer)
Klaus Bader	(Executive Vice President)
Dr. Benjamin Strehl	(Executive Vice President)
Bernhard Böhler	(Executive Vice President)

The compensation paid to the members of the Management Board totaled EUR 1,186 thousand in the 2017 fiscal year (2016: EUR 1,518 thousand).

Fixed compensation:
EUR 593 thousand (2016: EUR 739 thousand)

Variable compensation:
EUR 477 thousand (2016: EUR 646 thousand)

Non-cash benefit from the private use of company cars:
EUR 64 thousand (2016: EUR 73 thousand)

Defined contribution pension costs:
EUR 52 thousand (2016: EUR 60 thousand)

The total compensation paid to the Supervisory Board in the 2017 fiscal year was EUR 107 thousand (2016: EUR 159 thousand). The provisions on the compensation paid to the Supervisory Board are described in the Management Report on the Company and the Group in the chapter entitled “Compensation Report”.

Information on the pension provision recognized for a member of the Supervisory Board and a former member of the Management Board in the amount of EUR 2,791 thousand before setting off against the coverage assets in the amount of EUR 1,512 thousand can be found in note 24.

50. Auditor’s fees

a) Auditing (single-entity and consolidated financial statements)
EUR 128 thousand (2016: EUR 120 thousand)
b) Other services
EUR 7 thousand (2016: EUR 33 thousand)

51. Other disclosures

51.1 Contingent liabilities

There were no contingent liabilities to report as of December 31, 2016 and December 31, 2017.

51.2 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:

	2017 EUR thousand	2016 EUR thousand
Operating lease obligations		
In the next 12 months	679	599
In the next 13 to 60 months	530	584
In more than 60 months	0	0
	1,209	1,183
Other financial commitments from building rental		
In the next 12 months	1,538	1,337
In the next 13 to 60 months	2,960	2,729
In more than 60 months	0	0
	4,498	**4,066**
	5,707	**5,249**

Expenses for operating leases and rental agreements totaled EUR 2,624 thousand in the 2017 fiscal year (2016: EUR 2,320 thousand).

52. Litigation, other contingent liabilities and events after the reporting period

In the course of its ordinary operations, the Company can become involved in legal disputes, claims for damages, criminal investigations and court cases including product liability disputes and disputes under commercial law. The outcome of currently pending and/or future litigation cannot be predicted with sufficient certainty, meaning that future court decisions may result in expenses that are not fully covered by the insurance concluded and that could have a material adverse effect on the Company’s business, financial position and operating results. According to the estimates of the Company and its legal counsel as of December 31, 2017 and December 31, 2016, 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.

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

53. Executive bodies

53.1 Member of the Management Board

In the 2017 fiscal year, the Management Board of the parent company consisted of:

Bernhard Oberschmidt,
Chairman of the Management Board, economics graduate

Bernhard Böhler,
Deputy Chairman of the Management Board

Dr. Benjamin Strehl,
business graduate

The total compensation paid to the active members of the Management Board in the past fiscal year was EUR 870 thousand. Details can be found in the chapter entitled "Compensation Report" in the Management Report on the Company and the Group.

53.2 Supervisory Board

Dem Aufsichtsrat gehörten im Geschäftsjahr 2017 an:

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

Günter Daiss, Vice Chairman
Managing Director of Daiss Agrar, Hungary
Managing Director of Green Kft., Hungary
Vice Chairman of the Supervisory Board of USU AG, Möglingen

Erwin Staudt,
Management consultant, Leonberg
Member of the Supervisory Board of Grenke AG, Baden-Baden
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen
Member of the Board of Directors of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

The total compensation paid to the active members of the Supervisory Board in the past fiscal year was EUR 107.5 thousand. Details can be found in the chapter entitled "Compensation Report" in the Management Report on the Company and the Group.

54. Financial risk management

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

54.1 Credit risk

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

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

The default risk for trade receivables is minimized by constantly monitoring the creditworthiness of the respective counterparties. As no general netting agreements are concluded with customers, the sum of the amounts reported as assets also represents the maximum default risk.

In the event that the Group becomes aware of any evidence that the ability of a particular customer to meet its financial obligations is impaired, it recognizes a specific valuation allowance on the amounts due in order to reduce the net receivable to the most likely recoverable amount. The Group also performs portfolio-based measurement to reflect the risk of uncollectability.

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

54.2 Liquidity risk

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

With the exception of the liability described in note 23, the Company's financial liabilities are all current, i.e. due within one year.

54.3 Interest-related cash flow risk

At USU Software AG, changes in market interest rates affect primarily cash flows from financial investments. If the market interest rate as of December 31, 2017 had been 1% higher (lower), net profit and equity would each have been EUR 142 thousand (December 31, 2016: EUR 181 thousand) higher (lower).

54.4 Exchange rate risk

The volume of foreign-currency transactions conducted by the Company is negligible, meaning that it is exposed to exchange rate fluctuations with an impact on its EUR-denominated assets and income to a limited extent only. Transaction risks also exist for financial assets denominated in foreign currencies. Sensitivity disclosures are not provided for reasons of materiality.

55. 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, 2017 and December 31, 2016, equity and total assets were as follows:

	2017 EUR thousand	2016 EUR thousand	Change %
Non-current liabilities	7,353	2,722	170.1 %
Current liabilities	29,027	25,560	13.6 %
Total liabilities	**36,380**	**28,282**	**28.6 %**
Equity	**63,006**	**63,623**	**-1.0 %**
Total liabilities and equity	**99,386**	**91,905**	**8.1 %**
Equity ratio	63.4 %	69.2 %	

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

6. Exemption in accordance with section 264 (3) HGB

The following domestic subsidiaries included in the consolidated financial statements of USU Software AG made use of the exemption provisions of section 264 (3) HGB for the 2017 fiscal year:

- Aspera GmbH, Aachen
- LeuTek GmbH, Leinfelden-Echterdingen
- Omega Software GmbH, Obersulm
- Openshop Internet Software GmbH, Möglingen
- B.I.G. Social Media GmbH, Berlin
- unitB Technology GmbH

I. HOLDINGS OF MEMBERS OF CORPORATE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies. As of December 31, 2017, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

The members of the executive bodies do not hold any stock options or convertible bonds issued by USU Software AG.

Shareholdings subject to mandatory disclosure	2017 Shares	2016 Shares
Member of the Management Board		
Bernhard Oberschmidt	156,518	156,518
Bernhard Böhler	167,572	167,572
Dr, Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl *)	5,000	2,000,176
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

**) An additional 5,338,044 voting rights in USU Software AG (2016: 3,337,868) are allocated to Mr. Udo Strehl via AUSUM GmbH as the majority shareholder of that company pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).*

A further 32,000 voting rights (2016: 32,000) in USU Software AG are allocated to Udo Strehl via the 'Wissen ist Zukunft' foundation in his capacity as Managing Director of that foundation pursuant to section 22 (1) sentence 1 no. 1 WpHG.

On September 21, 2017, the Chairman of the Supervisory Board, Udo Strehl, transferred the 2,000,176 shares of USU Software AG held by him to AUSUM GmbH, in which he is the majority shareholder. Mr. Strehl acquired 5,000 shares privately in December 2017.

The members of the executive bodies do not hold any stock options or convertible bonds issued by USU Software AG.

J. DIVIDEND PAYMENT

The Management Board and the Supervisory Board are proposing the payment of a dividend of EUR 4,209 thousand (EUR 0.40 per share).

