6 – MONTH REPORT 2017

USU Software AG

6-Month Report 2016 *in EUR thousand, except for earnings per share and number of employees*	2017 Jan. 1 - June 30, 2017	2016 Jan. 1 - June 30, 2016
REVENUE	38,871	34,031
ADJUSTED EBIT	1,565	3,328
ADJUSTED CONSOLIDATED NET PROFIT	1,010	2,970
ADJUSTED EARNINGS PER SHARE (EUR)	0.10	0.28
EBITDA	1,777	3,895
EBIT	425	2,594
CONSOLIDATED NET PROFIT	-53	2,258
EARNINGS PER SHARE (EUR)	-0.01	0.21
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,310	3,445
NUMBER OF EMPLOYEES AS OF JUNE 30	639	531
	June 30, 2017	Dec. 31, 2016
CASH AND CASH EQUIVALENTS	19,496	23,180
EQUITY	63,762	63,623
TOTAL ASSETS	97,231	91,905
EQUITY RATIO	65.6%	69.2%

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Dear Shareholders and Readers,

The second quarter was highly eventful. The positive organic business development of USU Software AG continued outside Germany in particular. In addition, Easytrust SAS, which was acquired in May 2017, also contributed to the Group's growth for the first time. The USU Group is expanding its vertical integration in IT management and its presence on the key French market with this acquisition. However, significant investments in sales, marketing, the expansion of the portfolio and further internationalization also defined the reporting quarter.

Successful research and industrial projects in the last few years have led to a new business segment for USU in Katana, which specializes in big data analytics. The USU portfolio will therefore address the entire range of data-driven digital services in the future.

Another milestone was the release of Valuemation version 5.0. It allows the mapping, control and optimization of a company's complete package of service processes. In particular, the new release is characterized by an intuitive, ergonomic user concept, corresponding processor-oriented user guidance and a new user experience design.

Overall, the innovative power of the USU Group has been closely analyzed by the Swiss investment research company ALPORA. 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 presented its entire portfolio at USU World in Berlin in the middle of May 2017. Around 500 experts from Germany and abroad met at this user and trade conference to learn about the latest developments and trends in the USU Group and the IT market as a whole.

This year's Annual General Meeting of the company in Ludwigsburg in June resolved to increase the dividend to EUR 0.40 – almost 15% higher than in the previous year. At the same time, the Supervisory Board of USU Software AG renewed the contract with Management Board member Bernhard Böhler until September 30, 2021 – a key signal for continuity, stability and further international growth.
The details of USU's business development in the second quarter of 2017 and its further planning can be found in this 6-Month Report 2017.

Yours,
Bernhard Oberschmidt,
CEO of USU Software AG

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; USU AG, Möglingen, Germany; USU Austria GmbH, Vienna, Austria; USU (Schweiz) AG, Zug, Switzerland; USU Software s.r.o., Brno, Czech Republic. USU Software AG also has shareholdings in Openshop Internet Software GmbH, Möglingen, Germany, and USU Consulting GmbH, Sursee, Switzerland, which are no longer operational.

The USU Software AG and its subsidiaries

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 6-Month Report 2017.

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. 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 6-Month Report 2017.

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 into account the acquisitions of unitB technology and EASYTRUST, the Management Board is forecasting an increase in consolidated sales to between EUR 86 million and EUR 91 million in the current fiscal year, accompanied by an increase in adjusted EBIT to between EUR 10 million and EUR 11.5 million. The current medium-term forecast to 2020 projects growth in sales to EUR 140 million with an increase in adjusted EBIT to more than EUR 20 million.

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.

Research and development

Innovation is a crucial component for USU's long-term and sustainable success. It is the key to securing the future in the face of the challenges of digital transformation. 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.
USU Software AG has been investing heavily in research and development (R&D) for years. In total, it invested EUR 6,387 thousand (Q1-Q2 2016: EUR 5,703 thousand) or 16.4% (Q1-Q2 2016: 16.8%) of consolidated sales in R&D in the first six months of 2017. The number of employees in this segment was 180 as of June 30, 2017 (June 30, 2016: 162). The USU Group does not capitalize its R&D expenses.

The Swiss investment research company ALPORA has rated the innovative capability of USU Software AG and declared it a TOP INNOVATOR for 2017.

The completion and release of version 5.0 of the IT service management suite Valuemation as of June 29, 2017 was a milestone in the R&D activities of the segment of the same name. In addition to quality assurance, this involved the final work in the global search and in the Unicode conversion for Oracle databases. The main aspects of this new product version are the interface redesign and the optimization of process-oriented user guidance.

The Business Service Monitoring and Alarm Management segment conducted tests of the new ZIS version, the release of which is planned for the third quarter. Key development issues include the cloud connection, the implementation of various modules on the current HTML5 web standard and data capacity monitoring.
The new version of the Aspera software SmartTrack was completed in the area of software license management. KnowledgeCenter, for example, was integrated for this. 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.

The new KnowledgeCenter version has been available since the end of May 2017. Users benefit from two key improvements in particular - from error diagnostics based on graphically modeled discussion guides and the display of documents on common mobile devices. Work on the new release of the KnowledgeFirst web self-service solution was also completed. The main points of this include better integration of customer websites, convenient use of mobile devices and the provision of statistics.
BIG Social Media activities focused on the new "Bot Hub" product, which acts as a hub for small, configurable service programs (bots). In line with requirements, it provides one or

more service bots for various communication channels and, if required, regulates the handover to service agents.
In the Katana division, which focuses on the growth area of industrial big data and is the latest business segment to emerge from the research segment, work was done on an SaaS solution that will soon be marketed mainly to smaller customers with cost-effective and standardized solutions. The operational system for the reference customer Heidelberger Druckmaschinen was expanded further and is currently the world's biggest documented predictive maintenance application.

