



6 – MONTH REPORT 2015

USU Software AG

6 - MONTH REPORT 2015	2015	2014
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.06.2015	01.01.-30.06.2014
REVENUES	29,925	27,607
ADJUSTED EBIT	2,894	1,984
ADJUSTED NET RESULT	2,771	1,733
ADJUSTED EARNINGS PER SHARE (EUR)	0.26	0.16
EBITDA	3,541	2,349
EBIT	2,458	1,248
NET RESULT	2,373	958
EARNINGS PER SHARE (EUR)	0.23	0.09
CASH-FLOW FROM ORDINARY OPERATIONS	6,274	3,306
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	468	453
	30.06.2015	31.12.2014
CASH AND CASH EQUIVALENTS	19,250	18,920
SHAREHOLDERS EQUITY	54,798	55,608
BALANCE SHEET	83,304	85,174
EQUITY RATIO	65,8%	65.3%

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Dear shareholders, dear readers,

After a positive opening quarter, USU Software AG continued its successful business performance in the second quarter of 2015. International business proved to be a key growth driver again, but the USU Group also gained several additional projects in Germany. Among other factors, USU benefited here from the many new developments in the product segment. USU presented the current innovations in mid-June this year at the USU World conference, the biggest European software conference for knowledge-based service management. At this event, more than 400 experts from Germany and abroad found out about the new developments and trends at the USU Group and on the IT market as a whole. This year's keynote speech on the future of the digital economy was held by EU Commissioner Günther Oettinger.

Just a week after USU World, the Annual General Meeting of USU Software AG for the current year was held, at which the current development and further planning of USU Software AG was presented to the shareholders in attendance by the expanded Management Board for the first time. By a large majority the shareholders resolved to approve the distribution of a dividend of EUR 0.30 per share, corresponding to a 20% increase in comparison to the previous year. At the same time, the actions of the members of the Management Board and Supervisory Board in the fiscal year 2014 were approved. In addition, the Annual General Meeting authorized the Management Board to acquire treasury shares, approved the profit transfer agreement between the company and the Group subsidiary BIG, and elected Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH as the auditor for the 2015 fiscal year. The Chairman of the Supervisory Board, Udo Strehl, also announced the early extension of my Management Board contract, which has a term running until the end of 2020. I look forward to continuing USU Software AG's strategic development into a highly profitable international software group and will, as ever, enjoy contributing to this development.

On July 1, 2015, USU Software AG announced another acquisition. With the takeover of the Cologne-based company SecurIntegration GmbH, USU is expanding its product portfolio in the fastest-growing segment of software license management with the area of SAP license optimization. The new Group subsidiary, which generated sales of around EUR 1.5 million and positive operating earnings in the 2014 fiscal year, will be consolidated starting from the third quarter of the current fiscal year.

Based on the positive development in the first half of 2015 and the forecast for the following quarters, the Management Board of USU Software AG is slightly adjusting the guidance for the Group as a whole in the 2015 fiscal year. According to the new guidance, the Management Board now anticipates a rise in sales to EUR 65 – 68 million and an increase in adjusted EBIT to EUR 8.5 – 9.5 million in the 2015 fiscal year.

Yours,

Bernhard Oberschmidt,
CEO of USU Software AG

BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

Business model, objectives, strategies and controlling system

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

In addition to a marked improvement in service, USU customers also gain significant potential for savings, meaning that investments in the USU Group’s software solutions pay off in a very short space of time and therefore result in a win-win situation for both USU and its customers. Accordingly, the USU Group’s customer base now comprises more than 700 companies from all sectors of the economy, especially from IT-intensive sectors such as insurance and banking, including Allianz, BASF, BOSCH, BMW, DEVK, EDEKA, Generali, Hannover Rück, HDI Gerling, Jacobs Engineering, LVM, Texas Instruments, VW, W&W and ZDF.

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

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

Research and development

In the first half of 2015, the USU Group invested a total of EUR 4,837 thousand (Q1-Q2 2014: EUR 4,910 thousand) or 16.2% (Q1-Q2 2014: 17.8%) of consolidated sales in research and development (R&D) in order to offer its customers state-of-the-art, practical products and solutions. With 139 employees working in research and development throughout the Group as of June 30, 2015 (June 30, 2014: 144), the USU Group systematically researches the use of new technologies, implements the latest customer-related developments and designs its own innovations in its ongoing drive to improve and expand the Group-wide product portfolio.

In the Business Service Management segment, the finalization of version 4.5 of the IT management product suite Valuation was followed by the further development of Valuation 4.6 in line with planning. This involved implementing various function enhancements, for example in relation to archiving and quick searches, and adjusting the specialist modules to current ITIL best practices. At the same time, the development team also worked on designing Valuation 5, which is scheduled for the end of 2016. Work on Valuation Mobile Manager, Valuation's mobile solution, included the addition of an offline mode and enhancements to the configurator and the app store. Another focus was further development of the self-service solution USU SmartLink with the implementation of various features such as an alert system that can send targeted notifications of specific events, e.g. malfunctioning of dedicated computers, in order to inform users proactively. In the Business Service Monitoring and Alarm Management sub-segment, version 5.8 of the monitoring software ZIS was developed further with enhancements for the self-service cockpit, the mobile service dashboard, and new ITIL features. At the same time, the prototype for the new ZIS module "Capacity Monitoring & Reporting" was developed. In the area of license management, the USU Group finalized the new version of SmartTrack 4. In addition to function enhancements, the new release of the entirely web-based and fully scalable solution also offers far-reaching improvements to the user interface and operating concept.