K. DECLARATION OF CONFORMITY

On November 30, 2017, 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 06, 2018

Bernhard Oberschmidt
Chairman of the Management Board

Bernhard Böhler
Member of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

Consolidated statement of changes in fixed assets for the 2017 fiscal year

USU Software AG, Möglingen

	Acquisition/production cost					
	As of 1.1.2017	Currency translation difference	Additions	Additions Acquisitions	Disposals	As of 31.12.2017
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Intangible assets						
Purchased software/ orders on hand	7,250	3	165	2,727	0	10,145
Trademarks and brands	2,532	0	0	0	0	2,532
Maintenance agreements/ beneficial contracts	3,126	0	0	495	0	3,621
Customer base	8,352	0	0	1,317	0	9,669
	21,260	**3**	**165**	**4,539**	**0**	**25,967**
Goodwill	**57,693**	**0**	**0**	**6,407**	**0**	**64,100**
Property, plant and equipment						
Land and buildings	268	0	55	1	90	234
Other equipment, operating and office equipment	4,508	7	1,155	61	507	5,224
	4,776	**7**	**1,210**	**62**	**597**	**5,458**
	83,729	**10**	**1,375**	**11,008**	**597**	**95,525**

Cumulative depreciation and amortization					Carrying amounts	
As of 1.1.2017 EUR thousand	Currency translation difference EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2017 EUR thousand	As of 31.12.2017 EUR thousand	As of 31.12.2016 EUR thousand
6,479	2	557	0	7,038	3,107	771
521	0	0	0	521	2,011	2,011
3,126	0	196	0	3,322	299	0
5,706	0	893	0	6,599	3,070	2,646
15,832	**2**	**1,646**	**0**	**17,480**	**8,487**	**5,428**
22,118	**0**	**800**	**0**	**22,918**	**41,182**	**35,575**
164	0	21	90	95	139	104
2,478	10	1,148	504	3,132	2,092	2,030
2,642	**10**	**1,169**	**594**	**3,227**	**2,231**	**2,134**
40,592	**12**	**3,615**	**594**	**43,625**	**51,900**	**43,137**

Consolidated statement of changes in fixed assets for the 2016 fiscal year

USU Software AG, Möglingen

	Acquisition/production cost				
	As of 1.1.2016	Currency translation difference	Additions	Disposals	As of 31.12.2016
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Intangible assets					
Purchased software/orders on hand	7,111	0	167	28	7,250
Trademarks and brands	2,532	0	0	0	2,532
Maintenance agreements/beneficial contracts	3,126	0	0	0	3,126
Customer base	8,352	0	0	0	8,352
	21,121	**0**	**167**	**28**	**21,260**
Goodwill	**57,693**	**0**	**0**	**0**	**57,693**
Property, plant and equipment					
Land and buildings	226	0	42	0	268
Other equipment, operating and office equipment	4,236	3	1,002	733	4,508
	4,462	**3**	**1,044**	**733**	**4,776**
	83,276	**3**	**1,211**	**761**	**83,729**

	Cumulative depreciation and amortization					Carrying amounts	
	As of 1.1.2016 EUR thousand	Currency translation difference EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2016 EUR thousand	As of 31.12.2016 EUR thousand	As of 31.12.2015 EUR thousand
	6,026	0	481	28	6,479	771	1,085
	521	0	0	0	521	2,011	2,011
	3,037	0	89	0	3,126	0	89
	4,835	0	871	0	5,706	2,646	3,517
	14,419	**0**	**1,441**	**28**	**15,832**	**5,428**	**6,702**
	22,118	**0**	**0**	**0**	**22,118**	**35,575**	**35,575**
	146	0	18	0	164	104	80
	2,175	1	1,025	723	2,478	2,030	2,061
	2,321	**1**	**1,043**	**723**	**2,642**	**2,134**	**2,141**
	38,858	**1**	**2,484**	**751**	**40,592**	**43,137**	**44,418**

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

To USU Software AG, Möglingen

Audit opinions

We have audited the consolidated financial statements of USU Software AG, Möglingen, and its subsidiaries (the Group, "USU"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") for the financial year from 1 January to 31 December 2017. In accordance with German law, we did not audit the content of the non-financial statement of the Group contained in Section VIII. of the combined management report and the declaration on Corporate Governance contained in Section VII.2 of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the non-financial statement of the Group contained in the combined management report in Section VIII. and the declaration on German Corporate Governance contained in Section VII.2 of the combined management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our [audit] opinion thereon, we do not provide a separate [audit] opinion on these matters.
We summarize what in our view are the key audit matters below:

1. Recoverability of goodwill
2. Revenue recognition from software licenses, consulting services and maintenance services

Re 1: Recoverability of goodwill

a) The risk for the financial reporting

Goodwill of EUR 41.2 million is carried in the consolidated financial statements of USU under the line item "Goodwill". This corresponds to 41.4 % of the balance sheet total. Goodwill is subject to an impairment test as of 31 December of each respective fiscal year.

The valuation was performed using the discounted cash flow method. The findings of the impairment test are highly dependent on the estimates made by the legal representatives of future cash flows, the operating margins and the discount rate applied and are therefore subject to substantial uncertainty. A valuation report was commissioned from an independent expert for this purpose. The conclusion of these valuations are highly dependent on the estimates of future cash flows made by the legal representatives and the discount rates used. The valuation is therefore subject to substantial uncertainty. In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

The disclosures of the Company regarding goodwill are contained in Sections 7.1, 7.3 and 11 of the notes to the consolidated financial statements.

b) Audit approach and conclusions

We verified that the future cash flows used in the valuations are appropriate by comparing them to the latest budgets derived from the three-year planning drawn up by the legal representatives and reconciling them with general market expectations.

The reliability of the business planning was tested using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in fiscal year 2017. Where any significant deviations were identified we discussed these with the legal representatives in terms of their relevance for the financial statements of the reporting year. Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we also placed a focus of our audit on the parameters used to determine the discount rate and the weighted average cost of capital and verified the formula used in the calculation.

Due to the material significance of goodwill and the fact that the valuation of goodwill also depends on the macroeconomic environment, which lies out the sphere of influence of the Company, we also performed sensitivity analyses of the cash generating units with low or no coverage (carrying amount compared to net present value) and found that the goodwill carried in the books is suitably covered by discounted future cash surpluses and has been suitably discounted.

We verified the impairment loss of EUR 800 k recorded on the goodwill of B.I.G. Social Media GmbH, Berlin, in fiscal year 2017.

Overall, the valuation parameters and assumptions applied by the legal representatives agree with our expectations.

Re 2: Revenue recognition from software licenses, consulting services and maintenance services

a) The risk for the financial reporting

The Group generates royalty income from licenses to software products issued to consumers, consulting services and software maintenance.

Revenue from software licenses is realized when the software has been supplied, the sales price has been fixed or is determinable, collection is reasonably assured and an agreement can be demonstrated. The revenue from consulting services is realized upon the service being rendered. The revenue attributable to maintenance services is spread over the term of the service contract on a straight-line basis.

The Group offers combinations of its services to its customers, either within the framework of one single contract (combination contract, license and maintenance) or in a number of separate contracts (a bundle of license, maintenance and consulting).

To the extent that the bundle of contracts or the combination contract does not constitute a customer-specific contract in the sense of IAS 11, the Group recognizes the revenue arising from the bundle or the combination contracts in accordance with the fair value of the individual components of the contract. The individual prices are determined on the basis of the price that would be asked for if the good or service was sold separately.