Research activities focused on the major "Linked Data for Mobility" (LIMBO) project in the second quarter. The project, funded by the German Federal Ministry of Transport and Digital Infrastructure, is about processing geodata for innovative mobility solutions and new business models. Furthermore, the registration of industrial rights for two inventions is currently under review in the area of data analysis.

Economic Report

Overall economic development

According to information from the German Federal Statistical Office (Destatis)[1] published in mid-May 2017, the German economy is continuing its positive growth trajectory. Adjusted for inflation, seasonal and calendar effects, gross domestic product (GDP) for the second quarter of 2017 was 0.6% higher than in the previous quarter. Positive impetus mainly came from within Germany. Both private households and the public sector therefore increased their consumer spending significantly, and there was a strong rise in investments. However, growth was curbed by external developments, as imports (adjusted for inflation) increased considerably more than exports compared to the previous quarter. Economic growth in Germany also increased year-on-year, according to Destatis. Adjusted for inflation, GDP rose by 0.8% (Q1 2017: 3.2%). However, the calendar effect was above average in the first two quarters of 2017, as there were three more working days in the first quarter of 2017 than in the previous year and three fewer working days in the second quarter of 2017. Adjusted for calendar effects, GDP grew by 2.1% in the second quarter of 2017 (Q1 2017: 2.0%).
According to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat)[2], the euro area also saw quarter-on-quarter GDP growth of 0.6% in the second quarter of 2017. Seasonally adjusted euro area GDP increased by 2.2% as against Q2 2016 in the second quarter of 2017.

[1] cf. Destatis press release 277 of August 15, 2017, and Destatis press release 294 of August 25, 2017, available at https://www.destatis.de
[2] cf. Eurostat press release dated August 16, 2017 – 127/2017, published at http://ec.europa.eu/eurostat

Sector development

According to surveys conducted by the German Federal Association for Information Technology, Telecommunications and New Media (Bitkom)[3], the German digital industry also developed very positively. Roughly three out of four companies reported higher order intake (73%) and sales (74%) in the first half of 2017. And companies in the digital sector are confident for the quarters ahead as well. Eight out of ten companies (82%) expect sales to rise in the second half of the year. Only 7% of IT, telecommunications and entertainment technology providers expect sales to decline. This is shown by the latest economic survey by the digital association Bitkom. The Bitkom index has risen by five points to 76. This is the second highest level since the first survey in 2001. "The positive business forecasts reflect the consistently good general economic situation. Sentiment is even better in the Bitkom industry than for the economy as a whole," says Bitkom President Achim Berg.

Business development in the second quarter of 2017

As a result of strong international business in particular, the USU Group generated a 17.0% increase in consolidated sales (IFRS) to EUR 19,984 thousand in Q2 2017 (Q2 2016: EUR 17,074 thousand). USU's international share of sales rose by 27.5% year-on-year to EUR 6,037 thousand in the second quarter of 2017 (Q2 2016: EUR 4,734 thousand). The international share of consolidated sales was therefore again above the 30% mark at 30.2% for the quarter (Q2 2016: 27.7%). In addition to the new Group subsidiary EASYTRUST SAS, which contributed approximately half a million euro to consolidated sales, USU's US business in particular added to this success. Here USU benefited above all from the targeted expansion of investment in sales and marketing outside Germany.

USU's licensing business was particularly successful in this context, expanding by 34.2% year-on-year to EUR 3,158 thousand in the reporting quarter (Q2 2016: EUR 2,354 thousand). At the same time, the USU Group increased its maintenance business, including software-as-a-service (SaaS) sales, by 18.6% as against the second quarter of 2016 to EUR 5,588 thousand in Q2 2017 (Q2 2016: EUR 4,710 thousand). Consulting business was up by 12.4% year-on-year at EUR 10,858 thousand in the same period (Q2 2016: EUR 9,660 thousand).

The expansion of international business also increased segment sales in Product Business by 17.9% year-on-year to EUR 15,477 thousand in the second quarter of 2017 (Q2 2016: EUR 13,128 thousand). However, as a result of significantly improved capacity utilization and the new Group subsidiary unitB technology, the Service Business segment also boosted its sales by 16.2% compared to the previous year to EUR 4,485 thousand in the second quarter of 2017 (Q2 2016: EUR 3,860 thousand). The share of product business in relation to the USU Group's consolidated sales thus increased from 76.9% in the second quarter of 2016 to 77.4% in Q2 2017.

[3] cf. Bitkom press release dated August 18, 2017 and 51st Industry Barometer by Bitkom research, available at http://www.bitkom.de

The USU Group's cost base rose as a result of the targeted expansion of international business by 26.1% year-on-year to EUR 19,291 thousand (Q2 2016: EUR 15,297 thousand). In line with planning, USU also invested in the continuing development of EASYTRUST software products and merging them with existing USU Group products. As expected, the development of earnings remained below the level of the figures for the previous year in the second quarter of 2017 on account of the strategic investments outside Germany recognized directly as expenses. USU's EBITDA therefore fell significantly by 56.2% as against Q2 2016 to currently EUR 981 thousand (Q2 2016: EUR 2,241 thousand). At the same time, EBIT declined from EUR 1,585 thousand in the second quarter of 2016 to EUR 286 thousand in Q2 2017, a reduction of 82.0%. The USU Group's consolidated net profit (IFRS) fell from EUR 1,376 in the same quarter of the previous year to EUR 62 thousand. This corresponds to earnings per share of EUR 0.01 (Q2 2016: EUR 0.13).