In the Knowledge Management and Social Media segment, the new release 6.5 of the knowledge management software USU KnowledgeCenter was developed with various function enhancements. For example, a revision of the authorization model now allows for high-performance administration of very large volumes of data without restrictions for the user. It has also been made easier to handle documents, in that users can now also search open documents and highlight terms.

Within the social media application BIG CONNECT, the second quarter of 2015 saw the launch of an extensive project to update the entire front end for improvements in usability and user experience and the associated implementation of a modern design. Overall, this is intended to raise the BIG CONNECT user experience to a new level and expand its leading role on the social media engagement market. With regard to BIG SCREEN, product rating analysis was extended with a range of new rating platforms in over 15 countries in the second quarter of 2015 in order to offer companies even more extensive and reliable options for analyzing their product ratings as an empirical basis for product and business decisions. Development also continued on the social CRM solution, which is already being successfully used in several customer projects.

In addition to this development work, USU is also pursuing selective research to move forward, develop and ultimately successfully launch future product innovations. Here there is a particular focus on the areas of industrial big data and smart services. This essentially concerns the real-time analysis and processing of industrial mass data, in order to be able to search them for complex error patterns, for example. In the period under review, the USU Group's research department developed an algorithm for identifying anomalies in time series or sensor data on the basis of unsupervised learning and presented this at USU World. The self-learning algorithm dynamically identifies the permissible operating conditions in the different phases of operation – for example, load peaks may be normal in the production start-up phase but impermissible for continuous operation. USU's anomaly recognition system learns this independently and can determine permissible tolerance ranges and outliers for incoming data streams online. The algorithm is parameterizable and can be adapted to the specific conditions of the use case, but does not require any entries such as thresholds or limits by the user. Permissible tolerances are learnt independently on the basis of historical data. In addition, in the quarter under review the research department worked on two project proposals that were then selected for funding by the German Federal Ministry for Economic Affairs and Energy (BMWi) in July as part of its technology program "Smart Service World – Internet-based Services for the Economy."

ECONOMIC REPORT

Overall Economic Development

According to information from the German Federal Statistical Office¹ (Destatis), the German economy continued its positive growth path in the second quarter of 2015. An initial report by Destatis indicates that gross domestic product (GDP) in Germany in the quarter under review was 0.4% higher than in the first quarter of 2015 after adjustments for inflation, seasonal and calendar effects. There had already been GDP growth of 0.3% at the beginning of 2015.

¹ Press release 173/15 of the German Federal Office of Statistics dated May 13, 2015, published at www.destatis.de

According to Destatis, positive impetus in comparison to the previous quarter came particularly from the trade surplus. Consumer spending on the part of private households and the state also continued to develop positively. Growth was curbed by the low level of gross investment. Compared to the second quarter of the previous year, GDP climbed by 1.6% in the second quarter of 2015 (Q2 2014: 1.2%) after adjustment for seasonal effects.

Sector Development

The latest economic survey² by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) indicates that sentiment among companies in the German high-tech sector remains positive, although the previous year's high figures were not matched for the second half of 2015. According to BITKOM information, 74% (previous year: 81%) of IT, telecommunications and entertainment technology (ICT) companies surveyed are forecasting rising sales over the course of 2015. Software and IT service companies were particularly optimistic, with 77% (previous year: 87%) and 79% (previous year: 87%) respectively expecting sales to improve in the second half of 2015.

Business Performance in Q2 2015

In the quarter under review, the USU Group generated a 10.9% increase in consolidated sales according to IFRS to EUR 15,856 thousand (Q2 2014: EUR 14,293 thousand). This increase was chiefly due to the strong international business, which contributed sales of EUR 5,713 thousand (Q2 2014: EUR 4,014 thousand) to consolidated sales in the second quarter of 2015 and accordingly posted an above-average rise of 42.3% year on year. The share of sales generated outside Germany in relation to the USU Group's total sales thus amounted to 36.0% in Q2 2015 (Q2 2014: 28.1%).

USU benefited here particularly from a significant expansion of software license business. In the quarter under review, license income rose by 48.3% year on year to EUR 3,336 thousand (Q2 2014: EUR 2,250 thousand). At the same time, the USU Group also increased its maintenance business, which comprises income from software maintenance agreements and sales from software-as-a-service (SaaS) projects, by 28.1% to EUR 4,191 thousand (Q2 2014: EUR 3,271 thousand). Only consulting business was lower than in the previous year, falling by 3.5% to EUR 8,131 thousand (Q2 2014: EUR 8,429 thousand). This was attributable in particular to the decline in sales with freelance staff in USU's service segment.

² BITKOM press release dated July 2, 2015, published at www.bitkom.org

The “Service Business” segment was accordingly down 5.9% year on year in the second quarter of 2015 with segment sales of EUR 3,067 thousand (Q2 2014: EUR 3,259 thousand). By contrast, the “Product Business” segment successfully continued the positive trend from the previous quarters and expanded its segment revenue organically by 15.0% to EUR 12,652 thousand (Q2 2014: EUR 10,998 thousand). As a result, the share of higher-margin product business in relation to the USU Group’s consolidated sales also increased from 76.9% in the second quarter of 2014 to 79.8% in the quarter under review.