For maintenance work, the customary price is determined from the rates charged to prolong maintenance contracts by the same term and, if these are not available, on the price list approved by the Management Board of the Group. In those cases where the price of the consulting services or maintenance work to be performed in the bundle of contracts lies below the customary price, the difference to the customary prices for the consulting services or maintenance work is separated from the recognized royalty income and realized over the period in which the consulting services or maintenance work is rendered.

In those cases where the payment of royalties depends on providing consulting services which materially modify or expand the functionality of the software, the revenue from the software license and consulting services is deferred in accordance with IAS 11 and recognized based on the percentage of completion of the underlying consulting service contract. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract. Expenses for subsequent modifications by the customer are considered in cost in excess of billings provided their realization is more likely than not and their amount can be reliably estimated.

The method of revenue recognition prescribed by IAS 11 is based on estimates. Due to the associated uncertainties it is possible that estimates of the costs to complete the contract need to be subsequently adjusted. Such adjustments of income and expenses are presented in the period in which a need for adjustment is identified.

The disclosures of the Company regarding revenue recognition are contained in Sections 7.17 and 34 of the notes to the consolidated financial statements.

Due to the various types of revenue recognition for software licenses, consulting services and maintenance services, special focus was placed on revenue recognition within the framework of our audit.

b) Audit approach and conclusions

We assessed the accounting policies applied by USU for the recognition of revenue against the requirements of the IFRS Framework and the relevant IFRSs. To test the revenue generated in the fiscal year, we obtained an understanding of the transactions from the underlying contractual agreements and other associated documents and from explanations provided by the employees in the accounting department and/or sales department of USU. In addition, we obtained confirmations of the balances from the respective customers to verify the receivables carried by USU on the reporting date and assessed whether USU had properly identified all the separate units of account and measured the transaction price for such units of account on the basis of their relative fair values. Likewise, we assessed whether the accounting principles applying to each separate unit of account for the recognition of revenue were properly applied to ensure the proper matching of revenue to the correct period. Moreover, we assessed the appropriateness of the associated disclosures in the notes to the consolidated financial statements.

We are of the opinion that the accounting policies applies by USU to recognize revenue from sales of software licenses, services and maintenance were suitable in fiscal year 2017 to allow proper presentation in the financial statements. It was possible to unambiguously determine which accounting polices should be applied to the recognition of revenue arising from the software agreements entered into in fiscal year 2017 that we reviewed

Other Information

The executive directors are responsible for the other information. The other information comprises:

- The non-financial statement included in Section VIII. of the combined management report
- The declaration on corporate governance included in Section VII.2 of the combined management report
- The remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report
- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- The confirmation pursuant to Sec. 297 (2) Sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Sec. 315 (1) Sentence 5 HGB regarding the combined management report

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express [audit] opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were appointed auditors of the financial statements by the local court of Stuttgart on 22 December 2017. We were engaged by the Supervisory Board on 8 January 2018. We have been the group auditor of USU since this date.

We declare that the [audit] opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ms. Linda Ruoß.

Stuttgart, 6 March 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs	Linda Ruoß
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Annual Financial Statements

Contents

Statement of financial position as of December 31, 2017

USU Software AG, Möglingen

ASSETS		31.12.2017 EUR	31.12.2016 EUR
A.	**Non-current assets**		
I.	Intangible assets		
	Internally generated industrial and similar rights	51,414.45	101,165.45
II.	Property, plant and equipment		
	Other equipment, operating and office equipment	26,870.38	19,679.50
III.	Financial assets	49,399,995.58	39,716,400.23
B.	**Current assets**		
I.	Inventories		
	Work in progress	10,209.32	0.00
II.	Receivables and other assets		
1.	Trade receivables	143,126.53	142,135.30
2.	Receivables from affiliated companies	10,765,494.38	9,125,632.01
3.	Other assets	1,548,027.54	772,733.03
		12,456,648.45	**10,040,500.34**
III.	Securities	3,014,230.00	3,014,230.00
IV.	Cash and cash equivalents	350,012.78	1,887,582.80
C.	**Deferred income**	**91,491.73**	**56,146.54**
		65,400,872.69	**54,835,704.86**

Statement of financial position as of December 31, 2017

USU Software AG, Möglingen

EQUITY AND LIABILITIES		31.12.2017 EUR	31.12.2016 EUR
A.	**Equity**		
I.	Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)	10,523,770.00	10,523,770.00
II.	Capital reserves	13,644,662.64	13,644,662.64
III.	Unappropriated surplus	6,174,925.84	7,594,797.38
		30,343,358.48	**31,763,230.02**
B.	**Provisions**		
1.	Tax provisions	0.00	16,292.59
2.	Other provisions	1,570,496.34	1,119,509.14
		1,570,496.34	**1,135,801.73**
C.	**Liabilities**		
1.	Trade payables	224,261.01	93,865.99
2.	Liabilities to affiliated companies	32,725,807.62	21,589,640.05
3.	Other liabilities	522,529.79	253,167.07
		33,472,598.42	**21,936,673.11**
D.	**Prepaid expenses**	**14,419.45**	**0.00**
		65,400,872.69	**54,835,704.86**

Statement of profit and loss
for the period from January 1 to December 31, 2017

USU Software AG, Möglingen

	2017 EUR	2016 EUR
1. Sales	1,822,556.00	1,323,391.98
2. Increase in finished goods and work in progress	10,209.32	0.00
3. Other operating income	2,164,710.62	1,729,106.59
	3,997,475.94	3,052,498.57
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	184,969.25	43,590.73
b) Cost of purchased services	48,219.28	5,925.01
	233,188.53	49,515.74
5. Personnel expenses		
a) Wages and salaries	3,049,966.47	2,287,298.09
b) Social security, post-employment and other employee benefit costs (of which in respect of old age pensions: EUR 1 thousand; previous year: EUR 42 thousand)	404,202.44	227,652.37
	3,454,168.91	2,514,950.46
6. Amortization of intangible assets and depreciation of property, plant and equipment	70,354.89	95,045.19
7. Other operating expenses	3,954,199.58	2,644,930.20
	-3,714,435.97	**-2,251,943.02**
8. Income from long-term equity investments	3,000,000.00	0.00
9. Cost of loss absorption	1,055,952.10	167,000.00
10. Income from profit transfer agreements	4,928,510.77	6,338,188.68
11. Other interest and similar income (of which in respect of affiliated companies: EUR 8 thousand; previous year: EUR 0 thousand)	22,186.35	66,359.52
12. Write-downs of non-current financial assets	0.00	400,000.00
13. Interest and similar expenses (of which in respect of affiliated companies: EUR 394 thousand; previous year: EUR 325 thousand)	394,325.74	325,613.46
14. Income taxes	-14,569.84	296,653.87
15. Other taxes	-10,916.69	0.00
	6,504,072.43	5,215,280.87
15. Net profit	**2,789,636.46**	**2,963,337.85**
16. Profit carried forward from the previous year	3,385,289.38	4,631,459.53
17. Unappropriated surplus	**6,174,925.84**	**7,594,797.38**

Notes to the financial statements for the 2017 fiscal year

USU Software AG, Möglingen

A. GENERAL INFORMATION

USU Software AG is entered in the commercial register of the Stuttgart District Court under HRB 206442 and is domiciled at Spitalhof, 71696 Möglingen, Germany.

The single-entity financial statements of USU Software AG were prepared in accordance with sections 242 ff. and 264 ff. of the German Commercial Code (HGB) in the version amended by the German Accounting Directive Implementation Act (BilRUG) and the relevant provisions of the German Stock Corporation Act (AktG). As a listed company, USU Software AG is considered a large corporation within the meaning of section 267 (3) sentence 2 HGB.