Adjusted for the extraordinary effects of acquisitions, USU's adjusted EBIT halved year-on-year in the second quarter of 2017 to EUR 876 thousand (Q2 2016: EUR 1,960 thousand). Adjusted consolidated earnings dropped by 65.1% to EUR 607 thousand (Q2 2016: EUR 1,740 thousand). This corresponds to a decline in adjusted earnings per share from EUR 0.13 in the second quarter of 2016 to currently EUR 0.06.

Business development in the first six months of the 2016 fiscal year

Development of revenue and costs

Consolidated revenue

Over the first six months of fiscal 2017, USU Software AG increased its consolidated sales (IFRS) by 14.2% year-on-year to EUR 38,871 thousand (Q1-Q2 2016: EUR 34,031 thousand). USU benefited from stronger international business again in particular in the first half of the year. USU's sales generated outside Germany rose by 17.1% year-on-year to EUR 11,063 thousand in the reporting period (Q1-Q2 2016: EUR 9,447 thousand). Accordingly, USU increased the share of consolidated sales generated abroad from 27.8% in the previous year to 28.5% in the first half of 2017.

USU's software license business grew by 6.7% compared to the previous year to EUR 5,792 thousand in the first two quarters of 2017 (Q1-Q2 2016: EUR 5,428 thousand) thanks to the strong second quarter. At the same time, maintenance business increased to EUR 10,708 thousand (Q1-Q2 2016: EUR 9,376 thousand) as a result of higher SaaS revenue. This represents growth of 14.2% compared to the first half of 2016.

Consulting business was particularly good, growing by double digits in both Q1 2017 and Q2 2017 for a total increase of 15.8% as against the first six months of fiscal 2016 to currently EUR 21,735 thousand (Q1-Q2 2016: EUR 18,763 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 636 thousand (Q1-Q2 2016: EUR 464 thousand).

Revenue by segment

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 EASYTRUST SAS in France, the knowledge management market and 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 29,356 thousand in the first half of 2017 (Q1-Q2 2016: EUR 26,576 thousand), up 10.5% on the previous year and resulting from both the organic growth in sales, particularly in the US, and the acquisition of EASYTRUST SAS, France. In the same period, the USU Group increased its consulting sales in the Service Business segment by 29.1% to EUR 9,468 thousand (Q1-Q2 2016: EUR 7,334 thousand). In addition to organic growth, the acquisition of unitB technology GmbH in January 2017 contributed to this development in particular. Sales not allocated to the segments amounted to EUR 47 thousand in the first six months of fiscal 2017 (Q1-Q2 2016: EUR 121 thousand).

Operating costs

The operating cost base of the USU Group increased by 22.5% year-on-year to EUR 37,826 thousand in the first half of 2017 (Q1-Q2 2016: EUR 30,873 thousand). This firstly reflects the higher level of targeted investment in marketing and sales 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 for 2020.

The cost of sales was up by 19.3% as against the previous year at EUR 18,286 thousand in the period under review (Q1-Q2 2016: EUR 15,327 thousand). This rise was primarily due to the year-on-year expansion of the consultant team by 19.3% as against the previous year to 284 as of June 30, 2017 (June 30, 2016: 238). The cost of sales as a percentage of consolidated sales also increased from 45.0% in the first half of 2016 to currently 47.0%. Gross income rose to EUR 20,585 thousand at the same time (Q1-Q2 2016: EUR 18,704 thousand), corresponding to a gross margin of 53.0% (Q1-Q2 2016: 55.0%).

USU's marketing and sales expenses increased by 35.3% year-on-year to EUR 8,752 thousand in the first six months of fiscal 2017 in connection with the targeted intensification of its international activities (Q1-Q2 2016: EUR 6,471 thousand). In this context, USU also expanded the sales team for the US and Canadian market. Marketing and sales expenses as a share of consolidated sales therefore increased from 19.0% in the previous year to 22.5% 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 30.5% year-on-year to EUR 4,401 thousand in the first half of 2017 (Q1-Q2 2016: EUR 3,372 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 9.9% in the same period of the previous year to 11.3% in the first six months of fiscal 2017.

In line with the expansion of the research and development team to 180 as of June 30, 2017 (June 30, 2016: 161), research and development expenses climbed by 12.0% as against the previous year to currently EUR 6,387 thousand (Q1-Q2 2016: EUR 5,703 thousand). This was partly as a result of 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. By contrast, the ratio of research and development to consolidated sales was down slightly on the previous year's level at 16.4% in the first half of 2017 (Q1-Q2 2017: 16.8%) on account of the significant growth in sales. 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 42 thousand in the first six months of 2017 (Q1-Q2 2016: EUR 104 thousand).