The USU Group’s cost base rose by 8.8% year on year to EUR 14,041 thousand (Q2 2014: EUR 12,909 thousand). As a result of the higher increase in sales, the USU Group thus significantly improved its profits. USU’s EBITDA thus climbed by 31.9% to EUR 2,253 thousand (Q2 2014: EUR 1,707 thousand). Earnings before interest and taxes (EBIT) improved from EUR 1,151 thousand in the second quarter of 2014 to EUR 1,715 thousand at present, corresponding to a rise of 49.0%. At the same time, the USU Group increased its consolidated net profit according to IFRS by 38.8% year on year to EUR 1,444 thousand (Q2 2014: EUR 1,040 thousand), resulting in earnings per share of EUR 0.14 (Q2 2014: EUR 0.10).

EBIT after adjustment for the extraordinary effects of acquisitions totaled EUR 1,817 thousand in the second quarter of 2015 (Q2 2014: EUR 1,511 thousand), equivalent to year-on-year growth of 20.3%. USU increased its adjusted consolidated earnings by 8.7% from EUR 1,422 thousand in Q2 2014 to EUR 1,546 thousand in the quarter under review. USU therefore improved its adjusted earnings per share to EUR 0.14 (Q2 2014: EUR 0.13).

Business Performance in the First Six Months of the 2015 Fiscal Year

Development of Sales and Costs

Consolidated Sales

In the first half of the year, USU Software AG increased its consolidated sales according to IFRS by 8.4% year on year to EUR 29,925 thousand (Q1-Q2 2014: EUR 27,607 thousand), particularly as a result of USU’s continuing international expansion. The USU Group’s sales generated outside Germany rose by 46.2% year on year to EUR 9,909 thousand in the first half of the year (Q1-Q2 2014: EUR 6,778 thousand). USU thus increased the international share of consolidated sales from 24.6% in the first two quarters of the previous year to 33.1%.

The main growth driver in the period under review was high-margin software license business. USU's license income rose by 26.8% year on year to EUR 5,251 thousand in the first half of 2015 (Q1-Q2 2014: EUR 4,142 thousand). Maintenance business including SaaS revenues contributed a total of EUR 7,657 thousand (Q1-Q2 2014: EUR 6,370 thousand) to consolidated sales, corresponding to a year-on-year increase of 20.2%. Consulting business was up 0.3% year on year at EUR 16,623 thousand in the first half of 2015 (Q1-Q2 2014: EUR 16,572 thousand). Other income, chiefly consisting of merchandise sales of third-party hardware and software, came to a total of EUR 394 thousand (Q1-Q2 2014: EUR 523 thousand).

Sales by Segment

The product range of the Product Business segment includes all activities relating to USU's product portfolio in the market for knowledge-based service management solutions and the social media and knowledge management market. The Service Business segment comprises consulting services for IT projects and individual application development.

The Product Business segment contributed sales of EUR 23,318 thousand (Q1-Q2 2014: EUR 20,764 thousand) to consolidated sales in the first half of 2015, corresponding to a year-on-year increase of 12.3%. USU benefited here particularly from the significant expansion of license and maintenance business. By contrast, consulting sales in the Service Business segment were down 5.0% year on year at EUR 6,416 thousand (Q1-Q2 2014: EUR 6,755 thousand) owing to reduced business with freelancers. USU accordingly increased the share of consolidated sales attributable to the product segment from 75.2% in the previous year to 77.9% in the first half of the current year. Sales not assigned to the segments amounted to EUR 191 thousand in total in the months January to June 2015 (Q1-Q2 2014: EUR 88 thousand).

Operating Costs

In relation to Group-wide sales growth, the increase in the USU Group's operating cost base of 5.7% to EUR 27,361 thousand (Q1-Q2 2014: EUR 25,888 thousand) was comparatively moderate overall in the first half of 2015.

The cost of sales was up by 8.9% as against the previous year at EUR 14,882 thousand in the period under review (Q1-Q2 2014: EUR 13,663 thousand). This rise was partly due to the year-on-year increase in the number of consultants employed of 5.9% to 214 employees as of June 30, 2015 (June 30, 2014: 202 employees). In line with this, the ratio of cost of sales to consolidated sales rose slightly year on year in the first six months of 2015 to 49.7% (Q1-Q2 2014: 49.5%). Gross income accordingly rose to EUR 15,043 thousand (Q1-Q2 2014: EUR 13,944 thousand), corresponding to a gross margin of 50.3% (Q1-Q2 2014: 50.5%).

Marketing and sales expenses were up 2.6% year on year at EUR 4,288 thousand in the first two quarters of 2015 (Q1-Q2 2014: EUR 4,180 thousand), chiefly due to the 6.7% increase in sales staff compared to the previous year to 64 employees as of the end of the period under review (June 30, 2014: 60 employees). By contrast, non-staff operating costs decreased slightly year on year. The marketing and sales cost ratio in relation to sales fell from 15.1% in the first half of 2014 to 14.3% in the first six months of the current fiscal year.

As a result of the higher staff costs and non-staff operating costs, general and administrative expenses increased by 7.0% in the first six months of 2015 to EUR 3,354 thousand (Q1-Q2 2014: EUR 3,135 thousand). In addition to the 8.5% increase in the headcount in administration from 47 employees in the previous year to 51 employees as of June 30, 2015, this also reflects the expansion of the Management Board as of the end of last year. Relative to consolidated sales, the administrative cost ratio was slightly lower than in the previous year at 11.2% (Q1-Q2 2014: 11.4%).