The presentation, classification, recognition and measurement of the items in the single-entity financial statements are based on the same principles as in the previous year.

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

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

B. ACCOUNTING POLICIES

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

Property, plant and equipment is measured at acquisition cost (plus incidental costs), less scheduled depreciation, amortization, and write-downs.

Assets that can be used independently and that have an acquisition cost of less than EUR 410.00 are written off in full in their year of acquisition.

For intangible assets and property, plant and equipment with limited useful lives, amortization and depreciation is generally determined using the rates permitted for tax purposes and is recognized on a straight-line basis over a standard useful life of between three and five years.

With regard to financial assets, shares in affiliated companies are carried at the lower of cost or market. Write-downs are recognized for permanent impairment.

If the value of items of non-current assets calculated in accordance with the above principles exceeds the fair value of these assets at the reporting date, corresponding write-downs are recognized. If the reasons for a write-down no longer apply in a subsequent fiscal year, the write-down is reversed in the amount of the increase in value, taking into account the amortization and depreciation that would have been recognized in the meantime.

Work in progress is recognized at production cost taking into account the principle of loss-free valuation. Production cost comprises the working hours accrued and individually documented, which are measured as direct costs plus proportionate overheads. The option of including administration overheads was not exercised. Interest for borrowings is not taken into account when calculating production cost. Purchased services are measured at acquisition cost.

Advance payments are reported net of sales tax.

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

Securities were recognized at acquisition cost in accordance with section 253 (4) HGB, using the principle of the lower of cost or market.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. They are recognized in the amount dictated by prudent business judgment. Provisions with remaining terms of more than a year are measured at present value and discounted at an interest rate in line with the terms of the provisions. Cost increases which are expected to have a future impact until the obligation has been fulfilled are taken into account if there is sufficient objective evidence of their occurrence.

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 with a remaining term of up to one year are translated at the middle spot exchange rate at the reporting date. As such, the present annual financial statements contain unrealized gains and losses on currency translation. Items with a remaining term of over one year are translated at the exchange rate at the date on which they originated. In the event of exchange rate changes up until the reporting date, items are measured at the exchange rate at the reporting date, applying the lower of cost or market principle on the asset side and the higher of cost or market principle on the liability side.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with section 274 HGB. Deferred taxes are recognized for USU Software AG and its tax group companies for temporary differences between the accounting and tax carrying amounts of goodwill, pension provisions and other provisions in particular. Tax loss carryforwards at USU Software AG are taken into account in addition to the temporary accounting differences. Temporary differences and tax loss carryforwards that are expected to be offset within the next five years are measured using the Company's own tax rate (as of December 31, 2017: approximately 30.7%).

Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting. The Company has not exercised the option of utilizing deferred tax assets (Section 274 (1) sentence 2 HGB).

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C. NOTES TO THE BALANCE SHEET

1. Non-current assets

The separate statement of changes in non-current assets is an integral element of the notes to the financial statements.

2. 1. Receivables and other assets

Receivables from affiliated companies are attributable to profit transfers from sub-sidiaries in the amount of EUR 7,929 thousand (2016: EUR 6,306 thousand) and a distribution from USU AG in the amount of EUR 1,737 thousand (2016: EUR 1,897 thousand); the remaining amount relates to services.

As in the previous year, all receivables and other assets have a remaining term of less than one year.

Other assets include input tax receivables in the amount of EUR 9 thousand (2016: EUR 9 thousand) that are deductible in the following year.

3. Issued capital

The share capital of the Company reported as issued capital is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

Authorized capital
By resolution of the Annual General Meeting of July 4, 2017, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,630,942.00 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 3, 2022 (Authorized Capital 2017). Shareholders must be granted subscrip-tion rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for frac-tional amounts and/or, if and to the extent it is required, to grant bearers of con-vertible bonds with conversion obligations issued by the Company the right to sub-scribe 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 Superviso-ry Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights disapplied does not exceed 10% – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category and with the same rights already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2017 with shareholders' subscription rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG and 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 2017 in analogous application of section 186 (3) sentence 4 AktG.

The Management Board is also authorized, subject to the approval of the Superviso-ry Board, to disapply shareholders' subscription rights in the case of non-cash capi-tal increases, particularly in connection with the acquisition of participations, com-panies, parts of companies, or assets – including for exchanging shares – and in the case of mergers.

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

The Management Board is also authorized, subject to the approval of the Superviso-ry Board, to stipulate further details of the implementation of capital increases from authorized capital 2017, including the content of share rights and the conditions for the issuing of shares.

Contingent capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may be used only for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2017.

4. Other provisions

Other provisions primarily comprise provisions in connection with the acquisition of unitB technology GmbH, Berlin (EUR 750 thousand) and provisions for bonus payments (EUR 375 thousand), the annual report (EUR 133 thousand) and vacation (EUR 105 thousand).

5. Liabilities

	Total		Due within 1 year		Due within 1-5 years	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Type of liability	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Trade payables	224	94	222	94	2	0
Liabilities to affiliated companies	32,726	21,589	5,305	464	27,421	21,125
Other liabilities	523	253	273	253	250	0
(of which from taxes)	(212)	(134)	(212)	(134)	(0)	(0)
(of which in respect of social security)	(0)	(0)	(0)	(0)	(0)	(0)
	33,473	**21,936**	**5,800**	**811**	**27,673**	**21,125**

Liabilities to affiliated companies primarily relate to loan liabilities (EUR 31,650 thousand, 2016: EUR 21,357 thousand) and are secured in the amount of EUR 31,650 thousand (2016: EUR 21,125 thousand) by a global assignment of receivables. EUR 22 thousand (2016: EUR 67 thousand) relates to trade payables.

D. NOTES TO THE INCOME STATEMENT

6. Sales

	2017 EUR thousand	2016 EUR thousand
Consulting	357	276
Licenses	124	0
Service and maintenance	10	0
Other	1,332	1,047
	1,823	**1,323**

In the year under review, sales of EUR 1,816 thousand (2016: EUR 1,255 thousand) were generated in Germany and sales of EUR 7 thousand (2016: EUR 68 thousand) were generated abroad.

7. Other operating income

Other operating income of EUR 2,164 thousand (2016: EUR 1,729 thousand) primarily relates to services for Group companies (EUR 1,285 thousand, 2016: EUR 0 thousand) and research funds in the amount of EUR 691 thousand (2016: EUR 617 thousand).

Other operating income contains income from curren-cy translation in the amount of EUR 0 thousand (2016: EUR 146 thousand) and prior-period income of EUR 81 thousand (2016: EUR 274 thousand).

8. Other operating expenses

This item includes expenses from currency translation in the amount of EUR 1 thousand (2016: EUR 10 thousand).

Other operating expenses contain prior-period expenses of EUR 196 thousand (2016: EUR 0 thousand) for additional costs arising in the previous year.

9. Income from profit transfer agreements/ expenses from loss absorption

The Company entered into a profit transfer agreement with Openshop Internet Software GmbH on March 2, 2000, and profit and loss transfer agreements with Omega Software GmbH on May 19, 2005, LeuTek GmbH on December 29, 2006 and Aspera GmbH on May 31, 2012, which were amended slightly in 2014 in view of tax requirements. USU Software AG entered into a profit and loss transfer agreement with B.I.G. Social Media GmbH on May 6, 2015. Under these agreements, the partic-ipating companies are required to transfer all of their profits to USU Software AG during the contractual term. Transfers to distributable reserves are permitted only with the approval of USU Software AG. In exchange, USU Software AG undertakes to offset every net loss incurred during the contractual term that cannot be offset by way of withdrawals from distributable reserves recognized during the same period.