Results of operations

The USU Group's broader investment in further growth outside Germany and EASYTRUST's product development meant that earnings development was down on the previous year in the first two quarters of fiscal 2017. EBITDA therefore declined by 54.4% year-on-year to EUR 1,777 thousand (Q1-Q2 2016: EUR 3,895 thousand). Adjusted for depreciation and amortization of EUR 1,352 thousand (Q1-Q2 2016: EUR 1,301 thousand), USU generated EBIT of EUR 425 thousand in the same period (Q1-Q2 2016: EUR 2,594 thousand). Net finance costs amounted to EUR -62 thousand in the first half of 2017 (Q1-Q2 2016: EUR -44 thousand). Taking into account the income tax expense of EUR -416 thousand (Q1-Q2 2016: EUR -292 thousand), consolidated net profit declined from EUR 2,258 thousand in the first half of 2016 to EUR -53 thousand in the first six months of 2017. Earnings per share therefore amounted to EUR -0.01 (Q1-Q2 2016: EUR 0.21).

Adjusted consolidated net profit

Starting with EBIT, the table below shows the reconciliation to the non-IFRS key earnings ratios of adjusted EBIT, adjusted consolidated net profit 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*	**Jan. 1, 2017 - June 30, 2017**	**Jan. 1, 2016 - June 30, 2016**
Profit from ordinary activities (EBIT)	**425**	**2,594**
Amortization of intangible assets recognized in connection with company acquisitions	662	668
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	478	66
- from stay bonus for BIG GmbH / unitB technology GmbH	150	50
- from Consulting fees for acquisition of unitB technology	140	0
- from purchase price adjustments	0	0
- from incidental acquisition costs	188	16
Adjusted EBIT	**1,565**	**3,328**
Finance income (as per consolidated income statement)	27	103
Finance costs (as per consolidated income statement)	-89	-147
Income taxes (as per consolidated income statement)	-416	-292
Tax effects relating to adjustments	-77	-22
- depreciation and amortization	-77	-22
Adjusted consolidated net profit	**1,010**	**2,970**
Adjusted earnings per share (in EUR):	**0.10**	**0.28**
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 53.0% year-on-year to EUR 1,565 thousand in the first half of 2017 (Q1-Q2 2016: EUR 3,328 thousand). At the same time, adjusted consolidated net profit fell by 66.0% as against the first six months of 2016 to EUR 1,010 thousand (Q1-Q2 2016: EUR 2,970 thousand). Adjusted earnings per share declined accordingly from EUR 0.28 in the previous year to EUR 0.10 in the period under review.

Net assets and financial position

On the assets side of the statement of financial position, the USU Group's non-current assets increased to EUR 57,919 thousand as of June 30, 2017 following the acquisitions of unitB technology GmbH and EASYTRUST (December 31, 2016: EUR 47,608 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 9,295 thousand as of June 30, 2017, while goodwill increased to EUR 41,983 thousand as of the end of the reporting period (December 31, 2016: EUR 35,575 thousand). However, current assets declined from EUR 44,297 thousand as of December 31, 2016 to EUR 39,312 thousand over the same period, which was mainly due to the drop in Group liquidity in connection with the payment of the purchase price components owed for the acquisition of unitB technology and EASYTRUST, while trade receivables were also reduced significantly. Cash and cash equivalents (cash on hand and bank balances plus securities) declined to EUR 19,496 thousand as of June 30, 2017 (December 31, 2016: EUR 23,180 thousand), while trade receivables decreased from EUR 14,190 thousand as of December 31, 2016 to EUR 12,076 thousand as of June 30, 2017.

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 33,469 thousand as of June 30, 2017 (December 31, 2016: EUR 28,282 thousand), mainly as a result of 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 of EUR 1,385 thousand as of June 30, 2017 (December 31, 2016: EUR 0 thousand) also contributed to this increase. At the same time, the equity of the USU Group rose slightly from EUR 63,623 thousand as of December 31, 2016 to EUR 63,762 million as of June 30, 2017. With total assets of EUR 97,231 thousand (December 31, 2016: EUR 91,905 thousand), the equity ratio was 65.6% as of June 30, 2017 (December 31, 2016: 69.2%).

Cash flows and capital expenditure

The USU Group had cash and cash equivalents of EUR 16,482 thousand as of June 30, 2017 (Q1 2016: EUR 18,826 thousand). This corresponds to a year-on-year decline of EUR 2,344 thousand or 14.2%, essentially as a result of the acquisition of unitB technology and EASYTRUST and the associated purchase price payments.

At EUR 3,310 thousand (Q1-Q2 2016: EUR 3,445 thousand), the USU Group's cash flow from operating activities was down slightly on the previous year's figure in the first half of 2017.

In addition to the drop in earnings, this is also due to specific changes in working capital.

Net cash used in investing activities of EUR -6,871 thousand (2016: EUR -742 thousand) essentially reflects the acquisition of unitB technology and EASYTRUST and therefore contains the item "Acquisition of subsidiaries less cash and cash equivalents acquired" of

EUR -6,280 thousand (Q1-Q2 2016: EUR 0 thousand). Investments in property, plant and equipment and intangible assets totaled EUR -604 thousand (Q1-Q2 2016: EUR -768 thousand).

There were no changes in cash flow from financing activities in the first half of 2017, while in the previous year the payment of the dividend (Q1-Q2 2016: EUR -3,683 thousand) and the repayment of purchase price liabilities in connection with the acquisition of subsidiaries (Q1-Q2 2016: EUR -200 thousand) resulted in a net cash outflow from financing activities of EUR -3,883 thousand in total.

Orders on hand

As of the end of the second quarter of 2017, the USU Group's orders on hand amounted to EUR 43,023 thousand and were therefore up 6.2% year-on-year (June 30, 2016: EUR 40,512 thousand).

