ANNUAL REPORT 2011

USU SOFTWARE AG

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ANNUAL REPORT 2011

CORPORATE GOVERNANCE REPORT 2011

Corporate Governance

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

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

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

Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity on December 1, 2011:

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

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

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

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

In financial year 2011, a Supervisory Board deductible was agreed in line with the legal requirements and the provisions of the Corporate Governance Code, as already stipulated for the Management Board.

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

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

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

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

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

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

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

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

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

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

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

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

Principles of the Compensation System

Compensation of the Management Board

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

The compensation totaling EUR 348.1 thousand (2009: EUR 260.4 thousand) shown in the following table includes all compensation paid to the Chairman of the Management Board, Bernhard Oberschmidt within the scope of consolidation. The sole member of the Management Board of USU Software AG is also the Chairman of the Management Board of the Group subsidiary USU AG, President of the Group subsidiary USU (Schweiz) AG and Managing Director of the Group subsidiaries Openshop Internet Software GmbH and USU Austria GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board *(in EUR thousand)*				
	Fixed compen-sation	Contribution to social security and pension	Non-cash benefit from private use of company car	Variable compensation
2011	150.8	20.7	12.9	163.7 [1)]
2010	138.0	19.5	15.3	87.6 [2)]

[1)] of which for previous year: EUR 7.3 thousand;

[2)] of which for previous year: EUR -6.0 thousand;

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

Compensation of the Supervisory Board

The compensation of the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and in accordance with the rules of the German Corporate Governance Code consists of a fixed component and a performance-related component. Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand for each full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. Members of the Supervisory Board also receive a variable amount each year. This was re-determined by the Company’s Annual General Meeting on June 30, 2011 and with effect from fiscal year 2011 is dependent upon earnings before interest, taxes, depreciation and amortization (EBITDA), as reported in either the combined management report or the Group management report, as a proportion of the reported consolidated sales. When EBITDA exceeds 8% of consolidated sales, for each full percentage point by which EBITDA exceeds an 8% share of consolidated sales, a premium of 10% of the fixed annual compensation will be paid per year as a variable component. This is subject to an upper limit for total compensation of 200% of the fixed annual component. In fiscal year 2011 EBITDA represented 14.7% of consolidated sales. The variable compensation of the USU Software AG Supervisory Board thus corresponded to 60% of the basic fixed remuneration of the individual members of the Supervisory Board.

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

During the 2011 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 158.5 thousand (2010: EUR 133.0 thousand).

Individual compensation of the Supervisory Board for the 2011 fiscal year *(in EUR thousand)*			
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	36.0	10.0
Günter Daiss	12.5	7.5	7.5
Erwin Staudt	12.5	7.5	5.0

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

Additional disclosures forming part of the Corporate Governance Report

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

As of December 31, 2011, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows.

Shareholdings subject to mandatory disclosure	2011 No. of shares	2010 No. of shares
Management Board		
Bernhard Oberschmidt	18,696	18,696
Supervisory Board		
Udo Strehl *)	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

*) *A further 3,487,868 voting rights in USU Software AG (2010: 3,773,868) are allocable to Udo Strehl via Udo Strehl Private Equity GmbH in his capacity as the majority shareholder of this company in accordance with section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).*
A further 32,000 voting rights in USU Software AG (2010: 32,000) are allocable to Udo Strehl via the "Wissen ist Zukunft" foundation in his capacity as the Managing Director of this foundation in accordance with section 22 (1) sentence 1 no. 1 WpHG.

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

Stock option programs and similar share-based incentive systems

As of December 31, 2011, USU Software AG does not operate any share-based incentive systems.

Treasury shares

USU Software AG does not hold any treasury shares as of December 31, 2011.

REPORT OF THE SUPERVISORY BOARD OF USU SOFTWARE AG

Dear Shareholders,

Another highly successful financial year lies behind us, one which has set new standards in the corporate history of USU Software AG with an increase in Group-wide sales of almost 20% and a rise in Group earnings of a good half relative to record year 2010. This means the Company's Management Board not only achieved the published sales and earnings targets for USU Software AG and its subsidiaries, it exceeded them by a considerable margin. And as an individual company too, USU Software AG achieved a significant increase in earnings with a tripling of its net profit. In the interests of a shareholder-friendly dividend policy and long-term dividend continuity, the Supervisory Board has approved the Management Board's proposal for the appropriation of net profit for the 2011 fiscal year and will propose to the Annual General Meeting of USU Software AG on July 18, 2012 the distribution of a dividend of EUR 0.20 per dividend-bearing share.

Performance of Supervisory Board Duties

During the 2011 fiscal year, the Supervisory Board performed all of the tasks and duties prescribed by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code and continually supervised and advised the Management Board. The Management Board regularly informed the Supervisory Board, promptly and comprehensively, of the development and position of USU Software AG and the Group, corporate planning, risk management and compliance and all key business transactions and projects. For its part, the Supervisory Board intensively monitored the business development of USU Software AG and the Group and remained in close contact with the Management Board during the year. In addition, the Chairman of the Supervisory Board and the Chairman of the Management Board continuously exchanged information and views both orally and in writing. The Supervisory Board was directly involved at an early stage in decisions of major importance to the company. Furthermore, the Supervisory Board was extensively informed in advance of and carefully examined and unanimously approved all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board of USU Software AG in the 2011 fiscal year.

In accordance with Article 11 (1) of the Articles of Association of USU Software AG, the Company's Supervisory Board consists of three members. The period of office of members Günter Daiss, Erwin Staudt, and Udo Strehl ended by rotation with the conclusion of the Annual General Meeting on June 30, 2011, necessitating the holding of new elections. Each of the members of the Supervisory Board stood for re-election to the board and were re-elected by the Annual General Meeting with large majorities. In accordance with the rules of the German Corporate Governance Code, elections to the Supervisory Board were made on an individual basis. Under Article 11 (2) of the Articles of Association, the period of office of the newly elected Supervisory Board ends with the conclusion of the Annual General Meeting that ratifies the acts of management for 2015.

Since the Supervisory Board comprises three members, no committees were set up in the 2011 fiscal year.

Meetings of the Supervisory Board and Main Points of Discussion

The Supervisory Board of USU Software AG held a total of six Supervisory Board Meetings during fiscal year 2011. Five of the six meetings were attended by all the members of the Supervisory board in person. One meeting alone was attended by only two of the three members. This means the average meeting attendance rate of the Supervisory Board members was over 94%.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Chairman of the Management Board and by the divisional managers of the subsidiaries as necessary, focused on the business development, the net assets, financial position, results of operations and the strategic planning of USU Software AG and the Group. The Management Board of the Company reported in particular on the development of sales, earnings and profitability as well as the liquidity of the Company and the Group. In this context, the Supervisory Board was informed about the course of business of USU Software AG and its subsidiaries, in particular Aspera GmbH, in which the Company acquired a majority shareholding in 2010, as well as other potential acquisition opportunities.

The Supervisory Board, together with the Management Board, also discussed risk management for USU Software AG and the Group as a whole and defined in detail the prevailing risks and planned strategies and measures to control and manage risk. The Management Board also gave details of the ongoing corporate planning for USU Software AG and the Group as a whole and presented the key aspects of financial, investment and human resources planning. The development of the Company's share price and the associated activities of the Management Board in the area of investor relations were also discussed on a regular basis.

At the accounts meeting of the Supervisory Board on March 14, 2011, the auditor reported on the key findings of its audit, the separate and consolidated financial statements plus the combined management report were approved following a detailed discussion with the Management Board of the Company and the auditor, and the annual financial statements were adopted. The Supervisory Board also approved the recommendation of the Management Board to propose to the Company's Annual General Meeting the distribution of a dividend of EUR 0.20 per dividend-bearing share.

At the meeting of the Supervisory Board on May 6, 2011 the agenda for the 2011 Annual General Meeting was discussed and finalized with the Chairman of the Management Board of USU Software AG. In particular the Chairman of the Management Board reported on the business development of USU Software AG and the Group, looked forward to anticipated business development over subsequent quarters, introduced get IT Services GmbH as a potential takeover candidate and discussed with the Supervisory Board the premises for a possible investment in this company. Following detailed discussion, the Supervisory Board approved the acquisition and gave the Chairman of the Managing Board its consent for the transaction.

At the meeting of the Supervisory Board on May 30, 2011, a presentation of the business performance of the Group's subsidiaries by their respective managers or managing directors was followed by a report by the Chairman of the Managing Board of USU Software AG on the performance of the Group as a whole and on ongoing takeover activities. The Chairman also reported on the successful outcome of the arbitration proceedings relating to the complete takeover of subsidiary USU AG, which had been ongoing since 2004.

On June 30, 2011, following the Annual General Meeting at which the periodic re-election of the Supervisory Board members took place, a constitutive meeting of the Supervisory Board took place at which Udo Strehl was elected Chairman of the Supervisory Board and Günter Daiss Deputy Chairman of the Supervisory Board. Also at this meeting, the Chairman of the Management Board reported on the development of USU Software AG and the Group.

At the Supervisory Board Meeting held on September 22, 2011, status reports were given by the respective managers and managing directors on USU Software AG and its subsidiaries and discussed with the Supervisory Board. The Supervisory Board was informed in detail about ongoing projects and discussed worldwide macroeconomic developments and their possible impact on USU Software AG with the Group management.

The two-day meeting of the Supervisory Board on November 30 and December 1, 2010 focused on the business development of USU Software AG and the Group as a whole in 2011 and on planning for the following year. With the participation of the managers of the subsidiaries, the Chairman of the Board of USU Software AG gave a presentation on the situation as the year drew to a close and on the key economic and operational targets for the fiscal year 2012.

The Supervisory Board discussed the plans in detail with the Management Board and unanimously approved them. A further key topic of this Supervisory Board meeting was the implementation of the provisions of the German Corporate Governance Code and the adoption of the corresponding declaration of conformity. In accordance with figure 5.6 of the German Corporate Governance Code, the Supervisory Board also performed an efficiency audit, which had a positive outcome.

Corporate Governance and Declaration of Conformity

The responsible management and control of USU Software AG and the Group with the aim of sustained value creation are, and will remain in future, the focus of the activities of the Management Board and Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On December 1, 2011, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with Section 161 AktG on the same day and subsequently made it permanently available on the Company's website. This declaration of conformity and additional information relating to corporate governance at USU Software AG can be found in the previous chapter of this annual report, Corporate Governance Report 2011.

Audit of the Separate and Consolidated Financial Statements

Prof. Dr. Binder, of Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, was appointed auditor for the fiscal year 2011 in line with the resolution of the Annual General Meeting on June 30, 2011. The objects of the audit were the 2011 financial statements, prepared in accordance with the German Commercial Code ("HGB"), the 2011 consolidated financial statements, prepared under Section 315a HGB in accordance with the provisions of the International Financial Reporting Standards ("IFRS"), as applicable within the European Union, and the additional requirements of German law under Section 315a (1) as well as the accompanying combined management report for fiscal year 2011. The financial statements of USU Software AG, the consolidated financial statements and the combined management report for fiscal year 2011 were each issued with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned yearend closing documents, including the Management Board's proposal on the appropriation of net profit and the auditor's reports, for examination in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 12, 2012. Following its own examination and an extensive discussion with the Management Board and the auditors, the Supervisory Board concurred with the findings of the audit and raised no objections. The Supervisory Board approved the financial statements and consolidated financial statements presented to it by the Management Board as well as the combined management report for fiscal year 2011. The annual financial statements have therefore been adopted.

At the same time the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, under which the unappropriated surplus of USU Software AG as at December 31, 2011, ascertained in accordance with HGB at EUR 2,333 thousand, will be appropriated as follows:

- to pay a dividend of EUR 0.20 per share for 10,523,770 shares, amounting to a total of EUR 2,105 thousand
- to carry forward the remaining unappropriated surplus of EUR 228 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with Sections 289 (4) and 315 (4) HGB and the corresponding report. Further information can be found in the disclosures and explanations in the combined management report for the 2011 fiscal year. The Supervisory Board has examined the report and the disclosures and explanations contained therein and is satisfied that these are complete. Accordingly, the Supervisory Board has adopted the report.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with Section 312 AktG for the fiscal year from January 1, 2011 to December 31, 2011 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

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

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

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

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

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

Concluding Remarks and Thanks

On behalf of the Supervisory Board, I would like to take this opportunity to thank all the staff of USU Software AG and its subsidiaries for their passionate commitment, high level of motivation and loyalty to the USU Group. As a result of their personal effort and outstanding performance, they have made a decisive contribution to the very successful business development of the USU Group in 2011, which has led to new sales and earnings records. I would also, to an equal extent, like to thank the management teams of the subsidiaries for their extremely committed and professional contributions to the good of the Company. My special thanks go to the Chairman of the Management Board of USU Software AG, Bernhard Oberschmidt, for his persistent and single-minded work and good collaboration in a spirit of mutual trust.

Möglingen, March 12, 2012

For the Supervisory Board

Udo Strehl
Chairman of the Supervisory Board of USU Software AG

Management Report on the Company and the Group 2011

Summary

As the parent company of the Group, USU Software AG, Möglingen, Germany, directly or indirectly participates in the operational companies USU AG, Möglingen, Germany, Aspera GmbH, Aachen, Germany, LeuTek GmbH, Leinfelden-Echterdingen, Germany, Omega Software GmbH, Obersulm, Germany, USU Software s.r.o., Brno, Czech Republic, USU Austria GmbH, Vienna, Austria, USU (Schweiz) AG, Zug, Switzerland, and USU Consulting GmbH (previously get IT Services GmbH), Sursee, Switzerland, in which USU Software AG acquired a majority shareholding in 2011. It also has a shareholding in Openshop Internet Software GmbH, Ludwigsburg, German, which is no longer operational. The subsidiary Gentner GmbH ProCOMMUNICATION i. L., Möglingen, Germany, is no longer operational and was deregistered following the conclusion of the liquidation procedure on December 19, 2011.

On July 29, 2011, USU Software AG (hereinafter also referred to as “the Company”) acquired 70% of shares in get IT Services GmbH, Sursee, Switzerland, which was subsequently renamed USU Consulting GmbH. The Swiss strategy consulting company has already been a partner of USU Software AG and its subsidiaries (hereinafter also referred to as “the USU Group” or “USU”) for many years and has excellent expertise in management and technical consulting, concept development, the handling of major projects in the area of IT strategy and service management plus ITIL training and preparation for ISO 20000 certification. Thus, USU Consulting GmbH supplements USU’s portfolio both strategically in the market for knowledge-based service management and geographically by extending its presence in Switzerland.