Accordingly, the profit generated by LeuTek GmbH, Aspera GmbH, and Omega Soft-ware GmbH in the 2017 fiscal year was transferred to USU Software AG in line with the profit and loss transfer agreement concluded. The loss reported by Openshop Internet Software GmbH and B.I.G. Social Media GmbH in their single-entity finan-cial statements was absorbed by USU Software AG.

EUR 4,929 thousand (2016: EUR 6,338 thousand) of income from profit transfer agreements relates to affiliated companies.

EUR 1,056 thousand (2016: EUR 167 thousand) of expenses from loss absorption relates to affiliated companies.

10. Net finance income

EUR 8 thousand (2016: EUR 0 thousand) of other interest and similar income relates to affiliated companies.

EUR 389 thousand (2016: EUR 325 thousand) of interest and similar expenses relates to affiliated companies.

11. Taxes

Income taxes relate solely to prior-period expenses and income.

E. OTHER DISCLOSURES

Disclosures on participations

USU Software AG holds 100% of the shares in each of the following companies: The information on equity and net profit represents the amounts recognized in accord-ance with the respective national accounting standards:

Furthermore, USU Software AG has provided a letter of comfort for Openshop Internet Software GmbH, Möglingen as well as for USU Consulting GmbH, Sursee, Switzerland (affiliated companies). Under the terms of these letters of comfort, USU Software AG, Möglingen, undertook to manage these subsidiaries in the 2017 and 2018 fiscal years and to provide them with the necessary financial resources to fulfill their obligations. USU Software AG also subordinated all of its receivables from Openshop Internet Software GmbH, Möglingen, in the total amount of EUR 779 thousand (2016: EUR 779 thousand) and receivables from USU Consulting GmbH, Switzerland, in the amount of EUR 0 thousand (2016: EUR 0 thousand).

	Equity 31.12.2017 EUR thousand	Net profit 2017 EUR thousand
USU AG, Möglingen	29,623	8,664
LeuTek GmbH, Leinfelden-Echterdingen [1]	3,428	2,049
Omega Software GmbH, Obersulm [1]	970	180
Openshop Internet Software GmbH, Möglingen [1]	-773	-1
Aspera GmbH, Aachen [1]	2,997	2,697
B.I.G. Social Media GmbH, Berlin [1]	1,706	-1,055
USU Consulting GmbH, Sursee, Switzerland	30	-10
Aspera Technologies Inc., Boston, USA	-1,203	531
unitB GmbH, Berlin	1.907	-36
USU SAS, Paris	-3,363	-1,434

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

The following wholly-owned participations are held in-directly via USU AG, Möglingen.

	Equity 31.12.2017 EUR thousand	Net profit 2017 EUR thousand
USU Software s.r.o., Brno, Czech Republic	1,219	149
USU (Schweiz) AG, Zug, Switzerland	-39	-6
USU Austria GmbH, Vienna, Austria	-558	58

12. Employees

An average of 33 people were employed by the Company during the 2017 fiscal year (2016: 19).

13. Contingent liabilities

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

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

The Management Board assumes that there is no concrete risk of the contingent liabilities being utilized. The Company does not have any active business operations. It has sufficient cash and cash equivalents to fulfill its existing payment commitments to third parties. Valuation allowances were recognized on all of USU Software AG's existing receivables at the end of the reporting period.

Profit transfer/profit and loss transfer agreements have been concluded with five affiliated companies.

14. Other financial commitments

As at the end of the reporting period, other financial commitments amounted to EUR 492 thousand. They were broken down as follows:

	Maturity 2018 EUR thousand	Maturity 2019 EUR thousand	Maturity from 2020 EUR thousand	31.12.2017 Total EUR thousand	31.12.2016 Total EUR thousand
Operating leases					
Buildings	75	79	163	318	280
Office equipment	3	2	0	5	5
Cars	83	53	14	150	93
Total (nominal amount)	161	134	177	473	378

Transactions not recognized in the balance sheet in the field of operating leases primarily relate to building rentals, vehicle leases and rental agreements for office equipment including IT hardware. These contracts constitute a financing alternative with which a liquidity and equity commitment and the transfer of significant economic risks can be avoided. Furthermore, planning and calculation security exists with regard to lease conditions that have been agreed for the term. One risk lies in the possibility that the items assumed may not be freely available in the case of a lack of utilization.

15. Supervisory Board

In the 2017 fiscal year, the Supervisory Board consisted of:

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

Günter Daiss, Vice Chairman
Managing Director of Daiss Agrar, Hungary
Managing Director of Green Kft., Hungary
Vice Chairman of the Supervisory Board of USU AG, Möglingen

Erwin Staudt,
Management consultant, Leonberg
Member of the Supervisory Board of Grenke AG, Baden-Baden
Member of the Board of Directors of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen

Total compensation of the Supervisory Board
The compensation paid to the Supervisory Board contains a fixed and a variable component. The fixed component for the 2017 fiscal year amounted to EUR 85 thousand.

16. Management Board

Bernhard Oberschmidt Oberschmidt
(Chairman of the Management Board)
Member of the Supervisory Board of Dürr Dental SE, Bietigheim-Bissingen

Bernhard Böhler

Dr. Benjamin Strehl

Total compensation of the Management Board
The total compensation paid to the Management Board in the 2017 fiscal year was EUR 870 thousand. Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2017 fiscal year.

17. Auditor’s fees

The fees paid to the auditor for audits of financial statements amounted to EUR 74 thousand in the 2017 fiscal year.

18. Supplementary report

On March 5, 2018, a distribution by the subsidiary USU AG, Möglingen, was resolved in the amount of EUR 3,000 thousand and recognized by USU Software AG in the same pattern as the distribution.

19. 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 combined Group management report are published in the electronic Bundesanzeiger (Federal Gazette) and can also be obtained on request from USU Software AG, Möglingen. They are also made available on USU Software AG's website at http://www.usu-software.de.

20. Declaration on the German Corporate Governance Code in accordance with section 161 AktG

On November 30, 2017, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu-software.de. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group in these single-entity financial statements.

21. Disclosures by USU Software AG in accordance with section 160 (1) no. 8 AktG

USU Software AG has received the following voting right notifications from shareholders holding at least 3 % of the voting rights:

Notifier	Date on which threshold reached	Share of voting rights	
		In %	absolute
Peter Scheufler	30.07.2012	9.96%	1,047,929
Main First SICAV	25.11.2015	3.05%	321,254
AUSUM GmbH	21.09.2017	50.72%	5,338,044

22. Appropriation of net profit

The Management Board proposes using the unappropriated surplus as of December 31, 2017 in the amount of EUR 6,175 thousand as follows:

- to pay a dividend of EUR 0.40 per share for 10,523,770 shares, amounting to a total of EUR 4,210 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 1,965 thousand to new account.