Orders on hand increased by 8.8% as against the end of the previous year (December 31, 2016: EUR 39,534 thousand).

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.

Employees

The USU Group expanded its workforce by 20.3% year-on-year to 639 employees as of June 30, 2017 (June 30, 2016: 531). In addition to organic growth, this development was driven by the acquisitions of unitB technology and EASYTRUST SAS, which had 69 employees in total as of June 30, 2017. Broken down by functional unit, USU employed a total of 284 people in consulting and services as of the end of the second quarter of 2017 (June 30, 2016: 237), 180 in research and development (June 30, 2016: 162), 100 in sales and marketing (June 30, 2016: 74) and 75 in administration (June 30, 2016: 58). Broken down by segment, USU employed 470 (June 30, 2016: 409) people in the Product Business segment, 94 (June 30, 2016: 64) in the Service Business segment and 75 (June 30, 2016: 58) in USU Group central functions.

Supplementary report

There were no transactions of particular significance with a material effect on the business performance of the USU Group after June 30, 2017. Thus, there were no major changes to the net assets, financial position or results of operations of the Group.

Forecast, opportunity and risk report

Forecast

General economy

According to a survey by the Joint Economic Forecast Project Group[4] conducted with the participation of the leading German economic research institutes, the German economy is enjoying moderate expansion for the fifth successive year. However, economic momentum remains low compared to previous growth phases as the main growth driver is consumer spending, which is less susceptible to fluctuation. Corporate investment continues to grow at a subdued rate. Gross domestic product (GDP) is expected to increase by 1.5% in the current fiscal year followed by 1.9% in 2016.

According to the joint economic forecast, the global economy will achieve growth in overall economic output of 3.0% this year after 2.6% in the previous year. The increase compared to the previous year is attributable to economic development in the developed nations and the emerging economies in roughly equal measure.

Sector

According to forecasts by the industry association Bitkom[5], growth in the German high-tech sector is expected to be boosted by the digitization of industry in the current year. Accordingly, Bitkom is forecasting growth on the German IT market of 2.7% to EUR 86.0 billion in 2017 (2016: EUR 83.7 billion). This development is set to benefit software providers in particular, with Bitkom forecasting growth of 6.3% to EUR 23 billion in this segment (2016: EUR 21.6 billion). According to Bitkom, the key technological trends include cloud computing, the Internet of Things, Industry 4.0, big data, digital platforms and mobile computing. However, IT service providers are also set to experience strong growth of 2.3% to EUR 39.0 billion (2016: EUR 38.1 billion). "Digitization has reached all sectors of the economy. This is leading to increased demand for IT service and software providers, which is reflected in these figures," reports Bitkom President Thorsten Dierks. In terms of the global IT market, the Worldwide IT Spending Forecast Update[6] published by the market research company Gartner on July 13, 2017 projects a year-on-year increase in global IT expenditure of 2.4% to USD 3.5 trillion in 2017. The key growth areas are expected to be corporate software and IT services, with forecast growth of 7.6% to EUR 351 billion (2016: EUR 326 billion) and 3.1% to EUR 922 billion (2016: EUR 894 billion) respectively.

[4] cf. Joint Economic Forecast Spring 2017, dated April 12, 2017
[5] cf. Bitkom press releases dated January 25, 2017, February 16, 2017 and March 7, 2017, published at www.bitkom.de

[6] cf. Gartner press release dated July 13, 2017, published at www.gartner.com

Outlook

The Management Board expects the growth trend achieved by USU Software AG in recent years to continue successfully in fiscal 2017 as a whole. Impetus from the core market of Germany will be accompanied by growth in product business outside Germany in particular. Outside Germany, the growth trajectory will be defined by the continued penetration of the North American market in the US and Canada, and the expansion of activities in Central Europe, particularly in the Group's license business. The investments in marketing and sales outside Germany that were made in late 2016 and that are ongoing will have a positive impact in the second half of 2017 as well. In addition, the French company EASYTRUST, which was acquired at the start of May 2017, will also contribute to growth in consolidated sales in the months ahead. At the same time, the expansion in product business, from which the USU Group generates license, maintenance and product consulting income, is expected to have a positive impact on results thanks to increased license income in particular. 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. The Management Board is confirming its guidance for the development of orders on hand and the current forecast for the USU Group for fiscal 2017. It is therefore anticipating an increase in consolidated sales to between EUR 86 and EUR 91 million (2016: EUR 72.1 million) with a rise in adjusted EBIT to between EUR 10 and EUR 11.5 million (2016: EUR 9.6 million). At the same time, the Management Board is confirming its medium-term forecast for the USU Group to 2020, with sales set to rise to EUR 140 million and adjusted EBIT expanding to more than 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.

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 again in 2017, as in previous years, and thus to continue the shareholder-friendly dividend policy in the interests of sustained continuity.

Report on risks and opportunities

There have been no changes in the risks and opportunities affecting USU Software AG or the Group as a whole since December 31, 2016. For more information please see the report on risks and opportunities in the 2016 annual report.

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.

After an extremely positive first quarter, the stock markets continued on a strong upward trajectory in Q2 2017, with many of them reaching new record levels. The Technology All Share thus closed at 2,530.84 points on the XETRA electronic trading platform on June 30, 2017, up 6.6% on the end of the previous quarter (March 31, 2017: 2,373.25 points), a new all-time high for the end of a reporting quarter. The DAX rose slightly by 0.1% to 12,325.12 in XETRA trading (March 31, 2017: 12,312.87 points), thereby also reaching a new all-time high as of the end of the quarter.