In fiscal year 2011, USU Software AG increased its consolidated sales under IFRS by 19.9% over the previous year to EUR 45,597 thousand (2010: EUR 38,023 thousand) and exceeded by a considerable margin its published target of growth in excess of 10% and sales of more than EUR 43,000 thousand. This also means that a new sales record for the Company was achieved during the reporting year. In addition to the organic growth of the Product Business segment of existing subsidiaries USU AG, LeuTek GmbH (“LeuTek”) and Omega Software GmbH (“Omega”) as well as new subsidiaries Aspera GmbH (“Aspera”) and USU Consulting GmbH, in which majorities were recently acquired, the consulting-related Service Business segment bundled within USU AG also contributed to this successful business development.

USU succeeded in increasing the consolidated operating result before interest, taxes, depreciation and amortization ("EBITDA") by 45.2% to EUR 6,700 thousand (2010: EUR 4,614 thousand), thereby setting a new record on the earnings side as well. This means that the Management Board's target for fiscal year 2011 of increasing EBITDA more strongly than sales to at least EUR 6,000 thousand was surpassed by a clear margin. As a result, the EBITDA margin rose from 12.1% in 2010 to 14.7% in the reporting year, in other words in the vicinity, already, of our medium-term target margin of 15%.

Earnings before interest and taxes ("EBIT") rose by 79.8% relative to the previous year to EUR 4,644 thousand (2010: EUR 2,583 thousand). USU also managed to increase earnings before tax ("EBT") by a not inconsiderable 66.3% over the previous year to EUR 4,507 thousand (2010: EUR 2,710 thousand). After taxes, the USU Group achieved an increase in net profit of 51.0% during the 2011 fiscal year to EUR 3,545 thousand (2010: EUR 2,348 thousand), corresponding to earnings per share of EUR 0.34 (2010: EUR 0.23).

The net profit of USU Software AG as an individual business also rose significantly during the reporting year, increasing threefold relative to 2010 to EUR 2,076 thousand (2010: EUR 657 thousand).

On the basis of this positive business performance and against the background of progressive growth by USU Software AG and its subsidiaries, at the Annual General Meeting on July 18, 2012 the Company's Management Board and Supervisory Board will propose, in the interests of a shareholder-friendly dividend policy and dividend continuity, the distribution to shareholders of a dividend of EUR 0.20. This is the same as the previous year and once again more than the medium-term target of 50% of earnings. In doing so the Management Board is also pursuing the goal of settling in cash the remaining purchase price for the intended complete takeover of Aspera in 2012 without bank liabilities or a capital increase that would water down the holdings of existing investors. For this USU Software AG has sufficient cash and cash equivalents at its disposal within the Group, comprising Group liquidity in the form of cash on hand, bank balances and securities amounting to EUR 17,630 thousand (December 31, 2010: EUR 11,055 thousand). Even after payment of the remaining purchase price for Aspera and the dividend distribution, USU will still have the strong financing it requires in order to make targeted investments and purchase companies or interests in companies when acquisition opportunities present themselves.

Overall Economic Development

In spite of the sovereign debt crisis in Europe and the USA the German economy recorded clear growth in 2011. According to an initial report from the German Federal Statistical Office (Destatis), Germany's gross domestic product (GDP) increased by 3.1% during the reporting year (2010: 3.6%) after adjustment for inflation, seasonal and calendar effects. Following a strong start to the year, however, the upturn in Germany lost much of its momentum, resulting in a slight fall in GDP in Q4/2011 relative to the previous quarter. Across the year as a whole, positive impetus was generated above all from the export business and investments in equipment and buildings. According to an assessment by Eurostat, the Statistical Office of the European Communities, the euro zone also recorded a further increase in economic performance, although development varied greatly across the individual euro zone member states. While Finland and Estonia, in addition to Germany, achieved above-average increases in production, the recessionary trends in countries such as Greece and Portugal intensified further. Overall the GDP of the euro zone grew by 1.5% (2010: 1.9%) during the period under scrutiny.

Industry Performance

In 2011, the German IT sector once again acted as a driver of growth for the whole economy even though the high rates of increase of the previous year were not achieved. According to forecasts published by BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.) in mid-December 2011, IT market volumes in Germany rose by 3.2% during the reporting year, following an increase (revised upwards) of 7.9% in 2010. According to BITKOM, German providers of software and IT services achieved above-average growth rates of 5.1% (2010: 7.9%) and 3.6% (2010: 1.7%) in 2011. By contrast the European IT market was clearly affected by the sovereign debt crisis, according to studies by the European Information Technology Observatory (EITO). Due to declining information technology market volumes in Greece (12%), Spain (5%) and Italy (4%), IT sales in Europe remained 0.6% below the previous year's level despite the significant growth in Germany.

Business Development

Once again, USU Software AG and its subsidiaries developed extremely dynamically and successfully during the 2011 fiscal year. The USU Group achieved new records for sales and operating result (EBITDA), thereby meeting the Management Board's targets in full. Particularly pleasing is that the positive trend continued through the quarters. While the final quarter in particular has always had a key influence on the profitability of a financial year for the USU Group in the past, business performance was more balanced in the year under review.

With Group-wide sales growth of 19.9%, in 2011 the USU Group again achieved significantly above-average rates of increase with respect both to the economy as a whole and to the IT sector. In addition to the acquisition-driven expansion of the business resulting from the majority takeovers of Aspera GmbH, acquired in 2010, and USU Consulting GmbH, purchased during the year under review, USU also benefited from organic growth in the Product Business and Service Business segments. Here, contributions to growth were made by new and innovative product versions, such as Valuemation 4 and USU KnowledgeCenter 5, a significant increase in our international business and also by various consulting-related project successes in the Service Business. During the year under review, USU won numerous new contracts from well-known domestic and international companies such as ComosDirekt, Edeka, Eurofighter, Hannover Rück, Jungheinrich, Kabel Deutschland, LBBW, Texas Instuments and Wüstenrot & Württembergische.

On the earnings side, USU again increased its operating result (EBITDA) more strongly than sales with an increase of 45.2%. Net profit rose by 50.9%, resulting in earnings per share around half as high again as the previous year.

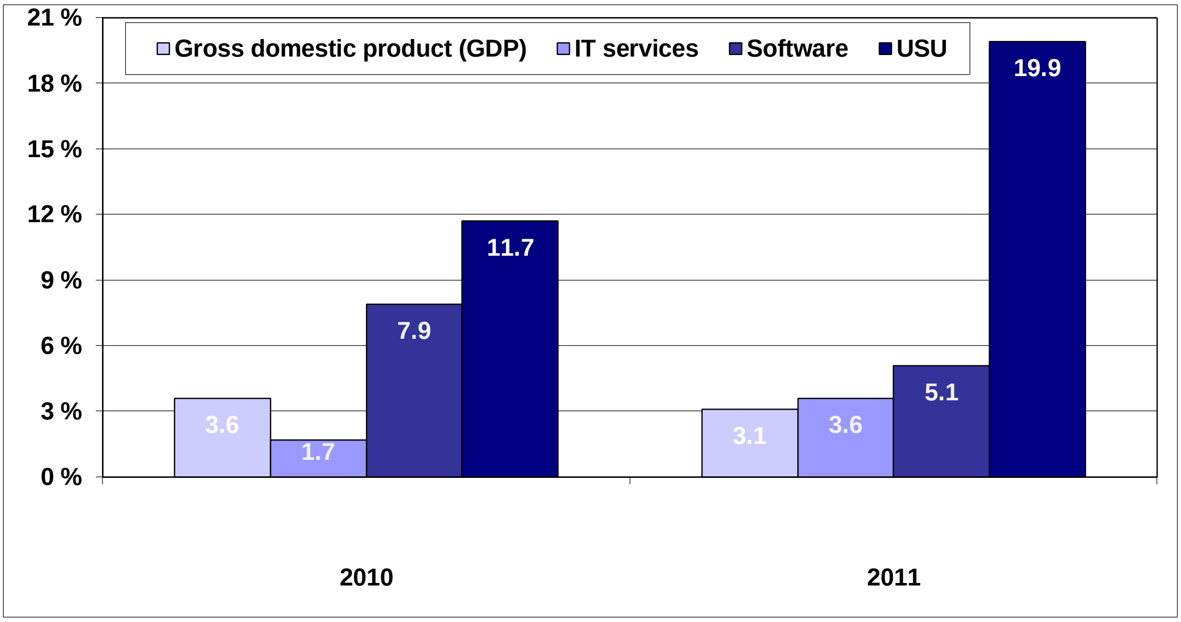


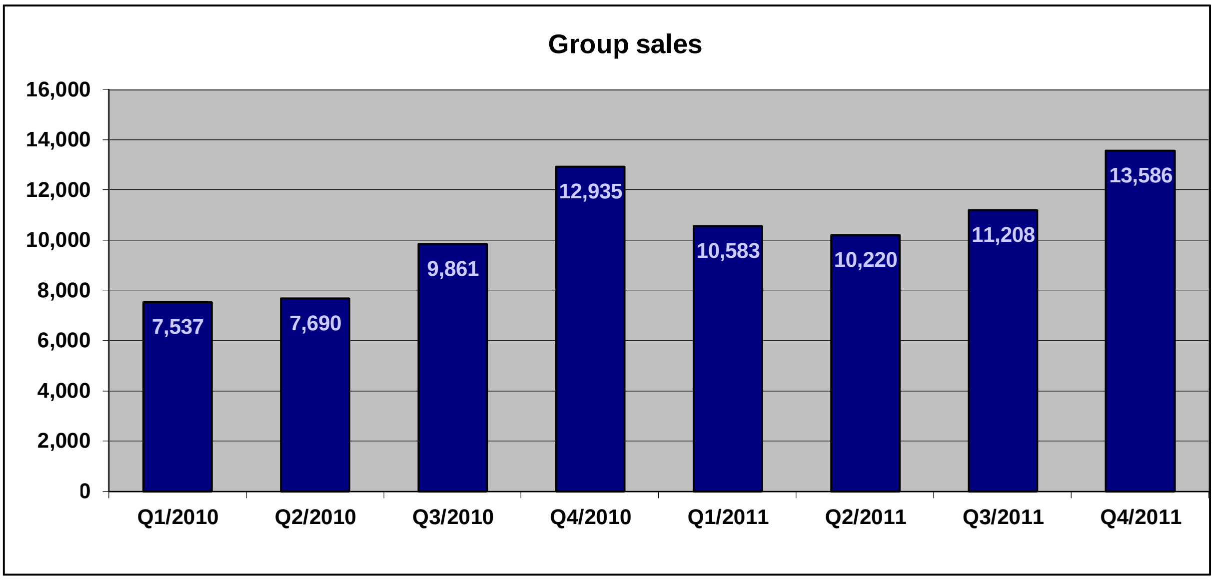
Chart: Comparison between German economic, market growth and USU Group sales growth in per cent

Development of Sales and Costs

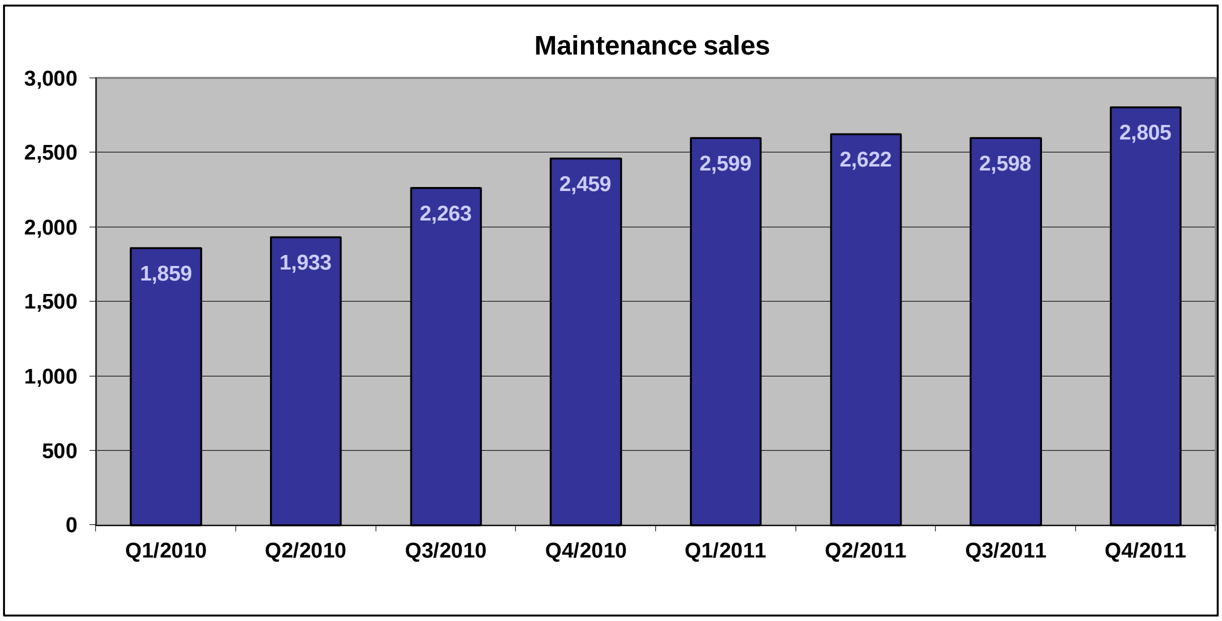
Group Sales

With sales growth of 19.9% to EUR 45,597 thousand (2010: EUR 38,023 thousand), USU was able to successfully continue the positive growth trend of the previous years in 2011 and significantly exceed its own sales target of more than EUR 43,000 thousand. This growth results from organic growth in the Product Business and Service Business segments as well as the majority takeovers of license management specialist Aspera GmbH and the Swiss strategy consulting company USU Consulting GmbH. The USU Group achieved a strong increase as a result of the numerous contracts and licenses agreed the previous year in the maintenance business, which grew by 24.8% to EUR 10,624 thousand (2010: EUR 8,514 thousand). As a proportion of Group sales, maintenance income increased from 22.4% the previous year to 23.3% in 2011. Following a very strong 2010, USU again increased sales of actual software licenses slightly by 2.8% to EUR 5,919 thousand (2010: EUR 5,758 thousand). This represents 13.0% of total sales (2010: 15.1%). In terms of sales of consulting services in the two segments Product Business and Service Business, USU achieved an increase over the previous year of 24.7% to EUR 26,232 thousand (2010: EUR 21,899 thousand). This corresponds to a proportion of total sales similar to the previous year's at 57.5% (2010: 57.6%).