Möglingen, March 6, 2018

Bernhard Oberschmidt
Chairman of the Management Board

Bernhard Böhler
Member of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

Statement of changes in fixed assets in the 2017 fiscal year

USU Software AG, Möglingen

	Acquisition/production cost			
	As of 1.1.2017 EUR	Additions EUR	Disposals EUR	As of 31.12.2017 EUR
I. Intangible assets				
Purchased concessions, industrial and similar rights	242,932.02	1,602.29	0.00	244,534.31
II. Property, plant and equipment				
Other equipment, operating and office equipment	312,270.28	26,192.48	13,207.36	325,255.40
III. Financial assets				
Shares in affiliated companies	41,827,839.24	9,683,595.35	0.00	51,511,434.59
	42,383,041.54	**9,711,390.12**	**13,207.36**	**52,081,224.30**

Cumulative depreciation and amortization				Carrying amounts	
As of 1.1.2017 EUR	Additions EUR	Disposals EUR	As of 31.12.2017 EUR	As of 31.12.2017 EUR	As of 31.12.2016 EUR
141,766.57	51,353.29	0.00	193,119.86	51,414.45	101,165.45
292,590.78	19,001.60	13,207.36	298,385.02	26,870.38	19,679.50
2,111,439.01	0.00	0.00	2,111,439.01	49,399,995.58	39,716,400.23
2,545,796.36	**70,354.89**	**13,207.36**	**2,602,943.89**	**49,478,280.41**	**39,837,245.18**

Report on the Audit of the Financial Statements and the Combined Management Report

To USU Software AG, Möglingen

Audit opinions

We have audited the financial statements of **USU Software AG, Möglingen,** which comprise the statement of financial position as at 31 December 2017 and the statement of income for the financial year from 1 January 2017 to 31 December 2017 as well as the notes to the financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the financial year from 1 January to 31 December 2017. In accordance with German law, we did not audit the content of the non-financial statement of the Group contained in Section VIII. of the combined management report and the declaration on Corporate Governance contained in Section VII.2. of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit

- the financial statements comply in all material respects with the requirements of German commercial law applying to stock corporations and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German GAAP ("Grundsätze ordnungsmäßiger Buchführung") as of 31 December 2017 and of the results of operations for the fiscal year from 1 January to 31 December 2017 and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the non-financial statement of the Group contained in Section VIII. of the combined management report and the declaration on German Corporate Governance contained in Section VII.2 of the combined management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and on the combined management report.

Key Audit Matters in the Audit of the Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

- Valuation of shares in affiliated companies

a) The risk for the financial reporting

Shares in affiliated companies are carried under "financial assets" at a value of EUR 49,400 k (79% of total assets) in the financial statements of USU Software AG, Möglingen. The shares in affiliated companies are measured at the lower of cost or net realizable value. Sections B and E of the notes to the financial statements contain further explanations of the accounting of financial assets.

When measuring fair value, the perspective of the entity holding the shares in the affiliated company should be taken. The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the legal representatives. These also consider expectations of future market developments. The net present values are determined using the discounted cash flow method. As a discount rate the weighted average cost of capital is used. A valuation report was commissioned from an independent expert for this purpose. The conclusion of these valuations are highly dependent on the estimates of future cash flows made by the legal representatives and the discount rates used. The valuation is therefore subject to substantial uncertainty. In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

b) Audit approach and conclusions

During our audit of the fair value of the shares in affiliated companies, we assessed the valuation method used and the calculation of the weighted costs of capital. In addition, we are satisfied that future cash flows underlying the valuations and the weighted costs of capital together constitute a proper basis for the impairment test of the respective shares in affiliated companies. During our assessment of the conclusions of the valuations as of 31 December 2017 we relied, among other things, on a comparison of the general market expectations and the expectations for the industry as well as the explanations of the legal representatives on the key value drivers underlying the expected cash flows. Moreover, we assessed the expert reports from independent valuers commissioned by the Company. Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we intensively addressed the parameters used to determine the discount rate including the weighted average cost of capital and verified the formula used in the calculation.

Based on the information available, the valuation parameters and assumptions applied by the legal representatives appear suitable to us to properly value the shares in affiliated companies. Overall, the valuation parameters and assumptions applied by the legal representatives agree with our expectations.

Other information

The executive directors are responsible for the other information. The other information comprises:

- The non-financial statement included in Section VIII. of the combined management report
- The declaration on corporate governance included in Section VII.2 of the combined management report
- The remaining parts of the annual report, with the exception of the audited financial statements and management report and our auditor's report
- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- The confirmation pursuant to Sec. 264 (2) Sentence 3 HGB regarding the financial statements and the confirmation pursuant to Sec. 289 (1) Sentence 5 HGB regarding the combined management report

Our audit opinions on the financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the financial statements that comply, in all material respects, with the requirements of German commercial law applying to stock corporations and that the financial statements, in compliance with German GAAP ("Grundsätze ordnungsmäßiger Buchführung"), give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary in accordance with German GAAP to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there are actual or legal circumstances for not doing so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German GAAP.
- evaluate the consistency of the combined management report with the financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were appointed auditors of the financial statements by order of the local court of Stuttgart on 22 December 2017. We were engaged by the Supervisory Board on 8 January 2018. We have been the group auditor of USU Software AG, Möglingen, since this date.

We declare that the [audit] opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ms. Linda Ruoß.

Stuttgart, 6 March 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs	Linda Ruoß
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Management Board and Supervisory Board

Bernhard Oberschmidt
Chairman
of the Management Board

Dr. Benjamin Strehl
Member
of the Management Board

Bernhard Böhler
Vice Chairman
of the Management Board

Erwin Staudt
Member
of the Supervisory Board

Udo Strehl
Chairman
of the Supervisory Board

Günter Daiss
Vice Chairman
of the Supervisory Board

Financial calendar of 2017*

March 29, 2018
Publication Financial Figures 2017

April 12, 2018
LBBW Roadshow,
Dusseldorf, Cologne

May 15, 2018
Analyst- and Investor Conference
as part of the German Spring Conference,
Frankfurt/Main

May 24, 2018
Publication three months' statement 2018

June 28, 2018
Annual General Meeting,
Ludwigsburg

August 30, 2018
Publication six months' statement 2018

September 7,–9, 2018
14. IR-Fahrt 2018, Rüttnauer Research

November 22, 2018
Publication nine months' statement 2018

November 26,–28, 2018
German Equity Forum, Frankfurt/Main

* *These are preliminary dates for the 2018 fiscal year. Any changes will be published on the Company's website at www.usu.de*

Glossary

AktG
Abbreviation for Aktiengesetz (German Stock Corporation Act).

Deferred tax assets/liabilities
Income tax to be received/paid in the future resulting from differences between the financial statements and the tax base.

Alpora
An investment research company based in Switzerland that identifies particularly innovative companies in various industries and regions and creates investment products on this basis.

App
Abbreviation for application. This term refers to any type of application software. However, it usually describes applications for smartphones and tablet computers.

ASP model
Abbreviation for application service provider model. Describes a software leasing model that is the historical predecessor to ▶ *SaaS* applications. Companies that prefer the ASP model mostly want to implement company-specific features.

Aspera
Abbreviation for Aspera GmbH. Aspera is a subsidiary of USU Software AG. As a highly specialized solutions provider for software license management, Aspera operates in a rapidly growing market segment. Aspera's product portfolio includes the ▶ *SmartTrack* product, which is oriented towards the premium market.

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

Asset monitoring
See: Monitoring

Audit
In the area of software license management, an audit refers to the inspection of the use of software on the customer's premises. Usage and purchased software licenses are examined in particular.

Adjusted EBIT
Adjusted EBIT describes the earnings before interest and taxes of USU Software AG not relating to ▶ *IFRS* and adjusted for non-recurring acquisition-related effects.

BIG Social Media
Abbreviation for B.I.G. Social Media GmbH. BIG Social Media, an international provider of ▶ *SaaS* solutions in the area of ▶ *social media* management, BIG Social Media is a subsidiary of USU Software AG. With its innovative product ▶ *BIG CONNECT,* BIG helps customers to identify, manage and successfully utilize developments in social media.