After the high investments of the previous year, research and development expenses decreased slightly in the year under review. As a result of the partial shift in resources from development to consulting and the associated reduction in the development team of 3.6% to 139 employees (June 30, 2014: 144 employees), USU lowered its research and development expenses by 1.5% year on year to EUR 4,837 thousand in the first six months of 2015 (Q1-Q2 2014: EUR 4,910 thousand). The ratio of research and development expenses to consolidated sales declined accordingly from 17.8% in the first half of 2014 to currently 16.2%.

USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. For further information, please refer to the separate research and development report in this Group management report.

Net other operating income and expenses totaled EUR 503 thousand in the months from January to June 2015 (Q1-Q2 2014: EUR 157 thousand) and included acquisition-related non-recurring income from the final earn-out of BIG.

Earnings situation

As a result of the significant expansion of high-margin product business combined with only a moderate rise in costs, the USU Group increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 50.7% year on year to EUR 3,541 thousand in the first six months of the 2015 fiscal year (Q1-Q2 2014: EUR 2,349 thousand). Including depreciation and amortization of EUR 1,083 thousand (Q1-Q2 2014: EUR 1,101 thousand), USU almost doubled its EBIT to a level of EUR 2,458 thousand in the same period (Q1-Q2 2014: EUR 1,248 thousand).

Net financial income rose from EUR -126 thousand in the previous year to EUR 215 thousand in the first half of 2015, primarily due to positive exchange rate effects. USU thus generated earnings before taxes (EBT) of EUR 2,673 thousand (Q1-Q2 2014: EUR 1,122 thousand), equivalent to a 138.2% increase in comparison to the previous year.

Taking into account the tax expense of EUR 300 thousand (Q1-Q2 2014: EUR 164 thousand), consolidated earnings according to IFRS amounted to EUR 2,373 thousand in the first half of 2015 (Q1-Q2 2014: EUR 958 thousand). This represents a 147.7% increase in net income for the period as against the same period of the previous year. USU's earnings per share accordingly improved from EUR 0.09 in the previous year to EUR 0.23 in the first half of the current year.

Adjusted Earnings

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

Adjusted consolidated earnings	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
<i>in EUR thousand</i>		
Result of ordinary operations (EBIT)	2,458	1,248
Amortization of intangible assets recognized in the course of company acquisitions	609	628
Amortization of goodwill	0	0
Nonrecurring effects relating to acquisitions	-173	108
- stay bonus	50	108
- purchase price adjustments	-223	0
- incidental acquisition costs	0	0
Adjusted EBIT	2,894	1,984
Interest income (as per consolidated income statement)	343	76
Interest expenses (as per consolidated income statement)	-128	-202
Income taxes (as per consolidated income statement)	-300	-164
Tax effects relating to adjustments	-38	76
- amortization	-38	76
- deferred taxation from tax loss carryforwards	0	0
Minority interests (as per consolidated income statement)	0	-37
Adjusted consolidated earnings	2,771	1,733
Adjusted earnings per share (in EUR):	0.26	0.16
Weighted average number of outstanding shares:		
Basic and diluted	10,523,770	10,523,770

USU's adjusted EBIT climbed by 45.9% year on year in the first six months of 2015 to EUR 2,894 thousand (Q1-Q2 2014: EUR 1,984 thousand). At the same time, USU increased its adjusted consolidated earnings by 59.9% compared to the first half of 2014 to EUR 2,771 thousand (Q1-Q2 2014: EUR 1,733 thousand). USU's adjusted earnings per share therefore increased from EUR 0.16 in the previous year to EUR 0.26 in the reporting period.

Net Assets and Financial Position

On the assets side of the statement of financial position, the USU Group's non-current assets amounted to EUR 47,596 thousand as of June 30, 2015 (December 31, 2014: EUR 48,298 thousand). The reported decline in this item results primarily from the amortization of intangible assets. Current assets fell from EUR 36,876 thousand as of December 31, 2014 to EUR 35,708 thousand as of the end of the reporting period, chiefly due to the settlement of outstanding trade receivables by customers. Despite the payment of the remaining purchase price for the final acquisition of BIG in the amount of EUR 2,591 thousand and the dividend distribution to the shareholders totaling EUR 3,157 thousand, USU's cash and cash equivalents increased to EUR 19,250 thousand as of June 30, 2015 (December 31, 2014: EUR 18,920 thousand).

On the equity and liabilities side, the dividend distribution to USU shareholders led to a reduction in equity as of the end of the period under review to EUR 54,798 thousand (December 31, 2014: EUR 55,608 thousand). At the same time, USU reduced its current and non-current liabilities to EUR 28,506 thousand as of June 30, 2015 (December 31, 2014: EUR 29,566 thousand), partly due to the final purchase price payment for the acquisition of BIG. With total assets of EUR 83,304 thousand (December 31, 2014: EUR 85,174 thousand), the equity ratio rose slightly from 65.3% as of December 31, 2014 to 65.8% as of June 30, 2015.

Cash Flow and Capital Expenditure

The USU Group had cash and cash equivalents totaling EUR 19,250 thousand as of June 30, 2015 (Q1-Q2 2014: EUR 14,259 thousand). This represents a year-on-year increase in Group liquidity of EUR 4,991 thousand or 35.0%.