Other income amounted to a total of EUR 2,822 thousand (2010: EUR 1,852 thousand) or 6.2% (2010: 4.9%) of Group sales and includes mainly project-related merchandise sales of third-party hardware and software, in turn arising from customer orders for end-to-end solutions, for example as part of the power management solution of the Group's LeuTek subsidiary.



Sales performance by quarter for fiscal years 2011 and 2010 under IFRS, in EUR thousand



Sales performance by quarter for fiscal years 2011 and 2010 under IFRS, in EUR thousand

Sales by Segment

The range of services in the Product Business segment, to which the newly acquired USU Consulting GmbH has been assigned, covers all activities relating to USU products in the markets for knowledge-based service management solutions and knowledge management. The Service Business segment comprises consulting services relating to IT projects as well as individual application development.

In Product Business, sales rose by 17.8% to EUR 31,194 thousand (2010: EUR 26,484 thousand) in fiscal year 2011. The increase in sales in this segment derives on the one hand from the organic expansion of product-related sales as a result of the market launch of new product versions such as Valuemation 4 and USU KnowledgeCenter 5 and increased international market presence and on the other from the majority acquisition of Aspera and USU Consulting GmbH. USU increased consulting-related sales in the Service Business segment by 24.7% to EUR 14,364 thousand (2010: EUR 11,518 thousand) during the period under review. In this area, USU benefited from larger project orders. These extend into 2012 and have therefore resulted in high capacity utilization of its team of consultants. Sales not assigned to either segment amounted to EUR 39 thousand in 2011 (2010: EUR 21 thousand).

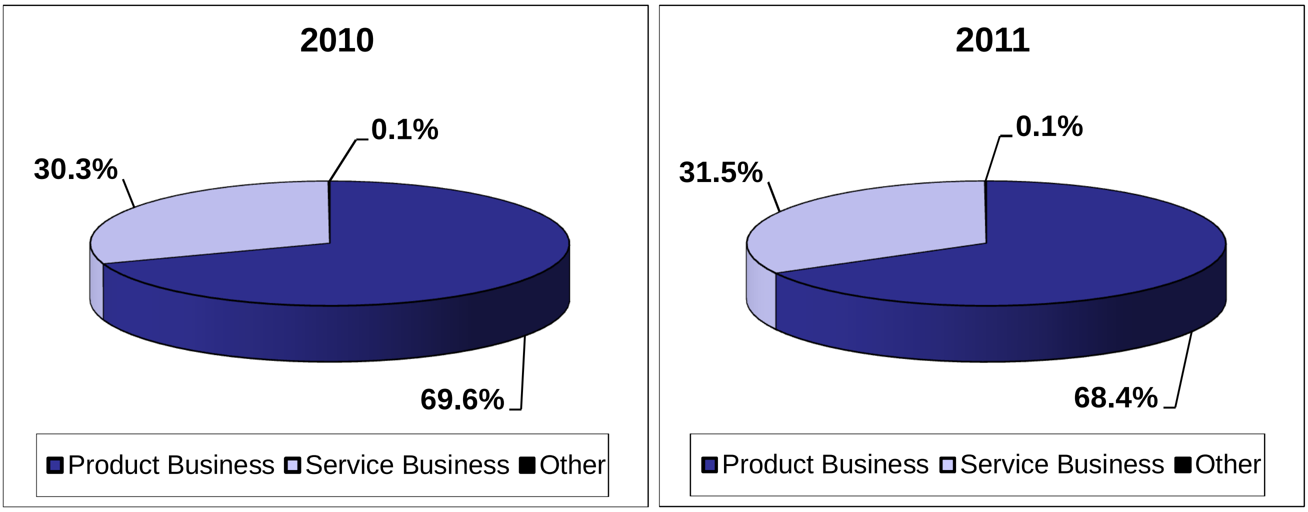


Chart: Sales performance by segment for fiscal years 2011 and 2010 under IFRS, in EUR thousand

Particularly pleasing is the significant increase in the USU Group's international business. This resulted from the extensive international partner and sales activities conducted over the past few years. Thus in fiscal year 2011 USU achieved consolidated sales of EUR 5,412 thousand (2010: EUR 3,426 thousand) outside Germany, corresponding to an increase of 58% over the previous year. The share of consolidated sales generated outside Germany therefore rose from 9.0% in 2010 to 11.9% during the year under review. USU is anticipating a further increase in its international business over subsequent years as a result of increasing market penetration and the continuing expansion of its worldwide presence. In the medium term it is aiming to achieve a proportion of sales generated outside Germany of 15%.

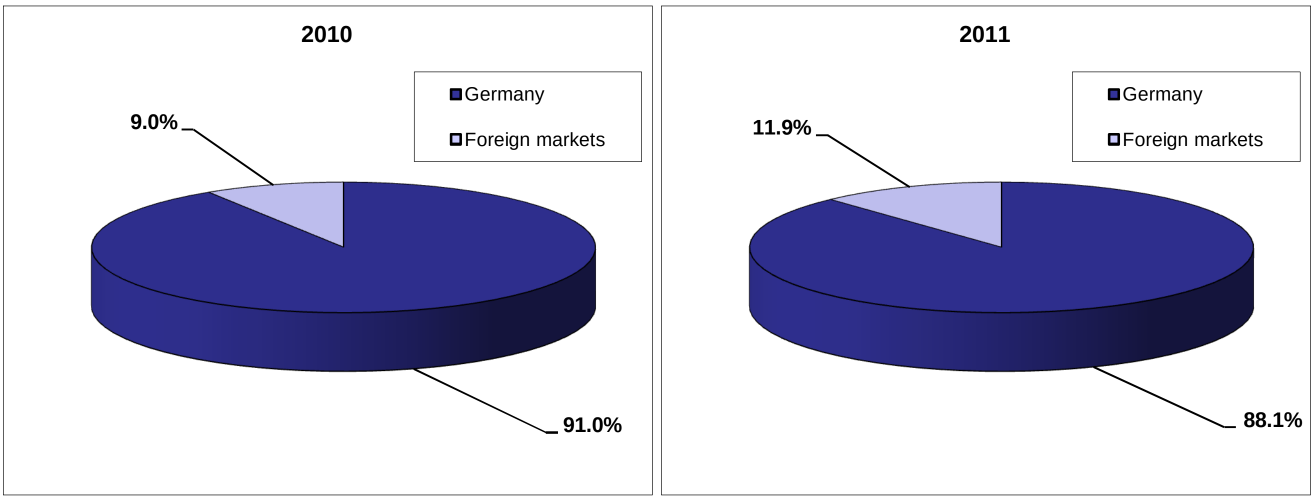


Chart: Sales performance by region for fiscal years 2011 and 2010 under IFRS, in EUR thousand

Operating Costs

The USU Group's operating cost base expanded by 16.7% to EUR 39,364 thousand (2010: EUR 33,727 thousand) during fiscal year 2011, which is below the rate of sales growth and reflects the enhanced efficiency of the USU Group. Factors driving the absolute increase in these cost positions were the additional activities of the newly acquired subsidiaries Aspera GmbH and USU Consulting GmbH.

The ***cost of sales*** rose by 20.2% to EUR 22,428 thousand (2010: EUR 18,656 thousand) during the year. Among other factors, this increase was caused by the deliberate organic and acquisitions-driven expansion of the consulting team to 142 (2010: 128) employees as at the end of fiscal year 2011 and the associated increase in staff costs. In addition, the increase in merchandise sales of subsidiary LeuTek led to higher expenditure on third-party products. As a percentage of consolidated sales, the cost of sales was virtually unchanged from the previous year's level at 49.2% (2010: 49.1%).

Gross income from sales increased by 19.6% from EUR 19,367 thousand the previous year to EUR 23,169 thousand in 2011.This corresponds to a gross margin of 50.8% (2010: 50.9%).

Marketing and distribution costs fell by 2.9% to EUR 6,161 thousand (2010: EUR 6,343 thousand) during the reporting year. This reduction was due mainly to lower staff costs relative to the previous year within the context of the targeted concentration of marketing and distribution activities within the Group as a whole. Accordingly, the ratio of marketing and distribution expenses to consolidated sales fell from 16.7% the previous year to 13.5% in 2011.

Due above all to the Company's most recent acquisitions, USU's ***general and administrative expenses*** increased by 58% over the previous year to EUR 4,284 thousand (2010: EUR 2,712 thousand). As well as the increase in costs directly associated with the company takeovers, additional nonrecurring effects relating to the acquisitions led to higher costs relative to 2010. In the case of the majority takeovers of both Aspera GmbH and USU Consulting GmbH, the contract of sale stipulated the continuation in the role of managing director of the seller for a specified period of time in order to ensure that specific expertise was retained within the Group (stay bonus). The consequence of the seller departing as managing director before the expiry of this period is the expiry of eligibility to the corresponding purchase price claim. Under IFRS 3, this component of the purchase price is to be recognized in profit and loss as a staff cost throughout the applicable period. This resulted in costs of EUR 279 thousand (2010: EUR 0). Administrative expenses therefore rose as a percentage of consolidated sales to 9.4% (2010: 7.1%).

Research and development expenses covering all Group activities relating to the new or further development of the USU Group's product portfolio, increased by 7.9% to EUR 6,491 thousand (2010: EUR 6,016 thousand). This represents a reduction from 15.8% to 14.2% for research and development costs as a percentage of consolidated sales, reflecting the efficiency of a department in which developers are equally split between the domestic subsidiaries of USU Software AG and the Group-owned development company in the Czech Republic: USU Software s.r.o.

Net ***other operating income and expenses*** totaled EUR -30 thousand (2010: EUR -94 thousand).

Earnings Situation

The USU Group increased its operating ***earnings before interest, taxes, depreciation and amortization (EBITDA)*** by 45.2% to EUR 6,700 thousand (2010: EUR 4,614 thousand) during the 2011 fiscal year, thereby exceeding by a considerable margin its own earnings target of at least EUR 6,000 thousand. As a result, the EBITDA margin rose from 12.1% in 2010 to 14.7% in the year under review, not far off our medium-term target margin of 15%.

The USU Group's ***depreciation and amortization costs*** amounted to EUR 2,056 thousand in 2011 (2010: EUR 2,031 thousand), comprising mainly the amortization of intangible assets capitalized as a result of business combinations: EUR 1,559 thousand (2010: EUR 1,148 thousand).

Earnings before interest and taxes (EBIT) increased relative to last year by 79.8% to EUR 4,644 thousand (2010: EUR 2,583 thousand). Taking into account ***net financial income*** of EUR -137 thousand (2010: EUR 128 thousand), which was negative due to the purchase price of the remaining shares in Aspera, ***earnings before tax (EBT)*** came to EUR 4,507 thousand (2010: EUR 2,710 thousand), representing an increase of 66.3% over the previous year.

Income taxes amounted to EUR -962 thousand (2010: EUR -362 thousand) and consisted of income taxes for the period under review and deferred taxes.

After taxes, the USU Group achieved an increase in ***net profit*** of 51.0% during the 2011 fiscal year to EUR 3,545 thousand (2010: EUR 2,348 thousand). As in the previous year, based on an average number of shares outstanding of 10,523,770 (2010: 10,272,412), USU's earnings per share increased by around half to EUR 0.34 (2010: EUR 0.23).

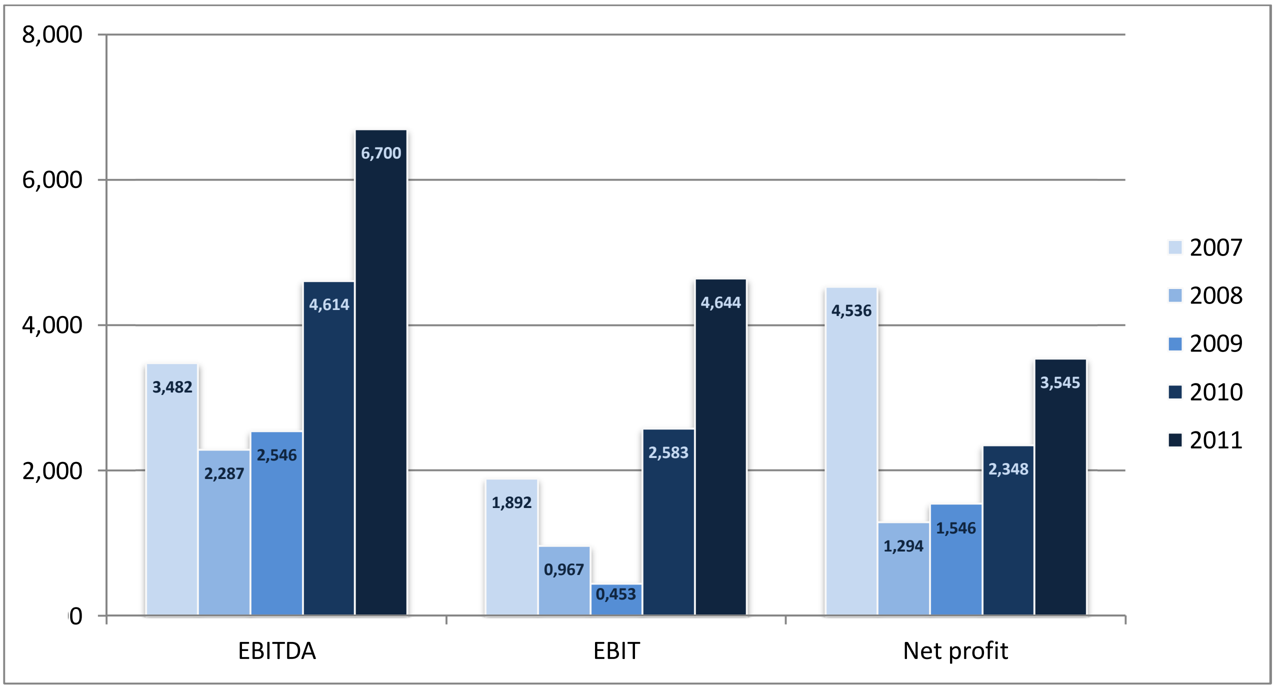


Chart: Earnings performance of the USU Group under IFRS, in EUR thousand

Adjusted Consolidated Earnings

Because 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 also drawn up an "Adjusted Consolidated Earnings" account for information purposes. This shows consolidated earnings adjusted for the amortization of intangible assets capitalized as a result of business combinations, the results of the capitalization of tax loss carryforwards and the associated goodwill impairment, and additional nonrecurring effects plus the corresponding tax effects. On the basis of this adjusted consolidated earnings account, USU Software AG also shows consolidated earnings per share taking into account the average number of shares outstanding. It also shows an adjusted EBIT. Neither the adjusted consolidated earnings and adjusted EBIT nor the adjusted earnings per share are key indicators under IFRS.