The price of USU Software AG share rose very significantly relative to the indices in the second quarter of 2017, up by 26.8% to EUR 27.00 on XETRA (March 31, 2017: EUR 21.30) to set a new ten-year high. USU's share price increased by 33.7% as against December 31, 2016 (EUR 20.20), while the DAX climbed by 7.4% (December 31, 2016: 11,481.06 points) and the Technology All Share gained 20.4% (December 31, 2016: 2,102.78 points).

Möglingen, 30 August 2017

USU Software AG

Bernhard Oberschmidt Chairman of the Management Board	Bernhard Böhler Member of the Management Board	Dr. Benjamin Strehl Member of the Management Board

ASSETS *in EUR thousand*	6-month report June 30, 2017	Annual report Dec. 31, 2016
Non-current assets		
Intangible assets	9,295	5,428
Goodwill	41,983	35,575
Property, plant and equipment	2,136	2,134
Deferred tax assets	3,790	3,790
Other assets	715	681
Non-current assets	57,919	47,608
Current assets		
Inventories	637	529
Unbilled work in progress	2,763	3,862
Trade receivables	12,076	14,190
Income tax receivables	425	561
Other financial assets	2,124	260
Other assets	341	698
Prepaid expenses	1,449	1,017
Securities	3,014	3,014
Cash on hand and bank balances	16,482	20,166
Current assets	39,312	44,297
Total assets	**97,231**	**91,905**

EQUITY AND LIABILITIES *EUR thousand*	6-month report June 30, 2017	Annual report Dec. 31, 2016
Equity		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Legal reserve	574	574
Other comprehensive income	48	-144
Net accumulated losses	-176	-123
Equity	63,762	63,623
Non-current liabilities		
Deferred tax liabilities	1,356	0
Pension provisions	2,307	2,266
Non-current liabilities	3,663	2,266
Current liabilities		
Income tax liabilities	475	529
Purchase price liabilities	1,385	0
Other current financial liabilities	208	0
Personnel-related provisions and liabilities	5,092	6,208
Other provisions and liabilities	2,427	2,155
Liabilities from advance payments	6,154	9,287
Trade payables	1,728	1,850
Deferred income	12,337	5,987
Current liabilities	29,806	26,016
Total equity and liabilities	**97,231**	**91,905**

CONSOLIDATED INCOME *EUR thousand*	Quarterly Report II / 2017 April 1, 2017 - June 30, 2017	Quaterly Report II / 2016 April 1, 2016 - June 30, 2016	6-month report 2017 Jan 1, 2017 - June 30, 2017	6-month report 2016 Jan 1, 2016 - June 30, 2016
Revenue	19,984	17,074	38,871	34,031
Cost of sales	-9,025	-7,676	-18,286	-15,327
Gross profit	10,959	9,398	20,585	18,704
Selling and marketing expenses	-5,006	-3,349	-8,752	-6,471
General and administrative expenses	-1,904	-1,426	-4,401	-3,372
Research and development expenses	-3,356	-2,846	-6,387	-5,703
Other operating income	222	142	451	281
Other operating expenses	-279	0	-409	-177
Amortization of intangible assets recognized in connection with	-350	-334	662	-668
Profit from ordinary activities (EBIT)	268	1,585	425	2,594
Finance income	20	58	27	103
Finance costs	-44	-35	-89	-147
Earnings before taxes (EBT)	262	1,608	363	2,550
Income taxes	-200	-232	-416	-292
Net profit	-62	1,376	-53	2,258
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG:				
Basic and diluted	0.01	0.13	-0.01	0.21
Weighted average shares outstanding: Basic and diluted	10,523,770	10,523,770	10,523,770	10,523,770

STATEMENT OF COMPREHENSIVE INCOME *EUR thousand*	Quarterly report II / 2017 April 1, 2017 - June 30, 2017	Quarterly report II / 2016 April 1, 2016 - June 30, 2016	6-month report 2017 Jan. 1, 2017 June 30, 2017	6-month report 2016 Jan. 1, 2016 June 30, 2016
Consolidated net profit	**62**	**1,376**	**-53**	**2,258**
Available-for-sale financial assets (securities)				
- Changes in fair value recognized in equity	0	0	0	0
- Reclassified to profit or loss	0	0	0	0
Deferred taxes on available-for-sale financial assets (securities)	0	0	0	0
Currency translation difference	164	-55	192	17
Other comprehensive income after taxes	164	-55	192	17
Total comprehensive income	**164**	**-55**	**192**	**17**
of which:				
- shareholders of USU Software AG	**226**	**1,321**	**139**	**2,275**
- non-controlling interests				