Cash flow from the operating activities of the USU Group was clearly positive in the first six months of 2015 at EUR 6,274 thousand (Q1-Q2 2014: EUR 3,306 thousand), which was due to the positive development in the earnings of the USU Group and changes in working capital.

Cash flow from investing activities of EUR -439 thousand (Q1-Q2 2014: EUR -703 thousand) included investments in property, plant and equipment and intangible assets totaling EUR -449 thousand (Q1-Q2 2014: EUR -714 thousand), offset by income from the disposal of non-current assets of EUR 10 thousand (Q1-Q2 2014: EUR 11 thousand).

Cash flow from financing activities was EUR -5,748 thousand in the period under review (Q1-Q2 2014: EUR -2,631 thousand). This includes the dividend payment to the shareholders of USU Software AG as of June 19, 2015 in the amount of EUR 3,157 thousand (Q1-Q2 2014: EUR 2,631 thousand) or EUR 0.30 per share (Q1-Q2 2014: EUR 0.25 per share) and the repayment of the purchase price liabilities as part of the final earn-out payment for the acquisition of BIG in the amount of EUR 2,591 thousand (Q1-Q2 2014: EUR 0 thousand).

Orders on Hand

As of June 30, 2015 the USU Group's orders on hand increased by 21.7% as against the previous year to EUR 32,866 thousand (June 30, 2014: EUR 27,014 thousand). As against the end of the previous year (December 31, 2014: EUR 28,127 thousand), USU achieved a total increase of 16.7% in orders on hand.

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

As of the end of the quarter under review, the USU Group had increased its workforce by 3.3% year on year to 468 employees (Q1-Q2 2014: 453 employees). The reported rise in the headcount resulted mainly from the expansion of the consultant team, particularly in the US. Broken down by functional unit, USU had a total of 214 (Q1-Q2 2014: 202) employees in consulting and services as of the end of the second quarter of 2015, while 139 (Q1-Q2 2014: 144) were employed in research and development, 64 (Q1-Q2 2014: 60) in sales and marketing, and 51 (Q1-Q2 2014: 47) in administration. Broken down by segment, there were 357 employees in the Product Business segment (Q1-Q2 2014: 342), 64 in the Service Business segment (Q1-Q2 2014: 69) and 47 in central administration at the USU Group (Q1-Q2 2014: 42).

A continued gradual expansion of the Group's workforce is intended as the current fiscal year progresses.

SUPPLEMENTARY REPORT

On July 1, 2015, USU Software AG acquired all shares in SecurIntegration GmbH, Cologne (“SecurIntegration”) in order to expand its portfolio in the area of software license management. SecurIntegration is a software company specializing in SAP license optimization that has established the de-facto standard for SAP license administration with its internally developed Software-License-Compliance (SLC). The new USU subsidiary thus ideally complements the USU Group’s existing software license management portfolio. For further information on the acquisition of SecurIntegration, please refer to the consolidated notes of this 6-Month Report 2015.

There were no other transactions of particular significance after June 30, 2015 that had a material effect on the development of business in the USU Group. 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 Report

General Economy

According to the latest Joint Economic Forecast for Spring 2015³, the leading German economic research institutes are forecasting strong expansion in the German economy in 2015. Above all, the massive decline in the price of oil and the further easing of monetary conditions are expected to have a stimulative effect. Among other factors, the latter has also contributed to a depreciation of the euro. At the same time, interest rates will be stuck at a low level, helping consistently good financing conditions for companies, private households and the public sector. Research institutes are therefore anticipating growth in consumer and investment spending, which will lead to a rise in GDP of 2.1% (2014: 1.6%) in 2015 as a whole as against the previous year. Institutes are also projecting a further recovery for the world economy, mainly stemming from the significant drop in the price of crude oil. For 2015 they are therefore forecasting world GDP growth of 2.9% (2014: 2.6%).

Sector

According to the latest BITKOM forecast⁴, information technology will continue to be the central growth pillar of the ICT market in 2015. BITKOM projects that the IT market volume will increase by 3.2% in 2015 (2014: 4.2%). As in previous years, the software segment will see the biggest growth with an anticipated increase of 5.7% (2014: 5.4%) as against 2014.

³ Joint Economic Forecast Spring 2015 of the Joint Economic Forecast Project Group, dated April 16, 2015

⁴ BITKOM press release dated March 15, 2015, published at www.bitkom.org

The central growth drivers in 2015, according to BITKOM information⁵, will be big data and cloud computing in particular. The IT services market segment is also expected to perform very well with sales growth of 3.0% (2014: 2.3%). By contrast, BITKOM expects the IT hardware segment to see only slight growth of 1.3% after a rise of 6.3% in 2014. The market research company Gartner⁶ is forecasting declining sales for the global IT market, due solely to the enormous strength of the US dollar relative to other currencies. Gartner therefore expects to see a decline in the IT market volume, measured in US dollars, of 5.5% as against the previous year after growth of 0.9% in 2014. Adjusted for this exchange rate effect, the global IT market would grow by 2.5% in 2015.

Outlook

The Management Board expects the growth trend of the past quarters to continue successfully in the second half of 2015. International business in particular is set to increase further. This will be aided by the ongoing penetration of the US market and the expansion of activities in Central Europe. At the same time, business in Germany should also continue to grow. Particularly in the big data areas of license, IT and knowledge management and social business, the Management Board anticipates a significant increase in high-margin product business, from which the USU Group generates license, maintenance and product-related consulting income. The new Group subsidiary SecurIntegration GmbH will also contribute to this starting from the third quarter of 2015. By contrast, the lower-margin service business, in which USU generates consulting sales from individual projects that are not dependent on specific products, is expected to be slightly lower than in the previous year due to the decline in consulting business with freelancers.