Adjusted consolidated earnings *in EUR thousand*	2011	2010
Result of ordinary operations (EBIT)	**4,644**	**2,582**
Amortization of intangible assets capitalized as a result of business combinations	1,559	1,148
Amortization of goodwill	0	472
Nonrecurring effects relating to acquisitions	319	176
- incidental acquisition costs	40	176
- stay bonus	279	0
Adjusted EBIT	**6,522**	**4,378**
Financial income (as per consolidated income statement)	284	341
Financial costs (as per consolidated income statement)	-421	-213
Income taxes (as per consolidated income statement)	-962	-362
Tax effects relating to adjustments	-81	-266
- amortization	-263	-131
- deferred taxation from tax loss carryforwards	182	-135
Minority interests (as per consolidated income statement)	-23	0
Adjusted consolidated earnings	**5,319**	**3,878**
Adjusted earnings per share (in EUR):	**0.50**	**0.39**
Weighted average number of outatanding shares:		
Basic and diluted	10,523,770	10,021,054

Net Assets and Financial Position

On the assets side of the balance sheet, the USU Group's ***non-current assets*** amounted to EUR 42,926 thousand as of December 31, 2011 (December 31, 2010: EUR 45,416 thousand). The reduction in this item is mainly the consequence of the amortization of intangible assets. ***Current assets*** climbed to EUR 27,124 thousand at the end of the fiscal year (December 31, 2010: EUR 21,468 thousand). This increase was partly due to the positive operating cash flow of the USU Group and the growth in Group liquidity this entailed in the form of securities, cash in hand, and bank balances. In spite of the dividend payment of EUR 2,105 thousand distributed to the shareholders of USU Software AG on July 1, 2011 and the settlement of the purchase price for the majority acquisition of USU Consulting GmbH, which resulted in a cash outflow of EUR 389 thousand, Group liquidity rose to a total of EUR 17,630 thousand (December 31, 2010: EUR 11,055 thousand).

On the equity and liabilities side, ***current and non-current liabilities*** amounted to EUR 20,142 thousand as at December 31, 2011 (December 31, 2010: EUR 18,399 thousand).The rise in borrowing reflects mainly the increase in liabilities arising out of advance payments relating to customer projects where service is yet to be rendered and increased personnel-related provisions and liabilities in connection with higher bonus provisions on account of USU's positive business performance. The reported purchase price liability in the amount of EUR 6,648 thousand (December 31, 2010: EUR 7,594 thousand) comprises above all the present value of the remaining purchase price for the intended acquisition of the remaining 49% of shares in Aspera by USU Software AG. The decline in this purchase price liability is due to a profit distribution that has since occurred. USU is planning to complete the 100% takeover of Aspera during the first half of 2012. ***Equity***, adjusted for the minority shareholding in USU Consulting GmbH, increased as at December 31, 2011 due to the high net profit of EUR 49,906 thousand (December 31, 2010: EUR 48,485 thousand) achieved relative to the end of the previous year.
With total assets of EUR 70,050 thousand (December 31, 2010: EUR 66,884 thousand), the equity ratio was 71.2% as at December 31, 2011 (December 31, 2010: 72.5%).

Cash flow and Capital Expenditure

Irrespective of the purchase price payment for the majority acquisition of USU Consulting GmbH and the dividend payment to the shareholders of USU Software AG, USU Software AG achieved a substantial increase in the Group's cash and cash equivalents, not including securities, to EUR 17,145 thousand as at December 31, 2011 (December 31, 2010: EUR 10,572 thousand).

The USU Group's ***cash flow from operating activities*** rose from EUR 2,434 thousand the previous year to EUR 9,429 thousand in the year under review. This was due to the increase in earnings relative to 2010 as well as changes in working capital.

Cash flow from investing activities of EUR -761 thousand (2010: EUR 754 thousand) comprises mainly investments in property, plant and equipment and intangible assets totaling EUR -766 thousand (2010: EUR -500 thousand) and total investments in the majority acquisition of subsidiaries totaling EUR -389 thousand (2010: EUR -294 thousand). During the previous year, the repayment of fixed-term deposits resulted in a cash inflow of EUR 1,527 thousand.

As in the previous year, ***cash flow from financing activities*** comprises only the net expenses in connection with the dividend distribution to the shareholders of USU Software AG, which rose to EUR -2,105 thousand (2010: EUR -1,503 thousand) in the reporting period as a result of the dividend being increased from EUR 0.15 per share for fiscal 2010 to EUR 0.20 per entitled share for 2010.

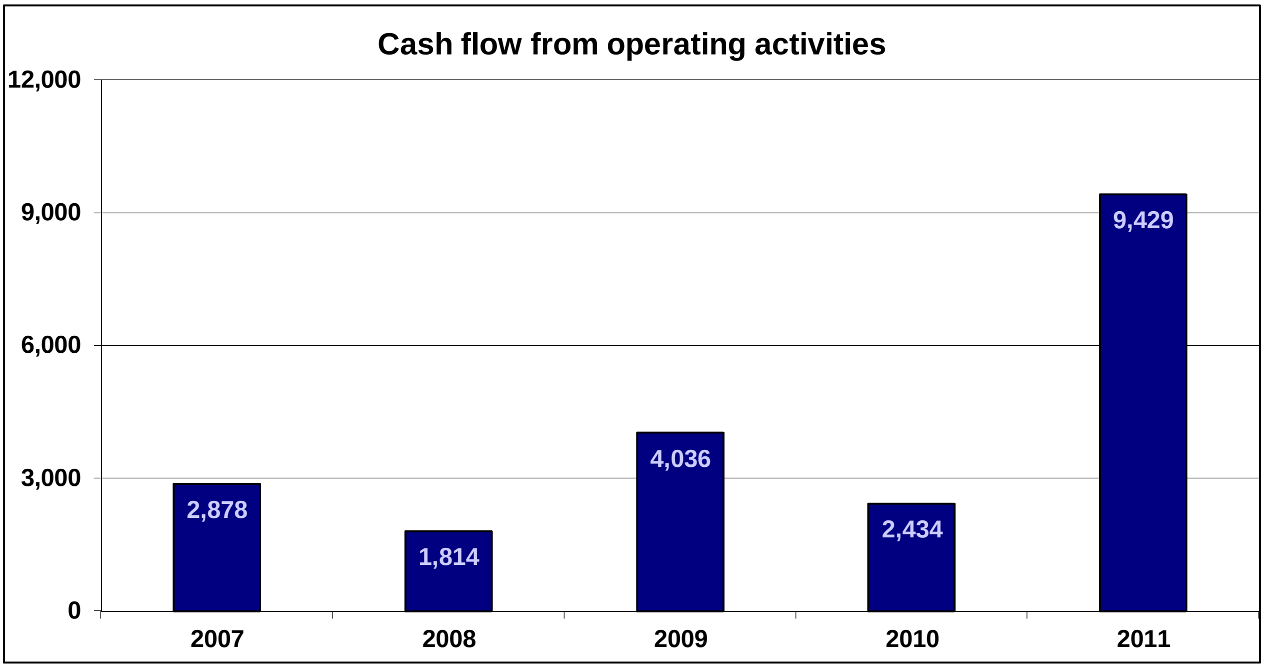


Chart: Cash flow from operating activities, USU Group, EUR thousand

Current Situation of the Group

Following another record year for the USU Group, with significant increases and sales and earnings relative to the previous year, regardless of the economic deterioration in Germany and the whole of Europe, USU's current economic situation can be described as remaining positive. Due to the imminent full integration of the highly profitable license management provider Aspera GmbH into the USU Group, the strategic widening of our range of services through the addition of the Swiss management and technical consulting company USU Consulting GmbH, the targeted development of the Group's own product portfolio, the already reported further expansion of the Group-wide headcount, good Group liquidity, and the highest level of orders on hand in the Company's history, the Management Board of USU Software AG sees the Company as being in a good position to achieve the USU Group's published targets for financial year 2012.

Events of Key Importance

On July 29, 2011, USU Software acquired 70% of shares in get IT Services GmbH, Sursee, Switzerland, which was subsequently renamed USU Consulting GmbH. The Swiss strategy consulting company has already been a USU partner for many years and has excellent expertise in management and technical consulting, concept development, the handling of major projects in the area of IT strategy and service management plus ITIL training and preparation for ISO 20000 certification. Thus, USU Consulting GmbH supplements USU's portfolio both strategically in the market for knowledge-based service management and geographically by extending its presence in Switzerland. For further details, see the section "Acquisition in Fiscal Year 2011" in the Notes to the Consolidated Financial Statements attached to this annual report.

Development and Situation of USU Software AG

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

USU Software AG focuses mainly on acquiring and holding participations in other companies and on the provision of consulting and services to its subsidiaries. As a result, it did not generate any external sales in the reporting period, as in the previous year.

USU Software AG's main earnings derive from its operating subsidiaries USU AG, LeuTek GmbH, Aspera GmbH, Omega Software GmbH, and the newly acquired USU Consulting GmbH. As a result of the profit and loss transfer agreement with its subsidiaries LeuTek and OMEGA, USU Software AG generated net income of EUR 2,066 thousand in the 2011 fiscal year (2010: EUR 2,014 thousand). From its new participations in Aspera and USU Consulting, USU generated new earnings totaling EUR 982 thousand (2010: TEUR 0). Other operating income of EUR 528 thousand (2010: EUR 863 thousand) derives mainly from the settlement of intra-group services. Other operating expenses totaling EUR 815 thousand (2010: EUR 969 thousand) related in particular to costs for services provided by Group subsidiaries of EUR 187 thousand (2010: EUR 380 thousand), stock exchange and investor relations costs of EUR 228 thousand (2010: EUR 251 thousand), compensation for the Supervisory Board of EUR 95 thousand (2010: EUR 129 thousand), and legal and advisory costs of EUR 136 thousand (2010: EUR 102 thousand). Staff costs rose to EUR 629 thousand (2010: TEUR 403 thousand). This is explained mainly by the higher variable compensation paid to the Management Board in connection with the significantly higher earnings of USU Software AG throughout the Group as a whole and the increase in headcount of the Company to 4 (2010: 3) full-time employees including the Management Board.

Due to the extremely positive business performance of USU Software AG's subsidiaries in fiscal year 2011, the Company's earnings from ordinary operations were almost 200% higher than the previous year at EUR 2,091 thousand (2010: EUR 704 thousand). After income taxes of EUR 15 thousand (2010: EUR 47 thousand), USU Software AG's net profit increased threefold relative to the previous year to EUR 2,076 thousand (2010: EUR 657 thousand). As in previous years, the unappropriated surplus, which totals EUR 2,333 thousand in the year under review (2010: EUR 2,361 thousand), is to be used among other things to pay a dividend to all shareholders of USU Software AG who are entitled to receive a dividend. In the interests of dividend continuity, subject to the approval of the Supervisory Board, the Management Board is proposing to make a dividend distribution for fiscal year 2011 of EUR 0.20 (2010: EUR 0.20) per share, in other words the same as the previous year. In doing so the Management Board is also pursuing the goal of settling in cash the remaining purchase price for the intended complete takeover of Aspera in 2012 without bank liabilities or a capital increase that would water down the holdings of existing investors.

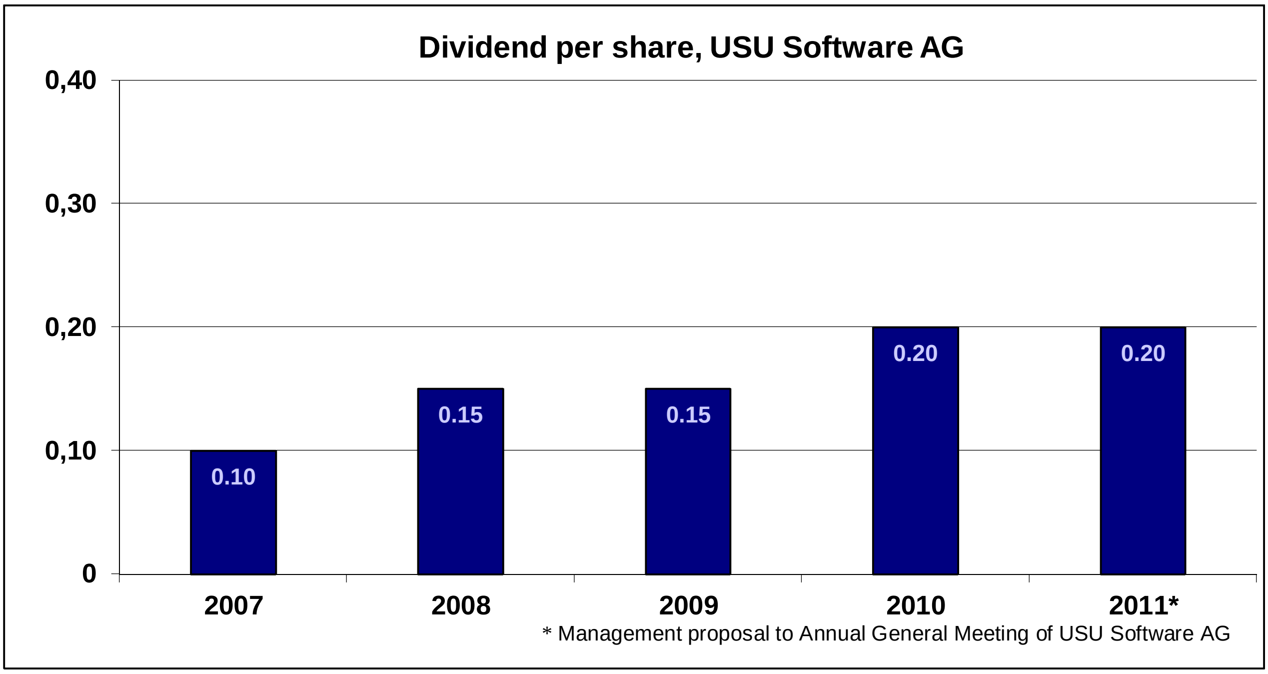


Chart: Dividend distribution per share, USU Software AG, in EUR

The Company's total assets as at December 31, 2011 increased to EUR 30,053 thousand relative to the previous year (December 31, 2010: EUR 29,061 thousand). As at December 31, 2011, fixed assets were higher, due to the majority takeover of the Swiss company USU Consulting GmbH during the reporting year, at EUR 26,461 thousand (December 31, 2010: EUR 25,791 thousand). Current assets also showed an increase, to EUR 3,592 thousand (December 31, 2010: EUR 3,270 thousand). This was due mainly to the expansion in liquidity. On the equity and liabilities side, provisions and liabilities increased to EUR 3,551 thousand as at the end of fiscal year 2011 (December 31, 2010: EUR 2,531 thousand), mainly due to intra-group borrowing to finance the acquisitions activity. As at December 31, 2011, equity was at a similar level to the previous year at EUR 26,502 thousand (December 31, 2010: EUR 26,530 thousand). At 88.2% (December 31, 2010: 91.3%), the equity ratio remained at a solid level.