Big data
Big data describes the use of large volumes of data from various sources with high processing speed in order to generate economic benefit. Big data is defined on the basis of four characteristics: data volume, the variety of data sources, the speed of data production and the rising number of users that wish to exploit the potential of big data using analysis.

BIG CONNECT
Software product of the Group subsidiary ▶ *BIG Social Media* for ▶ *social media* management.

GDP
Abbreviation for gross domestic product. GDP is used to measure the economic performance of an economy within a specific period. It measures the monetary value of all goods and services produced domestically. Real GDP refers to GDP adjusted for price developments. The rate of change in real GDP serves to measure the economic growth of an economy.

BMWi
Abbreviation for Bundesministerium für Wirtschaft und Energie (German Federal Ministry for Economic Affairs and Energy).

Branding
In marketing, branding means establishing a brand through targeted advertising.

Bot
This term comes from the English word "robot". A bot is a computer program that performs repetitive tasks largely autonomously.

Gross income
Sales less cost of sales.

Capacity monitoring
The monitoring of existing IT capacities in order to ensure that they meet current and future requirements.

Chat
This term has been adopted to describe real-time electronic communication, typically on the Internet.

Chatbots
A chatbot is a software system that responds automatically to text prompts by human users. It acts as a virtual assistant, responding to user search requests for flights, prices, hotels and rental cars.

Cloud
See: Cloud computing.

Cloud computing
Refers to ▶ *IT services* that can be obtained in the Internet "cloud". Users no longer need to buy the required hardware or software or install and maintain them on-site, but instead can flexibly obtain the desired services via the Internet and use them as a service when needed.

CMDB
Abbreviation for configuration management database. Information about all ▶ *IT* equipment and resources is managed in this database, such as PCs and their software and hardware components, contracts, etc. Unlike conventional ▶ *IT asset management* databases, the mutual dependencies of the managed objects are also shown.

Compliance
Commitment by a company and its managers to observe the rules prescribed by the law, shareholders or the Supervisory Board, including various ethical aspects of the corporate philosophy. The aim is to avoid a negative image and prevent cases of liability or actions for damages.

Configuration management
Configuration management provides the necessary information about the IT infrastructure and services for ▶ *IT service management.* Constantly updated and historical information about configuration items (CIs) is available in the configuration management database (▶ *CMDB*).

CMS
Abbreviation for content management system, an application that is used to create, edit and organize content. This content may take the form of text, images, videos or multimedia documents on websites and other forms of media.

Corporate Governance
Describes the responsible management and controlling of a company with a view to long-term value creation. Key standards are compiled by the Government Commission for the German Corporate Governance Code and consolidated in the German Corporate Governance Code.

DAX
Abbreviation for the Deutscher Aktienindex (German Stock Index). As the most important stock index in Germany, the DAX reflects the development of the 30 largest companies with the strongest growth that are listed on the Frankfurt Stock Exchange.

Destatis
Abbreviation for the German Federal Statistical Office.

Directors' dealings
Reportable securities transactions conducted by the managers of a listed company in accordance with Article 19 of the Market Abuse Regulation (EU) No. 596/2014.

EASYTRUST
Abbreviation for EASYTRUST SAS, which has since been renamed USU SAS. EASYTRUST is a subsidiary of USU Software AG.

EBIT
Abbreviation for earnings before interest and taxes.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortization.

EBT
Abbreviation for earnings before taxes.

Equity ratio
The ratio of shareholders' equity in the statement of financial position to total assets. The higher a company's equity ratio, the lower its debt-to-equity ratio.

Facebook
A social network operated by the US company of the same name, Facebook Inc.

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

Goodwill
Goodwill is an intangible asset resulting from the acquisition of business operations and capital consolidation.

HGB
Abbreviation for Handelsgesetzbuch (German Commercial Code).

IFRS
International Financial Reporting Standards are designed in particular to ensure that accounting methods and disclosures in financial statements are internationally comparable and to improve confidence in the financial markets and investor protection.

Impairment test
An impairment test is used to examine non-current assets in order to identify whether the recognition of an impairment loss is necessary. Instead of amortization, impairment testing is performed at least once a year for the ▶ *goodwill* reported in the consolidated statement of financial position in accordance with ▶ *IFRS* 3, among other things. Impairment testing can result in either the confirmation of the reported goodwill or in an impairment loss that serves to reduce net profit for the period.

Industrial big data
Industrial big data describes an extremely large volume of unstructured and semi-structured machine data generated in the manufacturing industry as a result of intelligent networking along the entire production chain.

Internet of Things
Internet of Things (IoT) describes connecting objects, e.g. devices, sensors, etc., with the Internet. This allows applications to be automated and tasks to be performed without external intervention.

ISIN
Abbreviation for International Securities Identification Number. The ISIN is a twelve-digit international identification number for securities that allows a security traded on the stock market to be clearly identified.

IT
Abbreviation for information technology

IT analytics
This term describes the overarching analysis, monitoring and controlling of information from all relevant ▶ *IT service management* systems and ▶ *ITIL®* processes

IT asset management
Comprises the automated management of all IT components and their relationships over the entire lifecycle, including all financial, procurement-related and contractual information.

ITIL®
IT infrastructure library – a collection of expert methodical principles to optimize ▶ *IT service* processes. ITIL was developed by the CCTA (Central Computer and Telecommunications Agency) in the late 1980s based on practical experience. It constitutes a manufacturer-independent set of rules that describe a systematic procedure for the introduction, operation and management of ▶ *IT* and its services. ITIL defines processes, functions, roles, responsibilities and design elements that form the basis and requirements for efficient and effective IT operations.

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

ITSM
Abbreviation for ▶ *IT service management.*

IT service management
The sum of all tried and tested measures and methods that are required to achieve the best possible support for business processes by means of the IT organization. IT service management describes the transition of ▶ *IT* towards customer and service orientation while taking into account economic objectives. By integrating organization-wide knowledge into the company's core processes with a view to creating value, USU also offers its customers the potential to further optimize and operate their business processes in a cost-efficient manner using a consistent basis of information.

Katana
Katana is a new ▶ *USU* division that emerged from USU's research department and that focuses on big data analytics applications and data-driven services.

KatanaFlow
KatanaFlow is a new graphical development environment for data science in mechanical and plant engineering. The powerful, user-friendly web application supports engineers in analyzing and processing industrial data.

Knowledge Bot
A ▶ *bot* solution developed by the ▶ *USU* division ▶ *unymira* to provide service support for standard questions.

Knowledge database
Knowledge databases are special databases for ▶ *knowledge management* They provide the basis for gathering information. Organizations use them to make their ideas, solutions, articles, processes, user guides and other content available to all authorized parties. Knowledge databases require carefully structured classifications, formatted content and user-friendly search functions.

KnowledgeFirst
An intelligent solution for web self-service developed by the ▶ *USU* division ▶ *unymira*. The application provides support for questions and problems and delivers the right answer on the basis of the integrated ▶ *knowledge database.*

Knowledge management
A summary term for all strategic and operational activities and management tasks aimed at handling knowledge as effectively as possible.

Deferred taxes
See: Deferred tax assets/liabilities.

LDAP
Abbreviation of Lightweight Directory Access Protocol. LDAP is a directory service used to find organizations, individuals and other resources within a network.

LeuTek
Abbreviation for LeuTek GmbH. LeuTek is a subsidiary of ▶ *USU Software AG.* LeuTek is a software company that develops and distributes standard software in the field of ▶ *systems management,* such as the internally developed ▶ *ZIS system* software.