Owing to the consistently strong product business and the current forecast for the second half of the year, the Management Board has slightly raised the lower level of the guidance for 2015 as a whole based on the above assumptions and has adjusted the planning range accordingly. The planning for the USU Group now anticipates a rise in consolidated sales to EUR 65 – 68 million (previously: EUR 64 – 68 million) in the 2015 fiscal year, together with a higher increase in adjusted EBIT to EUR 8.5 – 9.5 million (previously: EUR 8.0 – 9.5 million). On the basis of this forecast, the Management Board plans to allow the shareholders of USU Software AG to participate in the company's operating success again in 2015, as in the previous years, and thus to continue the shareholder-friendly dividend policy in the interests of sustainable continuity. With international business flourishing, potential on the core German market remaining high and the growth-oriented acquisition policy of the USU Group, the Management Board is also still assuming the implementation of its medium-term planning of sales of more than EUR 100 million with an adjusted EBIT margin in excess of 15% by 2017.

⁵ BITKOM press release dated December 10, 2014, published at www.bitkom.org

⁶ Gartner press release dated June 30, 2015, published at www.gartner.com

Opportunity and Risk Report

There have been no changes in the risks and opportunities affecting USU Software AG or the Group as a whole since December 31, 2014. For more information please see the report on risks and opportunities in the 2014 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 a positive start to the year with high price gains, the stock markets recorded a volatile development in the quarter under review, with prices declining significantly in some cases. In the quarter under review, the Technology All Share recorded a price gain of 1.2% as against the end of the previous quarter to 1,932.86 points as of June 30, 2015 (March 31, 2015: 1,910.88 points), while the German stock index (DAX) dropped 8.5% to 10,944.97 points in the second quarter of 2015 (March 31, 2015: 11,966.17 points). The price of USU Software AG's shares also moved downward overall in the quarter under review and closed at EUR 15.60 (March 31, 2015: EUR 16.72) on the electronic trading platform XETRA, down 6.7% on the previous quarter.

In the first half of the year, the Technology All Share was up 18.8% compared to its level on December 31, 2014 (1,626.79 points), while the DAX marked an 11.6% increase as of June 30, 2015 (December 31, 2014: 9,805.55 points). USU's share price also recorded an increase of 14.5% in total in the first six months of 2015 (December 31, 2014: EUR 13.63).

Möglingen, August 20, 2015

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Bernhard Böhler
Management Board

Dr. Benjamin Strehl
Management Board

ASSETS (Thsd. EUR)	6-Month Report 30.06.2015	Annual Report 31.12.2014
Non current assets		
Intangible assets	6,245	6,885
Goodwill	34,559	34,559
Property, plant and equipment	2,084	2,075
Other financial assets	0	0
Deferred tax assets	4,051	4,122
Other assets	657	657
Total non current assets	47,596	48,298
Current assets		
Inventories	779	643
Work in progress	3,691	4,158
Trade receivables	8,507	10,641
Income tax receivables	308	654
Other financial assets	316	233
Other assets	312	249
Prepaid expenses	2,545	1,378
Cash on hand and bank balances	19,250	18,920
Total non current assets	35,708	36,876
Total assets	83,304	85,174

LIABILITIES AND SHAREHOLDERS' EQUITY (Thsd. EUR)	6-Month Report 30.06.2015	Annual Report 31.12.2014
Shareholders' equity		
Subscribed capital	10,524	10,524
Capital reserve	52,792	52,792
Legal reserve	502	502
Other comprehensive income	-45	-19
Accumulated losses	-8,975	-8,191
Shareholders' equity not including minority interests	54,798	55,608
Minority interests	0	0
Total shareholders' equity	54,798	55,608
Non-current liabilities		
Deferred tax liabilities	690	766
Pension provisions	1,914	1,865
Total non-current liabilities	2,604	2,631
Current liabilities		
Provisions for income taxes	577	941
Purchase price liabilities	0	2,514
Personnel-related provisions and liabilities	3,627	4,580
Other provisions and liabilities	1,280	2,117
Liabilities from received payments	8,326	10,999
Trade payables	1,546	1,392
Deferred income	10,546	4,392
Total current liabilities	25,902	26,935
Total liabilities and shareholders' equity	83,304	85,174

CONSOLIDATED INCOME STATEMENT (Thsd. EUR)	Quarterly Report	Quarterly Report	6-Month Report	6-Month Report
	II / 2015	II / 2014		
	01.04.2015 - 30.06.2015	01.04.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
Sales revenue	15,856	14,293	29,925	27,607
Cost of sales	-7,596	-6,852	-14,882	-13,663
Gross profit	8,260	7,441	15,043	13,944
Sales and marketing expenses	-2,350	-2,152	-4,288	-4,180
General administrative expenses	-1,634	-1,479	-3,354	-3,135
Research and development expenses	-2,461	-2,426	-4,837	-4,910
Other operating income	236	94	610	215
Other operating expenses	-36	-13	-107	-58
Amortization of intangible assets recognized in the course of company acquisitions	-300	-314	-609	-628
Result of ordinary operations (EBIT)	1,715	1,151	2,458	1,248
Interest income	33	71	343	76
Interest expenses	-110	-100	-128	-202
Result before tax (EBT)	1,638	1,122	2,673	1,122
Income taxes	-194	-82	-300	-164
Net profit / loss	1,444	1,040	2,373	958
of which:				
- shareholders of USU Software AG	1,444	1,059	2,373	995
- minority interests	0	-19	0	-37
Earnings per share (EUR) on the basis of the share of earnings of shareholders of USU Software AG				
(basic and diluted)	0.14	0.10	0.23	0.09
Weighted average shares				
(basic and diluted)	10,523,770	10,523,770	10,523,770	10,523,770