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

Orders on hand

As of December 31, 2011, orders on hand in the USU Group amounted to EUR 21,501 thousand (December 31, 2010: EUR 19,132 thousand), an increase of EUR 2,369 thousand or 12.4%. This includes orders totaling EUR 576 thousand on the books of USU Consulting GmbH, acquired during the reporting year.

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

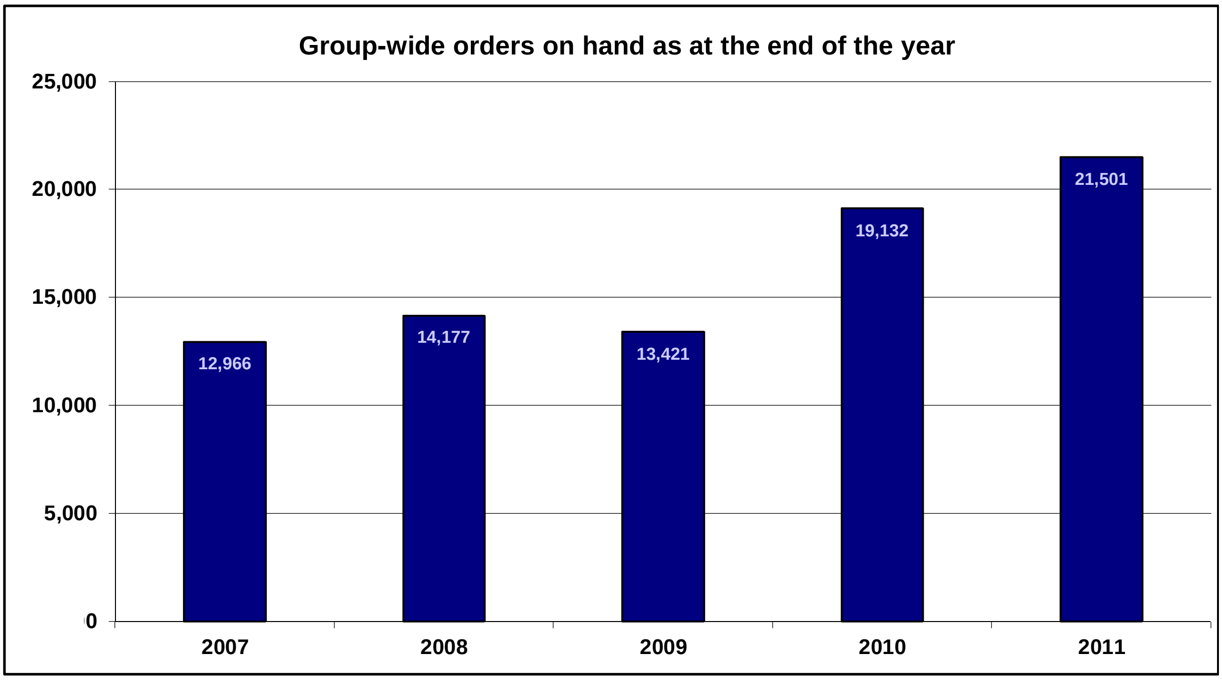


Chart: Development of the USU Group's order book in EUR thousand

Research and Development

In order to offer its customers practice-driven products and solutions based on state-of-the-art technology, USU Software AG invested a total of EUR 6,491 thousand (2010: EUR 6,016 thousand), or 14.2% (2010: 15.8%) of Group revenues in research and development in the 2011 fiscal year. With 105 R&D employees across the Group, USU 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. Essentially, this portfolio is made up of the software products ***Valuemation*** and ***USU KnowledgeCenter*** from USU AG, ***myCMDB*** from OMEGA, ***ZIS-System*** from LeuTek and ***SmartTrack*** from Aspera.

With ***Valuemation***, Group subsidiary USU AG offers a modular product suite for IT management in large and larger medium-sized companies for the central presentation, administration, monitoring, management, and originator-based billing of the entire IT assets of a company or a group. Following the market launch of release ***Valuemation 4.1***. at the beginning of fiscal year 2011, USU AG focused its development activities in the ***Valuemation*** sphere on the development of a new version, ***Valuemation 4.2***, featuring a range of innovations such as the Business Process Modeler, which offers graphic support for process modeling, and the Data Quality Manager, which enables authorized users to define and monitor the required data quality. The new ***Valuemation Release Manager*** module covers a further central ITIL® process. When anticipating planned software changes, the ***Valuemation Release Manager*** supports administrators in the planning and creation of the respective software release all the way to its approval to go live. Using accompanying risk analyses, the risks of disruption to business processes when changing software are minimized. Thanks to the technology partnership with baramundi, ***Valuemation*** also offers an integrated solution for software distribution. Additional language versions such as French, Chinese, and Arabic as well as a more role-based user interface, accessibility and functional enhancements in the existing modules round off the innovations in ***Valuemation 4.2***, which was completed at the end of the year. The next version, ***Valuemation 4.3,*** which is due to come onto the market at the end of the first half of 2012, will enable an even broader integration with other USU software products. ***Valuemation*** operates as an integrated, comprehensive product suite and incorporates the Group products ***USU KnowledgeCenter***, ***ZIS-System***, and ***SmartTrack***.

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

The D115 edition of ***USU KnowledgeCenter 5*** was completed at the beginning of the reporting year. It offers comprehensive access to the functions of the central knowledge search of public administration telephone number D115. With this edition, USU AG, which played a key role in the development of the D115 knowledge search, is offering an application based on the tried and tested ***USU KnowledgeCenter 5*** technology, which enables participants in the D115 project to straightforwardly combine local knowledge with the central D115 knowledge search in their call centers. During the remainder of 2011, the focus was on the functional expansion of the reporting facility and on a performance improvement of the ***USU KnowledgeCenter*** application module. An Auto-Completion function was also implemented, whereby searchers are supported as they type with suggestions based on the database of questions and solutions. The reporting and analysis tool ReportServer was also further developed as were the configuration options for the search entry fields.

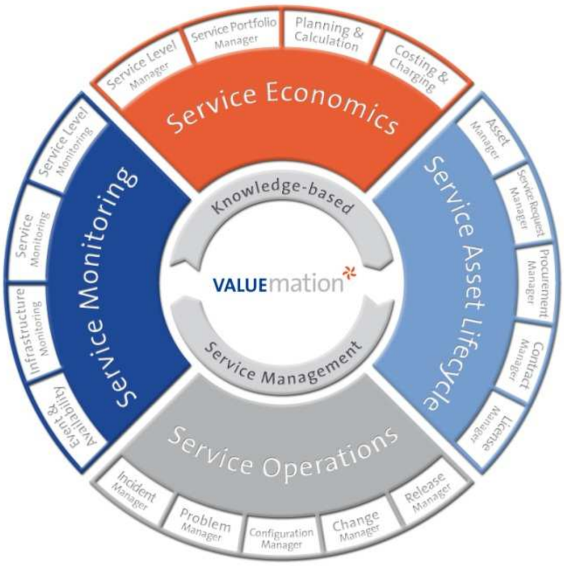


Chart: The USU Group's new Valuemation product suite

The ***ZIS-System***, from subsidiary LeuTek GmbH, comprises the monitoring of IT infrastructure and service delivery capability, and the reviewing of actual service provision and adherence to the agreed service level. This enables companies to monitor, control and maintain all the resources of a computer system, such as servers, networks, mainframes, as well as the entire infrastructure. During the course of 2011, the ***ZIS-System*** was converted to the 64 bit data format for enterprise systems and the existing ***ZIS*** server agent ***ZISAgent*** was integrated into the performance data processing. Several new plugins were also made available for the ZIS server agent ***ZISAgent*** in order to expand the monitoring of decentralized server applications. In addition the ***ZIS*** service level monitor, ***ZISSLM***, was further developed. This involved improvements above all to the graphical interface and functional scope. Furthermore, specific views were implemented in Business Services, such as the ***ZIS*** Service Viewer for the targeted thinning out of large service structures by web browser or the ***ZIS*** TreeMap Viewer, which provides a rapid overview of critical services. LeuTek's R&D team also developed SmartConnect during the reporting year. This is a ***ZIS*** app for the iPhone, enabling customers to monitor the system status of IT infrastructure and services from their mobile devices as well. LeuTek also developed a web portal for the operation of large or localized data centers, on which the operating statuses of several independent ***ZIS*** systems can be compiled. Furthermore, performance improvements were also implemented in ***ZIS*** web applications for mapping large data structures for major customers.

The license management software ***SmartTrack*** from subsidiary Aspera GmbH allows legally correct handling of software licenses and installations and optimized procurement from the point of view of agreements and costs. This enables companies to reduce their investment in software by up to 30%, to furnish evidence of compliance at any time, regardless of supplier or manufacturer, and to rule out the risk of under- or over-licensing. A new main menu was also implemented in **SmartTrack** during the reporting year with a systematically topic-based structure that enables a simplified overview and access to the available functionalities. Functional enhancements were also implemented among other areas in support for the global coding system UTF-8, allowing data from the Asian region, for example, to be adequately processed, significantly speeding up compliance testing thanks to improved algorithms, and expanding data input and capture options and authorizations management. A new customizing report provides a transparent overview in list form of all customer-specific settings as well as additional or renamed fields, facilitating the easy identification of features with non-standard configurations. An additional management menu has also been developed for business or departmental managements which takes its cue from Aspera's "A model for license management" and provides fast and simple navigation to the most important views. At the end of 2011, Aspera became the first company to offer comprehensive, one-stop license management services with its "License Management as a Service" solution based on ***SmartTrack***.

Alongside ***Valuemation***, the **myCMDB** product group from the OMEGA subsidiary provides the USU Group with another IT management product suite, this time specifically designed for small and medium-sized companies. During the course of 2011, Omega implemented numerous innovations in ***myCMDB***, such as the quick search function, whereby during the inputting of faults, solutions are simultaneously searched for in a knowledge database and offered to the user, a new report generator, and a text mode to improve software accessibility. Enhancements were also made to the reporting and download functions, service catalog, and release management, and new interfaces to third-party products implemented.

Employees

As at December 31, 2011, USU had 316 employees (2010: 306) throughout the Group. This represents an increase in Group headcount of 3.3% over the previous year. This figure does not include the four members of the Management Board of subsidiary USU AG, around 100 freelance staff who are employed for project work as required, 20 temporary workers, and six trainees.

Broken down by segment, the USU Group had 224 (2010: 223) employees in the Product Business segment, 68 (2010: 61) in the Service Business segment and 24 (2010: 22) in central administration.

Broken down by functional unit, 142 (2010: 128) people were employed in consulting and services at the end of the reporting period, 105 (2010: 102) in research and development, 38 (2010: 45) in sales and marketing, and 31 (2010: 31) in administration.

The average total workforce of the USU Group in the reporting period was 309 employees (2010: 293). With consolidated sales of EUR 45,597 thousand, the average sales contribution per employee in the 2011 fiscal year was EUR 148 thousand (2010: EUR 130 thousand). Staff costs for the same period amounted to EUR 22,590 thousand (2010: EUR 18,852 thousand). Due to the increase in sales relative to the previous year, staff costs fell slightly to 49.5% (2010: 49.6%) as a percentage of consolidated sales.