Liferay
Liferay is license-free, open-source software that is used by companies as an employee- and business process-oriented portal.

Linked Data for Mobility (LIMBO)
An interdisciplinary research project supported by the German Federal Ministry of Transport and Digital Infrastructure. The aim is to connect mobility data to new data sources in order to develop innovative mobility solutions and new business models.

License metrics
License metrics describe how license requirements for software usage are measured. Typical metrics include the number of installations, the number of users, the duration of usage etc.

Monitoring
Describes the monitoring of operations on individual computers, servers or entire data centers.

myCMDB
The current product suite of the subsidiary ▶ *OMEGA.* With myCMDB, the ▶ *USU Group* offers a standard software solution in the field of ▶ *IT service management* for SMEs and public administrations.

OMEGA
Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. It primarily performs services and distributes products such as the ▶ *myCMDB* product suite.

On-premises
In contrast to a leased solution like ▶ *SaaS*, on-premises describes a software solution that is installed locally. The user purchases, installs and administers the software on their own hardware.

Pink Elephant
Pink Elephant is a globally recognized ▶ *ITIL®* certification company. With PinkVERIFY™, it has developed an objective methodology for evaluating ▶ *ITSM* software and assessing it in terms of functional and integrative criteria.

Predictive maintenance
Predictive maintenance is defined as evaluating maintenance information on the basis of live machine and production data in order to perform proactive maintenance on machinery and equipment before any downtime or quality losses occur.

Prime Standard
Admission and market segment of the Frankfurt Stock Exchange for companies wishing to position themselves internationally. Prime Standard companies are required to meet strict international transparency requirements that go far beyond the minimum statutory requirements for the regulated market.

Private cloud
A private cloud provides its services exclusively for organizations. Unlike the public ▶ *cloud,* it is not publicly available via the Internet. A private cloud can be hosted on a company's own computers or by a third party and offers a high degree of control and security.

Proof of concept
Describes evidence of a software manufacturer's viability in the context of a market evaluation. This generally relates to the development of a prototype with the required core functionality.

Release
Describes the finished and released version of a piece of software. This involves a change in the version name, typically an increment in the version number.

Remote maintenance
Describes the maintenance of equipment, machinery or computers at a different location.

SaaS
Abbreviation for ▶ *software as a service.*

SAM
Abbreviation for ▶ *software asset management.*

Self-service
Provides users with easy, intuitive access to the solution to their inquiry or problem. This simplifies and accelerates processes and increases user satisfaction.

Service desk
The service desk is the central point of contact for all service requests within an organizational structure. The main task of an ▶ *ITIL®* service desk is to handle incoming and outgoing communication with users of ▶ *IT services.*

Service level agreement
Describes the measurable description of an IT service to be rendered, including the level of quality to be achieved and the measurement parameters to be applied.

SLA
Abbreviation for ▶ *service level agreement.*

Smart data
Describes data sets containing valuable information that are extracted from larger volumes of data (see ▶ *big data*) using algorithms. This allows workflows and decision-making processes to be optimized or automated.

SmartMMI
An interdisciplinary research project supported by the German Federal Ministry of Transport and Digital Infrastructure. The joint project aims to research, develop and test a methodology and a platform for dynamic mobility information for public transportation.

SmartTrack
Software license management solution of the Group subsidiary ▶ *Aspera* ensuring audit-proof adherence to ▶ *compliance* guidelines concerning the use of software licenses and the realization of extensive cost savings through license optimization. Customers who use SmartTrack save a large proportion of their expenditure on software licenses and can demonstrate compliance at all times.

SMDB
Abbreviation for service management database. As well as the technical information of a configuration management database ▶ *CMDB,* an SMDB contains information on the affected services.

Social media
This term encompasses a wide range of media, including Facebook, Twitter and various specialized forums. Social media allows users to exchange views and create media content individually or as a community. In this respect, it is an everyday communication and information medium that is becoming increasingly important for companies, from marketing and sales to the acquisition of new employees.

Software as a service
Describes the flexible, scalable provision of software as a service on the Internet. Customers can use the required software via the Internet as required and no longer have to install it locally. In this respect, SaaS constitutes a sub-area of ▶ *cloud computing.*

Systems management
The centralized administration, monitoring, visualization, automation and management of all systems and processes of a company or group that are required for IT operations.

unitB technology GmbH
A subsidiary of ▶ *USU* since January 2017. unitB technology is a full-service agency specializing in digital media and IT that develops IT and marketing solutions for corporate websites, product marketing and customer communications. It supplements the Group portfolio in areas such as USU portal solutions.

unymira
unymira is a new ▶ *USU* division that bundles the products and expertise of the four previously separate USU divisions, ▶ *BIG Social Media,* ▶ *Business Solutions,* ▶ *KCenter* and ▶ *unitB technology.* unymira offers an established strategy and technology portfolio for customer and IT service.

USU
Abbreviation for the entire USU Group, i.e. the parent company USU Software AG and its subsidiaries, including USU AG, ▶ *Aspera,* ▶ *Aspera Technologies,* ▶ *BIG,* ▶ *LeuTek,* ▶ *OMEGA,* ▶ *unitb technology GmbH* and ▶ *USU SAS.* The USU Group has strategically positioned itself on the market for ▶ *IT* and ▶ *knowledge management* software.

USU KnowledgeCenter
The modular web-based product suite of the ▶ *USU* division ▶ *unymir*a for the provision of information in knowledge-intensive business processes. USU KnowledgeCenter's patented technology has received numerous awards.

USU SAS (formerly "EASYTRUST SAS")
USU SAS is a highly specialized French software provider for the automatic detection and analysis of hardware and software in complex infrastructures and the software license management of Oracle products.

USU – U Step Up
USU's career model aimed at the continuous development and training of its workforce.

UX design
An abbreviation for user experience design, which describes offering the user the best possible experience when using products or services. UX is responsible for user interface design, e.g. for a website or an ▶ *app.*

Valuemation
USU's Valuemation product suite supports organizations by providing comprehensive modular solutions for operational ▶ *IT service management* and enterprise service management.

Loss carryforward
The transfer of tax losses to future fiscal years in order to offset them against future profits.

Visualizer
A function for the clear graphical presentation of data and information.

Knowledge database
Knowledge databases are special databases for knowledge management. They provide the basis for gathering information. Organizations use them to make their ideas, solutions, articles, processes, user guides and other content available to all authorized parties. Knowledge databases require carefully structured classifications, formatted content and user-friendly search functions.

WKN
Abbreviation for Wertpapier-Kenn-Nummer (German Securities Code Number). The WKN serves to clearly identify securities in Germany. As part of the global standardization of securities identification, the WKN has been superseded by the International Securities Identification Number or ▶ *ISIN.*

WpHG
Abbreviation for Wertpapierhandelsgesetz (German Securities Trading Act).

XETRA
Abbreviation for the exchange electronic trading system of the Frankfurt Stock Exchange.

Zettabyte
The zettabyte is a unit of storage capacity corresponding to 1021 bytes. A zettabyte is equal to one sextillion bytes or, in numbers, 1,000,000,000,000,000,000,000 bytes.

ZIS / ZIS system
Software product of the Group subsidiary ▶ *LeuTek* for the monitoring, visualization, automation and controlling of all systems and processes required for IT operations.


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Production
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Medien und Organisation, Stuttgart
Offizin Scheufele, Druck & Medien
GmbH & Co.KG, Stuttgart

ISBN 978-3-943825-07-7