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thsd. EUR)	Quarterly Report	Quarterly Report	6-Month Report	6-Month Report
	II / 2015	II / 2014		
	01.04.2015 - 30.06.2015	01.04.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
Group result	1,444	1,040	2,373	958
Items never to be reclassified to profit or loss				
Actuarial gains/losses from pension provisions	0	0	0	0
Deferred taxes from actuarial gains/losses	0	0	0	0
Items that have been or can be reclassified to profit or loss				
Available-for-sale financial instruments (securities)	0	0	0	0
Currency translation difference	45	-1	-26	43
Other comprehensive income	45	-1	-26	43
Overall result	1,489	1,039	2,347	1,001
of which:				
- shareholders of USU Software AG	1,489	1,058	2,347	1,038
- minority interests	0	-19	0	-37

CONSOLIDATED STATEMENT OF CASH FLOW (Thsd. EUR)	6-Month Report 01.01.2015 - 30.06.2015	6-Month Report 01.01.2014 - 30.06.2014
CASH FLOW FROM ORDINARY ACTIVITIES:		
Result bevor taxes (EBT)	2,673	1,122
Adjustments for:		
Financial income / financial expenditure	-215	126
Depreciation and amortization	1,083	1,101
Income taxes paid	-309	-240
Income taxes refunded	419	0
Interest paid	-4	-3
Interest received	27	7
Other non-cash income and expenses	-446	53
Change in working capital:		
Inventories	-136	-24
Work in progress	467	-758
Trade receivables	2,134	2,268
Prepaid expenses and other assets	-1,313	-152
Trade payables	154	-196
Personnel-related provisions and liabilities and pension provisions	-904	-743
Other provisions and liabilities	2,644	745
Net cash flow form ordinary activities	6,274	3,306
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries less cash and cash equivalents acquired	0	0
Capital expenditure in property, plant and equipment	-388	-610
Capital expenditure in other intangible assets	-61	-104
Sales of non-current assets	10	11
Net cash flow from investing activities	-439	-703
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend payment	-3,157	-2,631
Repayment of purchase price liabilities in connection with acquisition of subsidiaries	-2,591	0
Net cash flow from financing activities	-5,748	-2,631
Net effect of currency translation in cash and cash equivalents	243	56
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS	330	28
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,920	14,231
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19,250	14,259

**CONSOLIDATED STATEMENT OF
SHAREHOLDERS' EQUITY** (unaudited)



CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	Subscribed capital		Capital reserve	Legal reserve	Accumu- lated losses	Other comprehensive income		Share- holder's equity not including minority interests	Minority interest	Total
	Shares	Thsd. EUR				Currency Trans- lation	Securities measured at fair value			
		Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR	Thsd. EUR
Consolidated equity as of January 1, 2014	10,523,770	10,524	52,792	470	-10,467	-44	0	53,275	-43	53,232
Group result	0	0	0	0	995	0	0	995	-37	958
Other comprehensive income	0	0	0	0	0	43	0	43	0	43
Overall result	0	0	0	0	995	43	0	1,038	-37	1,001
Dividend payment	0	0	0	0	-2,631	0	0	-2,631	0	-2,631
Consolidated equity as of June 30, 2014	10,523,770	10,524	52,792	470	-12,103	-1	0	51,682	-80	51,602
Consolidated equity as of January 1, 2015	10,523,770	10,524	52,792	502	-8,191	-19	0	55,608	0	55,608
Group result	0	0	0	0	2,373	0	0	2,373	0	2,373
Other comprehensive income	0	0	0	0	0	-26	0	-26	0	-26
Overall result	0	0	0	0	2,373	-26	0	2,347	0	2,347
Dividend payment	0	0	0	0	-3,157	0	0	-3,157	0	-3,157
Consolidated equity as of June 30, 2015	10,523,770	10,524	52,792	502	-8,975	-45	0	54,798	0	54,798

Principles of Accounting

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, 2014. This unaudited six-month report for 2015 should therefore be read in conjunction with the audited consolidated financial statements for 2014.

This consolidated interim report contains all the necessary deferrals and, in the opinion of the management, provides a true and fair view of assets, liabilities, financial position, and profit or loss. 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 reporting date and the income and expenses for the reporting period are required to a certain extent. Actual results may differ from those estimates.

Income taxes are recognized in the interim period based on the best estimate of the weighted average annual income tax rate expected for the year as a whole. This tax rate is applied to the pre-tax profit of the consolidated companies.

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

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

The accounting standards to be applied for the first time in the first six months of fiscal 2015 had no material effects on the consolidated financial statements.

For more detailed information on new standards that have not yet come into force, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2014.