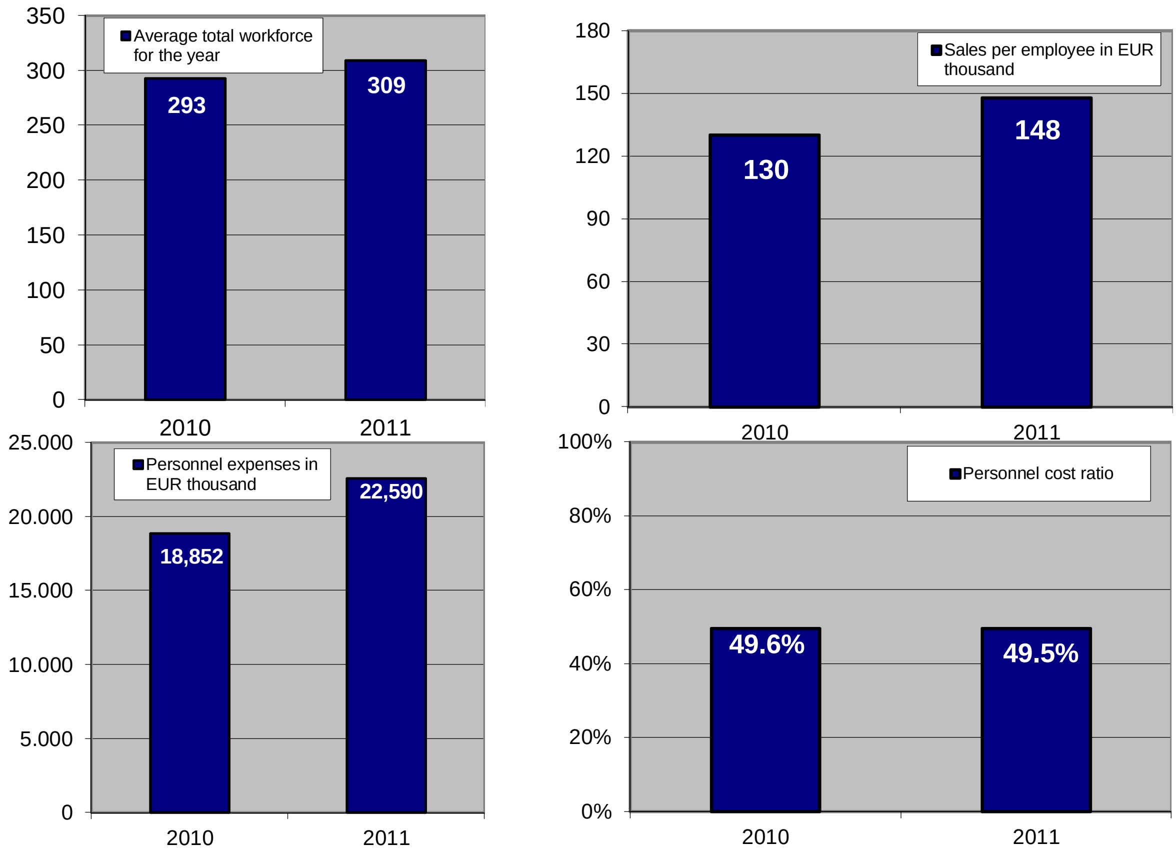


Chart: Personnel-related key figures of the USU Group

The USU Group is planning to further expand the USU Group's workforce during fiscal year 2012 in order to achieve its growth targets. Due to the intense competition for highly qualified staff, in addition to the acquisition of new technical and management employees, personnel-related measures are to focus this year on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the Company, and the Group as a whole. In addition, the Group also offers an extensive and highly flexible employee company car scheme. The USU Group also constantly invests in the development and further training of its workforce as part of the "USU – U Step Up" career model. Through this program, USU offers its employees and managers personal development opportunities in the form of ongoing refresher and consolidation courses as well as specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures aimed at developing and motivating the USU Group's workforce over the long term.

Principles of the Compensation System

Compensation of the Management Board

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

The compensation totaling EUR 348.1 thousand (2010: EUR 260.4 thousand) shown in the following table includes all compensation paid to the Chairman of the Management Board, Bernhard Oberschmidt within the scope of consolidation. The sole member of the Management Board of USU Software AG is also the Chairman of the Management Board of the Group subsidiary USU AG, President of the Group subsidiary USU (Schweiz) AG and Managing Director of the Group subsidiaries Openshop Internet Software GmbH and USU Austria GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board (in EUR thousand)				
	Fixed compen-sation	Contribution to social security and pension	Non-cash benefit from private use of company car	Variable compensation
2011	150.8	20.7	12.9	163.7 [1)]
2010	138.0	19.5	15.3	87.6 [2)]

1) of which for previous year: EUR 7.3 thousand;

2) of which for previous year: EUR -6.0 thousand;

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

Compensation of the Supervisory Board

The compensation of the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the Company and in accordance with the rules of the German Corporate Governance Code consists of a fixed component and a performance-related component. Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand for each full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. Members of the Supervisory Board also receive a variable amount each year. This was re-determined by the Company's Annual General Meeting on June 30, 2011 and with effect from fiscal year 2011 is dependent upon earnings before interest, taxes, depreciation and amortization (EBITDA), as reported in either the combined management report or the Group management report, as a proportion of the reported consolidated sales. When EBITDA exceeds 8% of consolidated sales, for each full percentage point by which EBITDA exceeds an 8% share of consolidated sales, a premium of 10% of the fixed annual compensation will be paid per year as a variable component. This is subject to an upper limit for total compensation of 200% of the fixed annual component. In fiscal year 2011 EBITDA represented 14.7% of consolidated sales. The variable compensation of the USU Software AG Supervisory Board thus corresponded to 60% of the basic fixed remuneration of the individual members of the Supervisory Board.

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

During the 2011 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 158.5 thousand (2010: EUR 133.0 thousand).

Individual compensation of the Supervisory Board for the 2011 fiscal year *(in EUR thousand)*			
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	36.0	10.0
Günter Daiss	12.5	7.5	7.5
Erwin Staudt	12.5	7.5	5.0

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

Additional disclosures under Sections 289 (4) and 315 (4) HGB

Subscribed Capital, Shares, and Shareholder Structure

As at December 31, 2011, 10,523,770 (2010: 10,523,770) no-par value bearer shares were issued in USU Software AG, with the same number of voting rights and a notional interest in the share capital of EUR 1.00 per share. Of these, 5,509,187 (2010: 5,795,187) shares are held by the main shareholder and Chairman of the Supervisory Board of the Company, Udo Strehl, corresponding to 52.3% (2010: 55.1%) of the share capital. 1,989,319 (2010: 1,989,319) of these shares are held by him directly. A further 3,487,868 (2010: 3,773,868) are allocable to him via Udo Strehl Private Equity GmbH ("USPEG") in his capacity as the majority shareholder of this company. A further 32,000 (2010: 32,000) shares in USU Software AG are allocable to Udo Strehl via the "Wissen ist Zukunft" foundation, whose sole managing director he is. Over 10% of the share capital of USU Software AG, with an equivalent number of voting rights, is allocable to Peter Scheufler, the former shareholder in LeuTek, as at December 31, 2011.

Management Board Authorizations on the Issue of Shares and Share Buyback

By resolution of the Annual General Meeting on July 12, 2007, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's capital by up to EUR 5,167,502 by issuing new shares (authorized capital) in exchange for cash or non-cash contributions up to and including July 11, 2012. In 2010, the Management Board utilized part of this authorization and implemented a non-cash capital increase through contributions in kind in the amount of EUR 502,716 thousand in order to finance part of the acquisition of a majority shareholding in Aspera.

By resolution of the ordinary Annual General Meeting on March 2, 2000, the subscribed capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the Company and affiliated companies (contingent capital). By resolution of the Annual General Meeting on July 15, 2004, contingent capital was reduced to EUR 378 thousand. The contingent capital increase may only be exercised to the extent that the bearers of the issued options exercise their rights. There were no outstanding options as of December 31, 2011.

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

Statutory Provisions and Articles of Association of USU Software AG

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

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

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

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

In accordance with Section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted their current declaration of conformity for 2011 on December 1, 2011, making it immediately available on the Company’s website. The current declaration of conformity and the declarations for previous years are permanently available at www.ususoftware. de/investor_relations/corporate_governance.html.

Corporate Management Practices

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

Working Practices of the Management Board and the Supervisory Board

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

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

Prior to the German Corporate Governance Code coming into force, a D&O insurance policy had been concluded for the Management Board and the Supervisory Board that did not provide for a deductible. This contractual form, which was common practice when the D&O insurance was taken out, was adjusted for the Management Board in the 2010 fiscal year, and for the Supervisory Board in the 2011 fiscal year, to reflect the new provisions of the Corporate Governance Code, whereby a corresponding deductible must be agreed.

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

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

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

The USU Share (ISIN DE000A0BVU28)

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

Share Price Performance

Following a generally positive performance by the stock markets during the first half of the year, prices fell significantly on international exchanges over the remainder of 2011, due mainly to lingering uncertainty over the European and US debt crisis and the threat of global recession. While the DAX fell by 14.7% year-on-year to 5,898.35 points as at December 31, 2011 (December 31, 2010: 6,914.19), the Technology All Share Index lost 16.2% over the same period and closed the end of 2011 at 852.65 points (December 31, 2010: 1,017.33). USU shares were not entirely immune to the negative market trend and recorded a price fall of 7% relative to the previous year, closing 2011 at EUR 4.55 (December 31, 2010: EUR 4.89) on the XETRA electronic trading system.

Chart: Price performance of USU Software AG shares in 2011

Report on Related Parties

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

Outcome of Judicial Arbitration Proceedings

In connection with the 100% acquisition of the Group subsidiary USU AG and the squeeze-out conducted in 2003, arbitration proceedings were ongoing up to the end of May 2011 regarding the appropriateness of the cash compensation paid to the shareholders of USU AG. In October 2010, the Stuttgart District Court had already confirmed the appropriateness of this compensation and ascertained that the cash compensation paid to the shareholders of USU AG corresponded to the value of the company. As a result of two complaints against this decision, the arbitration proceedings were initially continued before eventually being concluded by means of a ruling by Stuttgart Higher Regional Court on May 26, 2011.

Supplementary Report

There were no transactions of particular significance with a material effect on the development of business in USU Software AG and the Group after the balance sheet date of December 31, 2011. In this respect, there were no major changes to the net assets, financial position or results of operations of the Company or Group.

Risk Report

Risk Management System

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

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

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

Risk Management Process

The risk management process of the USU Group is based on the concept of a control loop. The individual steps take account of the key elements of risk identification, evaluation and control through appropriate measures. The following diagram depicts the risk management process of the USU Group:

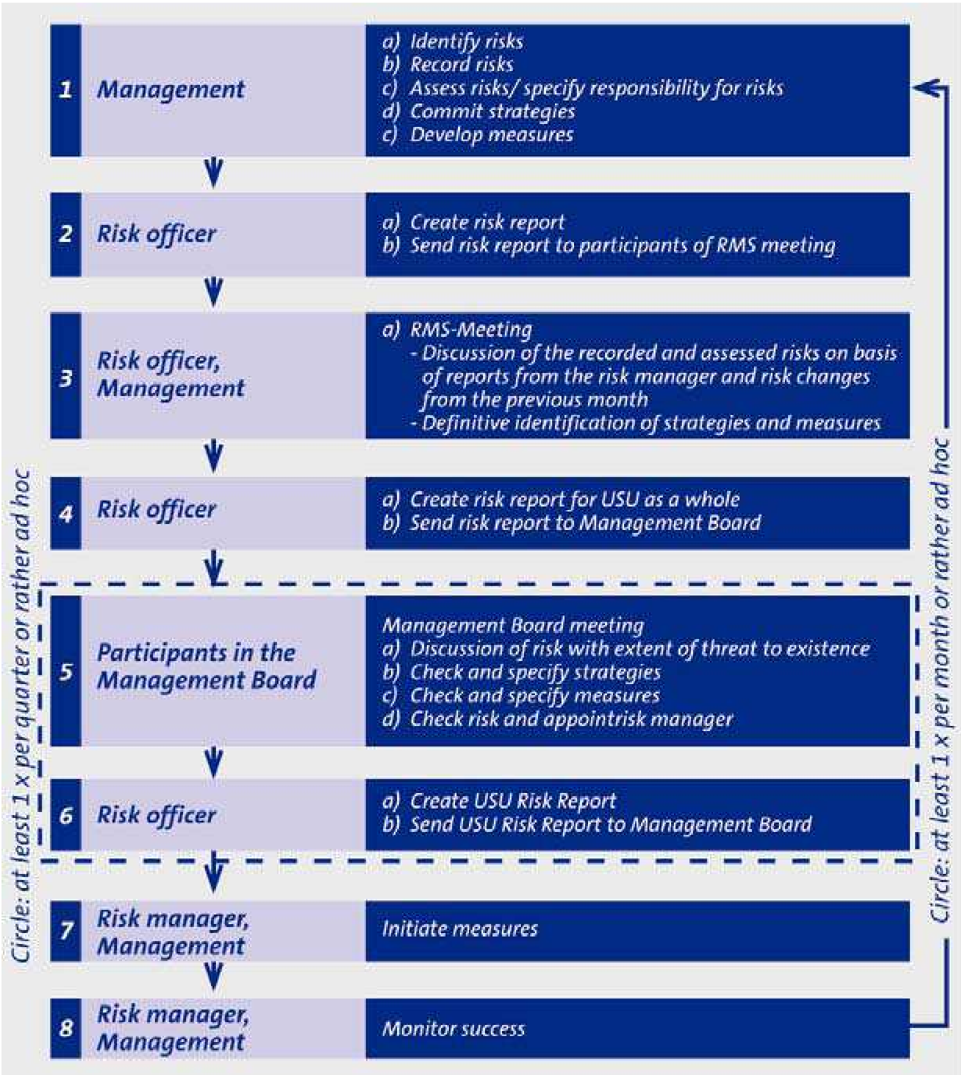


Diagram: risk management process of the USU Group

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

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

Accounting-related Internal Control and Risk Management System

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

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

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

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

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

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

Overview of Risks and Opportunities

It is clear from the Company's current risk report that no risks have been identified that could pose a threat to the Company's continued existence, either currently or in the foreseeable future. Nevertheless, the Management Board of USU Software AG cannot rule out the possibility that multiple risks whose cumulative impact could pose a threat to the Company's existence might have an adverse effect on the net assets, financial position and results of operations of the Company. The risks classified during the course of risk management as serious or which could have a material effect on the Company's net assets, financial position and results or operations are listed below:

Market Risk and Competitive Risk

Within the context of the international sovereign debt crisis and the increasing threat of a general economic downturn, the analysis of the market and competition situation as part of the USU Group's risk management has acquired a new importance. The sovereign debt crisis is having an increasingly negative impact on the USU Group's European core market. The leading market research companies expect the euro zone economy to experience a moderate recession in the winter of 2011/2012 with the result that real gross domestic product in the euro zone will shrink by 0.2% relative to the previous year. Regarding the European software and IT market, following a slight decline in 2011, EITO anticipates sales growth of 2.7% in 2012. Because the German IT market, in which the USU Group achieves the largest share of its sales, is expected to experience a rise in IT market volumes of 4.5% in 2012 (according to BITKOM forecasts), the Management Board sees significant business development opportunities here for the Company. However, the possibility of a sustained recessionary trend impacting negatively on the IT sector and holding back the Company's business development cannot be ruled out.

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

For its part, USU Software AG has expanded its product portfolio and the target market of the Group as a whole through its recent acquisition of a majority shareholding in Aspera GmbH and get IT Services GmbH and by pressing ahead with its internationalization activities. With its expanded product range, USU is strategically positioned in the growth market for knowledge-based service management solutions and is focusing on promising future areas in the field of information technology. Furthermore, its longstanding relationships with, and proximity to, its customers enable the USU Group to address specific tasks and problems more flexibly and individually. As a result of the specialist consulting knowledge of USU's employees and the implementation of internally developed products within customers' existing IT systems, it has been possible to increase the price structure to some extent – both in the product- and solution-based business as well as in the general consulting business – relative to the previous year. At the same time, during the 2011 fiscal year – as in previous years – the employees of the Czech Group subsidiary USU Software s.r.o. were also integrated into consultancy projects and up to 100 external consultants deployed as required in order to counteract a potential downturn in yields. Experience from the projects and feedback from the various customer events in the form of suggestions for improvement are immediately applied in the further development of established software products as well as new product development, thereby establishing the foundations for new and follow-up business in the future.