Consolidated Statement of Cash Flows *EUR thousand*	6-month report Jan. 1, 2017 - June 30, 2017	6-month report Jan. 1, 2016 - June 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Earnings before taxes (EBT)	363	2,550
Adjustments for:		
Finance income/finance costs	62	44
Depreciation and amortization	1,352	1,301
Income taxes paid	-551	-904
Income taxes refunded	477	105
Interest paid	-5	-2
Interest received	14	55
Other non-cash income and expenses	223	-40
Change in working capital:		
Inventories	-108	-34
Unbilled work in progress	1,192	-2,162
Trade receivables	3,519	2,532
Prepaid expenses and other assets	--1,778	-67
Trade payables	-583	-70
Personnel-related provisions and liabilities and pension provisions	-2,042	-2,619
Other provisions and liabilities	1,175	2,756
Net cash flows from operating activities	**3,310**	**3,445**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	-6,280	0
Purchase of property, plant and equipment	-497	-673
Purchase of other intangible assets	-107	-95
Repayment of short-term loans	0	0
Proceeds from sales of non-current assets	13	26
Purchase of available-for-sale securities	0	0
Net cash flows used in investing activities	**-6,871**	**-742**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Dividend payment	0	-3,683
Repayment of purchase price liabilities in connection with the acquisition of subsidiaries	0	-200
Net cash flows used in financing activities	**0**	**-3,883**
Net effect of currency translation on cash and cash equivalents	**-123**	**-89**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**-3,684**	**-1,269**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,166**	**20,095**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**16,482**	**18,826**

Changes in consolidated equity	Subscribed capital		Capital re-serves	Legal reserve	Net accu-mu-lated losses	Other comprehensive income		Total
	Shares					Currency translation	Fair value of securities	
	Number	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Consolidated equity as of January 1, 2016	10,523,770	10,524	52,792	574	-3,025	-74	0	60,791
Consolidated net profit					2,258			2,258
Other comprehensive income								
after taxes						17		17
Total comprehensive income	**0**	**0**	**0**	**0**	**2,258**	**17**	**0**	**2,275**
Dividend payment					-3,683			-3,683
Consolidated equity as of June 30, 2016	10,523,770	10,524	52,792	574	-4,450	-57	0	59,383
Consolidated equity as of January 1, 2017	10,523,770	10,524	52,792	574	-123	-144	0	63,623
Consolidated net profit					-53			-53
Other comprehensive income								
after taxes						192		192
Total comprehensive income	**0**	**0**	**0**	**0**	**-53**	**192**	**0**	**139**
Dividend payment					0			0
Consolidated equity as of June 30, 2017	10,523,770	10,524	52,792	574	-176	48	0	6

Accounting principles

USU Software AG is a stock corporation under the law of the Federal Republic of Germany. The company is domiciled at Spitalhof, 71696 Möglingen, Germany, and is entered in the commercial register of the Stuttgart Local Court, Dept. B., under No. 206442.

These interim financial statements of USU Software AG are consistent with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The interim financial statements were prepared in accordance with IAS 34 (Interim Financial Reporting).

The same accounting policies were applied as in the preparation of the consolidated financial statements for the fiscal year ended December 31, 2016. This unaudited six-month report for 2017 should therefore be read in conjunction with the audited consolidated financial statements for 2016.

This consolidated interim report contains all the necessary deferrals and, in the opinion of the management, provides a true and fair view of the financial position and financial performance. All deferrals performed are in line with the standard accrual concept.

In preparing interim financial statements in line with IFRS, estimates and opinions relating to the assets and liabilities recognized at the end of the reporting period and the income and expenses for the reporting period are required to a certain extent. Actual results may differ from those estimates.

It is not necessarily possible to deduce the annual net profit from the profit of the interim periods.

Change in Group organization

(1) 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 35 employees, unitB technology generated sales of EUR 4.0 million and an operating earnings margin of 10% 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, 2018 ("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, EUR 3,254 thousand of which became due at the beginning of January 2017.

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.

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		1,479
Property, plant and equipment		55
Inventories		93
Trade receivables		1,263
Other assets		86
Cash and cash equivalents		1,380
Deferred tax liabilities		-449
Liabilities		-390
Provisions		-452
Deferred income		-83
		2,981
Goodwill		1,697
Purchase price (present value)		**4,679**

The net outflow of cash for the acquisition is calculated from the purchase price of EUR 4,679 thousand less the cash and cash equivalents acquired of EUR 1,380 thousand, and amounts to EUR 3,299 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 1,487 thousand break down as follows:

	EUR thousand	Estimated economic life (years)
Customer relationships	1,071	6
Advantageous contract	364	4
Orders on hand	52	0.5
	1,487	

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 consulting and due diligence costs of EUR 248 thousand were incurred in connection with the acquisition of unitB technology, EUR 85 thousand of which were already expensed and paid in the previous year. They were excluded from the consideration transferred, recognized as an expense for the fiscal year and reported under general and administrative expenses in the income statement.

(2) Acquisition of EASYTRUST 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 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 31 employees. Its high-profile customers include companies such as YVES ROCHER, SAFRAN and CANAL+. EASYTRUST increased its sales by around 30% year-on-year to more than EUR 4.0 million in fiscal 2016.

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 165 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 income statement.

Owing to time constraints, it was not possible to perform final purchase price allocation for this acquisition; this will be completed in the course of 2017. The provisional difference between the purchase price and the provisional 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		2,964
Property, plant and equipment		6
Financial assets		30
Trade receivables		141
Other assets		332
Cash and cash equivalents		344
Deferred tax liabilities		-984
Provisions		-455
Liabilities		-1,250
Deferred income		-1,088
		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 482 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 developments and existing employees. The benefits are not reported separately from goodwill. At the same time, the amount of goodwill is defined by the negative net assets acquired.

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	87	1
	2,953	

The multi-period excess earnings method was used to measure the intangible assets “Customer relationships” and “Orders on hand”. The license fee analogy method was used for “Software”.

Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments:

EUR thousand	June 30, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Unbilled work in progress	2,763	2,763	3,862	3,862
Trade receivables	12,076	12,076	14,190	14,190
Other current financial assets	2,124	2,124	260	260
Securities held as current assets	3,014	3,014	3,014	3,014
Cash on hand and bank balances	16,482	16,482	20,166	20,166
	36,459	**36,459**	**41,492**	**41,492**

EUR thousand	June 30, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	208	208	0	0
Trade payables	1,728	1,728	1,850	1,850
Liabilities from advance payments	6,154	6,154	9,287	9,287
Purchase price liabilities	1,385	1,385	0	0
	9,475	**9,475**	**11,793**	**11,793**

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. There is a fair value hierarchy with three measurement levels depending on whether the fair value of financial instruments was determined on the basis of published market prices (level 1), on the basis of data derived from published market prices (level 2) or using non-observable parameters (level 3). USU Software AG currently has no level 2 or 3 financial instruments with the exception of the purchase price liabilities (level 3).

Revenue

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

	Jan. 1 - June 30, 2017 EUR thousand	Jan. 1 - June 30, 2016 EUR thousand
Consulting	**21,735**	**18,763**
Licenses/products	**5,792**	**5,428**
Maintenance/SaaS	**10,708**	**9,376**
Other	**636**	**464**
	38,871	**34,031**

Segment reporting

For the purpose of segment reporting in accordance with IFRS 8, USU operates in the "Product Business" and "Service Business" segments, both of which significantly influence the Group's risks and return on equity. The breakdown of various key performance indicators by segment in line with IFRS 8 is shown in the table below:

	Product Business		Service Business		Total Segments		Unallocated		Group	
	Jan. 1 - June 30, 2017 EUR thou.	Jan. 1 - June 30, 2016 EUR thou.	Jan. 1 - June 30, 2017 EUR thou.	Jan. 1 - June 30, 2016 EUR thou.	Jan. 1 - June 30, 2017 EUR thou.	Jan. 1 - June 30, 2016 EUR thou.	Jan. 1 - June 30, 2017 EUR thou.	Jan. 1 - June 30, 2016 EUR thou.	Jan. 1 - June 30, 2017 EUR thou.	Jan. 1 - June 30, 2016 EUR thou.
Revenue	**29,356**	**26,576**	**9,468**	**7,334**	**38,824**	**33,910**	**47**	**121**	**38,871**	**34,031**
EBITDA	**3,720**	**4,770**	**1,270**	**1,082**	**4,990**	**5,852**	**-3,213**	**-1,957**	**1,777**	**3,895**
EBIT	**2,808**	**3,650**	**960**	**981**	**3,768**	**4,631**	**-3,343**	**-2,037**	**425**	**2,594**
Net finance income	**-**	**-**	**-**	**-**	**-**	**-**	**-62**	**-44**	**-62**	**-44**
Taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-416**	**-292**	**-416**	**-292**
Consolidated net profit	**2,808**	**3,650**	**960**	**981**	**3,768**	**4,631**	**-3,821**	**-2,373**	**-53**	**2,258**
No. of employees at end of period	**470**	**409**	**94**	**64**	**564**	**473**	**75**	**58**	**639**	**531**

The USU Group generated a total of 28.5% (Q1-Q2 2016: 27.8%) or EUR 11,063 thousand (Q1-Q2 2016: EUR 9,447 thousand) of its consolidated revenue outside Germany in the first six months of the 2017 fiscal year. This data is based on customers' registered offices. By contrast, less than 10% of consolidated assets were held outside Germany. At the same time, investments outside Germany amounted to less than 10% of the Group's total investments. For reasons of materiality, further details of the geographical data have therefore not been provided.

Shares held by members of executive bodies at USU Software AG

The following shares in USU Software AG were held by members of the company's executive bodies as of June 30, 2017:

Stock declarations by members of executive bodies	Shares June 30, 2017	Shares June 30, 2016
Management Board		
Bernhard Oberschmidt	156,518	156,518
Bernhard Böhler	167,572	167,572
Dr. Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl*	2,000,176	2,000,176
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

** An additional 3,337,868 (2016: 3,337,868) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 22(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).*
A further 32,000 (2016: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 22(1) sentence 1 no. 1 WpHG.

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

Related party disclosures

In accordance with IAS 24, all related parties are persons or companies with the ability to control the Group or exercise significant influence over it, or on whom/which the Group can exert significant influence, including the management and the Supervisory Board. Companies that are already included in consolidation in the interim consolidated financial statements are not considered related parties.

There were no significant changes to business relations between USU Software AG and the Chairman of the Supervisory Board and majority shareholder Udo Strehl and his wife as compared to the information in the notes to the consolidated financial statements for fiscal 2016. For more information, please see the consolidated financial statements of USU Software AG for the fiscal year ended December 31, 2016.

Responsibility Statement

To the best of our knowledge and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Möglingen, 30 August 2017

USU Software AG

Bernhard Oberschmidt Chairman of the Management Board	Bernhard Böhler Member of the Management Board	Dr. Benjamin Strehl Member of the Management Board

September 6, 2017	**Investor and analyst conference at *7th ZKK (Zurich Capital Market Conference), Zurich, Switzerland***

September 8 to 10, 2017	**13th IR-Tour 2017 *(Rüttnauer Research)***

November 23, 2017	**Publication of the 9-Month Report 2017**

November 27 to 29, 2017	**Investor and analyst conference at *German Equity Forum 2017, Frankfurt/Main***