Events After The Reporting Date

On July 1, 2015, USU Software AG acquired 100% of the shares in SecurIntegration GmbH, Cologne. SecurIntegration is a software company specializing in SAP license optimization whose standard software rounds off the USU Group's existing software license management portfolio. Established in 2001, the company generated sales of around EUR 1.5 million and positive operating earnings in the 2014 fiscal year. SecurIntegration's renowned customers include companies such as Continental, Dätwyler, and AMAG. The purchase price for the shares, which is to be paid in cash, includes a fixed component and an earn-out-related component and will amount to between around EUR 1 million and EUR 3 million, depending on SecurIntegration's future development.

Financial instruments

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

in Thsd. EUR	30.06.2015		31.12.2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Work in progress	3,691	3,691	4,158	4,158
Trade receivables	8,507	8,507	10,641	10,641
Other current financial assets	316	316	233	233
Cash on hand and bank balances	19,250	19,250	18,920	18,920
	31,764	31,764	33,952	33,952

in Thsd. EUR	30.06.2015		31.12.2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities				
Trade payables	1,546	1,546	1,392	1,392
Liabilities from advance payments	8,326	8,326	10,999	10,999
Purchase price liabilities	0	0	2,514	2,514
	9,872	9,872	14,905	14,905

In accordance with IFRS 13, fair value is defined as the price a market participant would receive when selling an asset or would pay to transfer a liability in an orderly transaction on 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 such financial instruments.

Sales revenues

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

	1.1.-30.6.2015 Thsd. EUR	1.1.-30.6.2014 Thsd. EUR
Consulting	16,623	16,572
Licences / products	5,251	4,142
Maintenance / SaaS	7,657	6,370
Other	394	523
	29,925	27,607

Segment reporting

For the purpose of segment reporting in accordance with IFRS 8, USU is active in “Product Business” and “Service Business”, both of which have a major influence on the risks and equity return. The breakdown of various key ratios by segment in line with IFRS 8 is represented in the following overview:

	Product Business		Service Business		Total Segments		Unallocated		Group	
	1.1.-30.6.15 Thsd. EUR	1.1.-30.6.14 Thsd. EUR	1.1.-30.6.15 Thsd. EUR	1.1.-30.6.14 Thsd. EUR	1.1.-30.6.15 Thsd. EUR	1.1.-30.6.14 Thsd. EUR	1.1.-30.6.15 Thsd. EUR	1.1.-30.6.14 Thsd. EUR	1.1.-30.6.15 Thsd. EUR	1.1.-30.6.14 Thsd. EUR
Revenues	23,318	20,764	6,416	6,755	29,734	27,519	191	88	29,925	27,607
EBITDA	4,218	3,084	1,036	891	5,254	3,975	-1,713	-1,626	3,541	2,349
EBIT	3,274	2,145	965	824	4,239	2,969	-1,781	-1,721	2,458	1,248
Net financial income	-	-	-	-	-	-	215	-126	215	-126
Taxes	-	-	-	-	-	-	-300	-164	-300	-164
Net profit / loss	3,274	2,145	965	824	4,239	2,969	-1,866	-2,011	2,373	958
Employees (as of June 30, 2015/14)	357	342	64	69	421	411	47	42	468	453

The USU Software Group generated a total of 33.1% (Q1-Q2 2014: 24.6%) or EUR 9,909 thousand (Q1-Q2 2014: EUR 6,778 thousand) of its consolidated sales outside Germany in the first six months of fiscal 2015. These data are based on customers' registered offices. In 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 consolidated total investments. Further details of the geographical data have thus not been provided for reasons of materiality.

Shares held by members of corporate bodies at USU Software AG

The following shares in USU Software AG were held by members of corporate bodies of the company as at June 30, 2015:

Holdings of members of corporate bodies	shares 30.06.2015	shares 30.06.2014
Management Board		
Bernhard Oberschmidt	156,518	18,696
Bernhard Böhler	167,572	-
Dr. Benjamin Strehl	0	-
Supervisory Board		
Udo Strehl*	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

** An additional 3,337,868 (2014: 3,487,868) shares of USU Software AG can be allocated to Udo Strehl via AUSUM GmbH as the majority shareholder of the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.
A further 32,000 (2014: 32,000) shares in USU Software AG are allocated to Udo Strehl through the "Knowledge is the future" foundation of which he is the Managing director pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.*

On April 23, 2015, the Chairman of the Management Board of USU Software AG, Bernhard Oberschmidt, sold 25,000 shares of the Company to institutional investors on the over-the-counter market and subsequently notified USU Software AG of this securities transaction. The Company in turn published the notification regarding securities transactions as required.

No stock options or convertible bonds issued by USU Software AG are held by any members of its executive bodies.

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 as part of full 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 Supervisory Board Chairman and majority shareholder Udo Strehl and his wife compared with the information in the notes to the consolidated financial statements of fiscal 2014. For more information, please refer to the details in the consolidated financial statements of USU Software AG for the fiscal year ending December 31, 2014.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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, August 20, 2015

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Bernhard Böhler
Management Board

Dr. Benjamin Strehl
Management Board

SEPTEMBER 18 - 20, 2015**ANALYST CONFERENCE OF USU SOFTWARE AG
- IR-Event 2015 (Rüttbauer Research) -
Bregenz, Austria****NOVEMBER 19, 2015****9-MONTH REPORT 2015****NOVEMBER 23 - 25, 2015****ANALYST CONFERENCE OF USU SOFTWARE AG
- GERMAN EQUITY FORUM -
Frankfurt am Main, Germany**