Research and Development Risk

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

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

Product, Project and Legal Risk

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

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

Personnel and Management Risk

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

A positive corporate culture also helps us to improve our success rate in attracting and retaining qualified employees.

IT Risk

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

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

Participation Risk

USU Software AG is indirectly exposed to the risk environment of its various subsidiaries. The Company's relationships with its subsidiaries mean that risks may arise from its legal and contractual liabilities. Another potential risk in this respect relates to the write-down of the carrying amount of the participations in USU AG, Omega, LeuTek, Aspera and the newly acquired USU Consulting GmbH in the separate financial statements of USU Software AG. However, the risk relating to these subsidiaries only exists in the event of a permanent deterioration in their net assets, financial position and results of operations. The Company operates an effective reporting and controlling system throughout the entire Group in order to minimize risks of this type.

Goodwill Risk

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

The impairment tests conducted in the 2011 fiscal year did not identify any evidence of impairment of the assets assigned to this balance sheet item. Owing to its positive operating business development, USU Software AG does not expect to have to recognize any impairment losses with an adverse effect on net profit within the Group as a whole in the foreseeable future.

Default Risk

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

Financial and Liquidity Risk

With funds of over EUR 17 million, USU Software AG has extensive Group-wide financial resources for future investments, potential acquisitions and to secure its operating business. These funds are primarily deposited in short-term investments in order to generate interest income. The Group is therefore exposed to the risk of a partial or complete loss of one or more such investments.

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

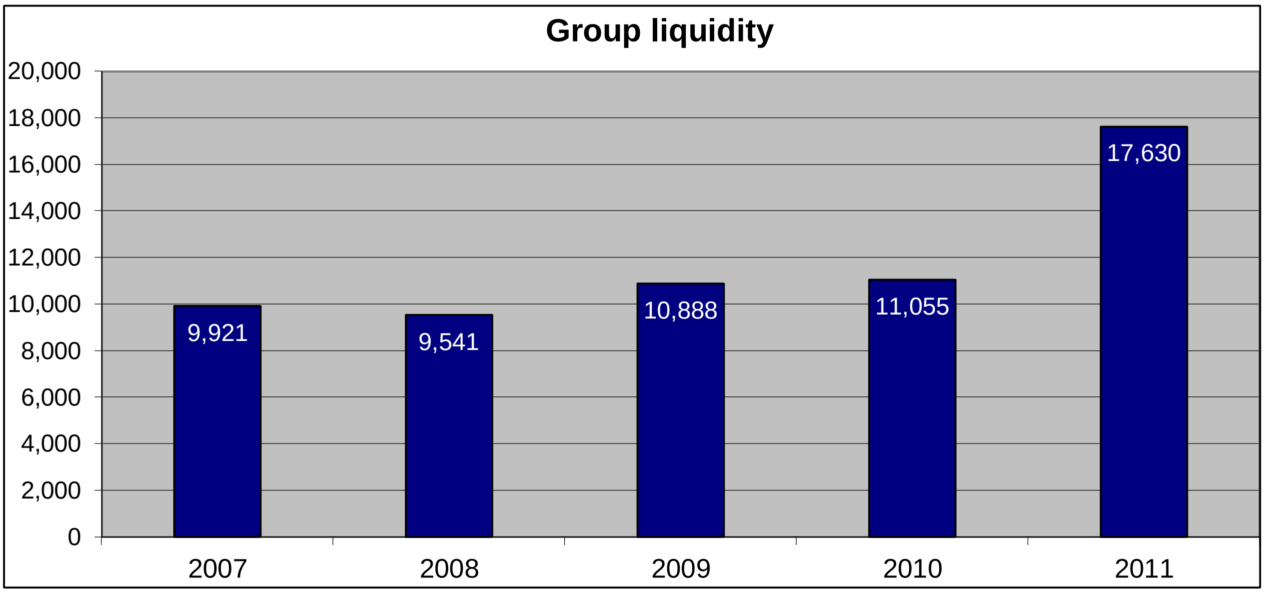


Chart: Development of USU Group liquidity, in EUR thousand

Key Opportunities

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

In addition to the continued development of domestic business from new customers, an expansion of the USU Group's worldwide presence offers excellent growth potential. There is an opportunity to open up new sales markets by extending our partner network and also by establishing branch offices of our own. The expansion of our product range through internally developed innovations and acquisitions also allows business from existing customers to be expanded and new customers to be won. Here, USU is pursuing the strategy of continuing to develop its existing portfolio on an ongoing basis and expanding customer-related functionality while also considering further acquisitions such as the majority takeover of Aspera GmbH in 2010 and get IT Services GmbH, now renamed USU Consulting GmbH, during the reporting year. Another important opportunity lies in the acquisition of additional professional staff and managers, and thereby expanding our headcount, in order to fully exploit the existing growth options in both the Product Business and the Service Business.

Forecast Report

General Economy

According to its "ifo Konjunkturprognose 2012" economic forecast published in mid-December 2012, the ifo Institute for Economic Research is anticipating restrained economic development in Germany in 2012. Following the decline in gross domestic product in the final quarter of 2011, overall economic production is expected to remain weak during the first half of 2012. The main sector to suffer from the slowdown will be export, which will be affected by the cooling of the world economy and most importantly by the wide-ranging consolidation and savings measures within the euro zone in reaction to the sovereign debt crisis. The ifo experts anticipate that exports will start to improve as the year progresses and that a simultaneous increase in domestic demand will bring about economic upturn. According to the ifo forecast, GDP in Germany is set to rise by 0.4% in 2012 (annual average), following an increase in economic output of 3.1% in 2011, according to Destatis.

Following the decline in aggregate production in the euro zone during the fourth quarter of 2011, the ifo institute anticipates that the euro zone economy will continue to contract during the first quarter of 2012 and thus experience a moderate recession. Only in the second half of 2012 is a mild improvement in investment sentiment in Europe expected. Looking at the year as a whole, euro zone GDP is expected to shrink by 0.2% in 2012 due to the weakness of the economy during the first few months of the year. This contrasts with GDP growth of 1.5% last year.

Sector

According to studies undertaken by the German industry association BITKOM, the German IT market will not suffer any significant consequences from the debt crisis in Europe and will resume its positive development in 2012. In its forecast for 2012, published in mid-December 2011, BITKOM anticipates that the IT sector will again act as an economic driver in 2012 and even increase its market volumes relative to last year with a rise of 4.5% (2011: 3.2%). Here, demand is expected to be driven by numerous innovations from the high technology providers. The software market is set to show particularly strong growth, with BITKOM predicting a rise in sales of 5.2% in 2012 following an increase of 5.1% in 2011. The market for IT services will also be able to improve on 2011, with anticipated growth of 3.8% (2011: 3.6%).

EITO also sees a return of growth potential in the European market for information technology, following a decline in sales in 2011.It expects overall growth in the European IT market to be in the region of 2.7% (2011: -0.6%) due mainly to a strong software sector.

Outlook

Following the successful business development of USU Software AG and its subsidiaries in 2011, with the setting of new records in Group sales and operating result (EBITDA), the Management Board also sees significant positive potential in the years ahead. This is based on three main growth drivers: strategy, internationalization and acquisitions.

With its Product Business portfolio, oriented towards knowledge-based service management, the USU Group has focused on a promising future market offering the prospect of high rates of growth in the medium term too. Here, USU is offering its modern product suite Valuemation, a rapidly amortizing software solution for the optimization of entire IT resources aimed at large and larger medium-sized companies. Valuemation operates as an integrated, comprehensive product suite and incorporates the Group products USU KnowledgeCenter, ZIS-System, and SmartTrack. The worldwide ITIL certification of Valuemation at the beginning of 2012 and positive evaluations from leading market analysts such as Gartner, Forrester and ECP are expected to lead to increasing awareness of the product internationally, accompanied by increasing market penetration. Thus Valuemation was described as “promising” in the latest “MarketScope for the IT Asset Management Repository, 2011” from the renowned US market analyst Gartner. Gartner included a total of just 13 relevant manufacturers in the selection of suppliers for this report, with only two from Europe. In addition to the Product Business, from which USU generates license, maintenance and product-related consulting income, the consulting-intensive Service Business is also expected to contribute to the aforementioned business expansion, with continuing high capacity utilization of its consultants and moderate rises in consultancy fees.

With respect to the internationalization of the USU Group, following the increase in international sales as a proportion of Group-wide revenue from 9% in 2010 to almost 12% in 2011, the Management Board is planning a further rapid increase in sales from outside Germany over the coming years too. This is to be achieved by increasing our worldwide market presence through an expansion of our partner activities and also by opening our own branch offices in carefully selected locations. In the medium term, the proportion of sales generated outside Germany is to rise to more than 15% of the USU Group's total sales.

In addition to organic growth, another key element of the Company's strategy is the expansion of Group activities through the acquisition of companies and interests in companies. Following the recent participations in Aspera GmbH and USU Consulting GmbH, the Company is now focusing on the complete takeover of Aspera by exercising its existing option to acquire the remain 49% of Aspera shares. Based on current planning, this is to take place during the first half of 2012, whereby due to the 100% consolidation of Aspera in the current consolidated and separate financial statements, the effect on sales will be neutral. In future too, the Management Board of USU Software AG will pursue the aim of acquiring sustainably profitable growth companies, providing the strategy, product portfolio, management and corporate cultures of these companies offer a productive fit with the USU Group and the purchase price is appropriate, generating added value for USU.

As in previous years, the subsidiary USU AG will act as the USU Group's main sales driver in 2012. The Management Board also anticipates a positive impact on sales and earnings from Group subsidiaries Aspera, LeuTek, Omega and USU Consulting GmbH. As an individual company, USU Software AG will continue to focus on the acquisition and holding of participations in other companies and on the provision of intra-Group services. As a result, the success of USU Software AG will largely depend on the business development of the Group subsidiaries over the coming years as well.

On the premise of a stabilizing economic situation in Europe, the Management Board of USU Software AG is expecting to achieve sales of at least EUR 48 million and an EBITDA of over EUR 7.2 million in 2012, thereby achieving its stated EBITDA target margin of 15% for the first time ever. Thanks to the aforementioned growth drivers, the Management Board remains optimistic for the following year as well, and anticipates breaking through the EUR 50 million barrier in terms of consolidated sales while continuing to improve the earnings margin. At the same time, shareholders in USU Software AG can expect to participate significantly in the Company's business success through a continuation of the shareholder-friendly dividend policy established over recent years.

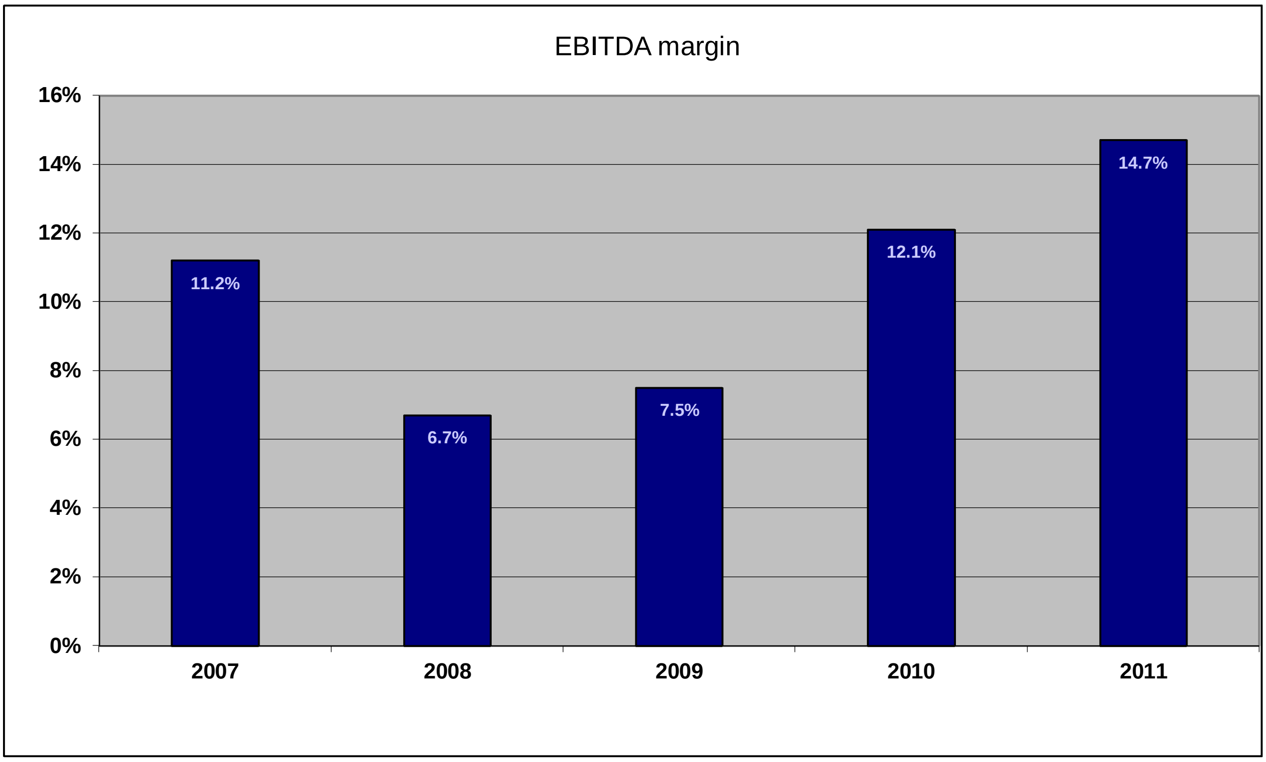


Chart: Development of the USU Group's EBITDA margin, in EUR thousand

Möglingen, March 7, 2012

Bernhard Oberschmidt
Chairman of the Management Board of USU Software AG

Consolidated Financial Statements

2011

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CONSOLIDATED FINANCIAL STATEMENTS

USU Software AG, Möglingen
Consolidated Balance Sheet as at December 31, 2011

ASSETS

	Notes	Dec. 31, 2011 EUR thousand	Dec. 31, 2010 EUR thousand
Assets			
Total non-current assets			
Intangible assets	(9)	6,783	8,234
Goodwill	(10)	32,395	32,885
Property, plant and equipment	(11)	1,007	878
Other financial assets	(28)	85	783
Deferred tax assets	(30)	1,843	2,027
Other assets	(12)	813	609
		42,926	**45,416**
Total non-current assets			
Inventories	(13)	863	684
Work in progress	(14)	1,330	1,601
Trade receivables	(15)	6,050	7,479
Income tax receivables	(16)	130	176
Other financial assets	(17)	544	168
Other assets		74	52
Prepaid expenses	(18)	503	253
Securities	(19)	485	483
Cash on hand and bank balances	(20)	17,145	10,572
		27,124	**21,468**
		70,050	**66,884**

USU Software AG, Möglingen
Consolidated Balance Sheet as at D ecember 31, 2011

LIABILITIES

	Notes	Dec. 31, 2011 EUR thousand	Dec. 31, 2010 EUR thousand
Equity and liabilities			
Total shareholders' equity	(21)		
Subscribed capital		10,524	10,524
Capital reserve		52,792	52,792
Legal reserve		386	294
Other comprehensive income		-23	0
Accumulated losses		-13,773	-15,125
Shareholder's equity not including minority interests		49,906	48,485
Minority interests		2	0
		49,908	**48,485**
Non-current liabilities			
Deferred tax liabilities	(30)	1,146	1,409
Pension provisions	(22)	482	415
Purchase price liabilities	(23)	0	7,594
		1,628	**9,418**
Total current liabilities			
Provisions for income taxes		529	627
Purchase price liabilities	(23)	6,648	0
Personnel-related liabilities	(24)	4,239	3,206
Other provisions and liabilities	(25)	1,949	1,667
Liabilities from received payments	(26)	1,860	577
Trade payables	(27)	1,303	1,247
Deferred income	(29)	1,986	1,657
		18,514	**8,981**
		70,050	**66,884**

USU Software AG, Möglingen
Consolidated Income Statement for the 2011 Fiscal Year

	Notes	2011 EUR thousand	2010 EUR thousand
Sales revenues	(31)	45,597	38,023
Cost of sales	(32)	-22,428	-18,656
Gross profit		**23,169**	**19,367**
Sales and marketing expenses	(33)	-6,161	-6,343
General administrative expenses	(34)	-4,284	-2,712
Research and development expenses	(35)	-6,491	-6,016
Other operating income	(36)	270	232
Other operating expenses	(37)	-300	-326
Amortization of intangible assets recognized in the course of company acquisitions		-1,559	-1,148
Goodwill impairment		0	-472
Interest income	(38)	284	341
Financial expenses	(39)	-421	-213
Profit before taxes		**4,507**	**2,710**
Income taxes	(40)	-962	-362
Net profit/loss		**3,545**	**2,348**
of which:			
shareholders of USU Software AG		3,568	2,348
Minority interests		-23	0
Earnings per share (in EUR):			
payable to the shareholders of USU Software AG (basic and diluted)		0,34	0,23
Weighted average shares (basic and diluted)		10,523,770	10,272,412

USU Software AG, Möglingen
Consolidated Statement of Comprehensive Income
for the 2011 Fiscal Year

	Notes	2011 EUR thousand	2010 EUR thousand
Net profit/loss		**3,545**	**2,348**
Actuarial gains/losses from pension provisions	(22)	-27	-68
Deferred taxes from actuarial gains/losses		9	20
Available-for-sale financial instruments (securities)	(19)		
Fair value changes taken directly to equity		2	28
Recognized to profit or loss		0	0
Deferred taxes from available-for-sale financial instruments (securities)		-1	-7
Currency translation difference		-25	-18
Other comprehensive income		**-42**	**-46**
Overall result		**3,503**	**2,302**
of which:			
shareholders of USU Software AG		3,526	2,302
minority interests		-23	0

USU Software AG, Möglingen
Consolidated Statement of Cash Flow for the 2011 Fiscal Year

	Notes	2011 EUR thousand	2010 EUR thousand
Net cash from operating activities:			
Profit before taxes		4,507	2,710
Adjustments for:			
Financial income / financial expenditure		138	-128
Depreciation and amortization		2,056	2,031
Income taxes paid		-1,048	-674
Income taxes refunded		43	61
Interest paid		-415	-201
Interest received		250	346
Other non-cash income and expenses		-292	-149
Change in working capital:			
Inventories		-175	-13
Work in progress		271	196
Trade receivables		1,552	-2,412
Prepaid expenses and other assets		247	268
Trade payables		-33	481
Personnel-related liabilities and pension provisions		1,100	207
Other provisions and liabilities		1,228	-289
	(42)	**9,429**	**2,434**
Net cash from/used in investing activities:			
Acquisition of subsidiaries less cash and cash equivalents acquired		-389	-294
Capital expenditure in property, plant and equipment		-558	-443
Capital expenditure in other intangible assets		-208	-57
Sales of non-current assets		65	21
Repayment of short-term loans		329	0
Repayment of fixed-term deposits		0	1,527
	(43)	**-761**	**754**
Net cash used in financing activities:			
Dividend payment		-2,105	-1,503
	(44)	**-2,105**	**-1,503**
Net effect of currency translation on cash and cash equivalents		**10**	**-19**
Increase in cash and cash equivalents		**6,573**	**1,666**
Cash and cash equivalents - start of the fiscal year		**10,572**	**8,906**
Cash and cash equivalents - end of the fiscal year	(45)	**17,145**	**10,572**

USU Software AG, Möglingen

Consolidated Statement of Changes in Equity for the 2011 Fiscal Year

	Subscribed capital		Capital reserve	Legal reserve	Treasury interests	Accumu-lated losses	Other comprehensive income		Share-holder's equity not including		
							Currency translation	Fair value measure-ment Securities	Minority interests	Minority interests	Total
	Number	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Consolidated equity as of December 31, 2009	**10,021,054**	**10,021**	**51,490**	**250**	**0**	**-15,877**	**27**	**-30**	**45,881**	**0**	**45,881**
Net profit/loss	0	0	0	0	0	2,348	0	0	2,348	0	2,348
Other comprehensive income	0	0	0	0	0	-49	-18	21	-46	0	-46
Overall result	**0**	**0**	**0**	**0**	**0**	**2,299**	**-18**	**21**	**2,302**	**0**	**2,302**
Transfer to legal reserve	0	0	0	44	0	-44	0	0	0	0	0
Capital increase	502,716	503	1,302	0	0	0	0	0	1,805	0	1,805
Dividend payment	0	0	0	0	0	-1,503	0	0	-1,503	0	-1,503
Consolidated equity as of Dec. 31, 10	**10,523,770**	**10,524**	**52,792**	**294**	**0**	**-15,125**	**9**	**-9**	**48,485**	**0**	**48,485**
Net profit/loss	0	0	0	0	0	3,568	0	0	3,568	-23	3,545
Other comprehensive income	0	0	0	0	0	-19	-25	2	-42	0	-42
Overall result	**0**	**0**	**0**	**0**	**0**	**3,549**	**-25**	**2**	**3,526**	**-23**	**3,503**
Change in the basis of consolidation	0	0	0	0	0	0	0	0	0	25	25
Transfer to legal reserve	0	0	0	92	0	-92	0	0	0	0	0
Dividend payment	0	0	0	0	0	-2,105	0	0	-2,105	0	-2,105
Consolidated equity as of Dec. 31, 11	**10,523,770**	**10,524**	**52,792**	**386**	**0**	**-13,773**	**-16**	**-7**	**49,906**	**2**	**49,908**

USU SOFTWARE AG, MÖGLINGEN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2011 FISCAL YEAR

A. THE COMPANY

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies

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

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

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

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

On Wednesday, March 7, 2012, the Management Board approved the consolidated financial statements for release to the Supervisory Board.

The separate financial statements of USU Software AG in accordance with HGB for the year ended Saturday, December 31, 2011 and these consolidated financial statements are submitted to the electronic Bundesanzeiger (Federal Gazette).

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

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

The following new standards and amendments to the IFRSs are to be applied for the first time in the 2011 fiscal year:

- In October 2009, the ISAB published the amendment to **IAS 32: Classification of Rights Issues**. The amendments were adopted by the EU in February 2011. From an issuer perspective, the amendments stipulate that rights issues, options and warrants relating to the acquisition of a fixed number of equity instruments in foreign currency are to be recognized in the balance sheet as equity and no longer as liabilities. It is a requirement that the amended version of IAS 32 is applied for the first time to reporting periods beginning on or after February 1, 2010.
- In November 2009, the IASB published the amendment to **IAS 24: Related Party Disclosures.** The amendments were adopted by the EU in July 2010. As a result of the amendment the disclosure requirements of public-sector companies are greatly relaxed. The definition of a related party was also amended. It is a requirement that the amended version of IAS 24 is applied for the first time to reporting periods beginning on or after January 1, 2011.
- The ISAB published the **improvements to the IFRSs 2010** in May 2010. The amendments to the standards IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27 and IAS 34 and to the interpretation IFRIC 13 were adopted by the EU in February 2011. The amendments remove inconsistencies and clarify the wording of the standards and the interpretation. They do not affect the presentation of the financial position, financial performance or cash flow. It is a requirement that the vast majority of the amendments are applied for the first time to reporting periods beginning on or after January 1, 2011.
- In January 2010, the IASB published the amendment to **IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters**. The amendments were adopted by the EU in July 2010. The amendments concern all disclosures made as a result of the first-time application of the amendments to IFRS 7 published in March 2009. In the first year of their application, there is an exemption from the obligation to disclose comparative figures in relation to the newly included disclosures. All adopters were previously prevented from applying this transitional

provision; in future, the provision may be relied upon provided the first IFRS reporting period begins before January 1, 2010.

- In November 2009, the ISAB published the amendment **to IFRIC 14: Prepayment of a Minimum Funding Requirement**. The amendments were adopted by the EU in July 2010. The amendment made is concerned with the special situation in which a company is subject to minimum funding requirements and makes advance payments in order to comply with its obligations. The amendment allows the companies concerned to recognize the benefits resulting from those payments as assets. It is a requirement that the amended version of IFRIC 14 is applied for the first time to reporting periods beginning on or after January 1, 2011.
- In November 2009, the ISAB published **IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments**. IFRIC 19 was adopted by the EU in July 2010 and explains the conditions applicable to the situation in which a company extinguishes a financial liability in whole or in part by issuing shares or by means of other equity instruments. The equity instruments used for the purpose of extinguishing the liability form part of the consideration paid and are to be measured at fair value. The difference between the financial liability to be de-recognized and the first-time valuation of the equity instruments issued must be recognized in the income statement. It is a requirement that IFRIC 19 is applied for the first time to reporting periods beginning on or after July 1, 2010.

There was no requirement to apply the following new or amended standards and interpretations for the fiscal year beginning on January 1, 2011 and they were not adopted early:

- In October 2010 the IASB published the amendment to **IFRS 7: Financial Instruments:**

  Disclosures. The amendments were adopted by the EU in November 2011. The purpose of the extended disclosure requirements is to enable a person reading the balance sheet to understand the relationships between transferred financial assets and the corresponding financial liabilities. In addition, it is intended that, in the case of de-recognized financial assets, such persons are able to assess the nature and - in particular - the risks of continuing involvement. The amendments also require additional disclosures if a disproportionately large number of transfers takes place towards the end of a reporting period. It is a requirement that the amended version of IFRS 7 is applied for the first time to reporting periods beginning on or after July 01, 2011.

- In December 2010, the IASB published the amendment to **IAS 12: Income Taxes**. In this context, the provisions of SIC 21: Income Taxes – Recovery of Revalued Non-Depreciable Assets were repealed. The amendments have not yet been adopted by the EU. The amendment introduces a rebuttable presumption that the carrying amounts of property held as financial investments pursuant to IAS 40 will normally be recovered through sale. That presumption does not apply to assets in relation to which the new valuation method is applied in accordance with IAS 16 or IAS 38. If accepted in its current form by the EU, the amended version of IAS 12 will be applicable for the first time to reporting periods beginning on or after January 1, 2012.
- In May 2011, the IASB published the amendment to **IAS 1: Presentation of Items of Other Comprehensive Income.** The amendments have not yet been adopted by the EU. As a result of the amendment, in future the IFRS income statement will formally consist of only a single component of the financial statements: The Statement of Profit or Loss and Other Comprehensive Income. Nevertheless, that formally summarized income statement must in future be divided into two sections: one setting out the profit or loss and one setting out the other comprehensive income. Under the current version of IAS 1, the income statement may formally be a separate component of the financial statements, which must precede the statement of comprehensive income. A further amendment is that the performance indicator other comprehensive income (OCI) must be split up according to whether the expenditure and income recognized therein are to be recycled into the income statement at a later date. The right to choose whether to present the OCI before or after tax continues to exist; if presented before tax, the taxes must be separated according to whether they relate to items which may be recycled (e.g. cash flow hedges, foreign currency translations) or items which are not to be recycled (for instance, items to be recognized in profit or loss by the other overall result in accordance with IFRS 9: Financial Instruments). Taken as a whole, the amendments ensure a more transparent and comparable presentation of the other comprehensive income (OCI). If accepted in its current form by the EU, the amended version of IAS 1 will be applicable for the first time to reporting periods beginning on or after July 1, 2012.
- In November 2009, the ISAB published **IFRS 9 (2009): Financial Instruments.** The intention is that the standard – together with two further supplements – will gradually replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 (2009) contains provisions governing the classification and measurement of financial assets. The standard provides for the replacement of the measurement categories used to date by the categories “amortized costs” and “fair value”.

- In October 2010, the IASB introduced a supplement to **IFRS 9 (2010): Financial Instruments.** IFRS 9 (2010) now also includes provisions governing the classification and measurement of financial liabilities and the de-recognition of financial assets and liabilities. With the exception of the fair value option, IFRS 9 (2010) does not contain any major changes applicable to financial liabilities. Fair value changes under the fair value option on account of a company's own credit risk are to be recognized in the OCI, all other fair value changes are to be recognized in the income statement (one-step approach). With regard to de-recognition, IFRS 9 (2010) takes over from the provisions laid down in the currently applicable version of IAS 39. It is a requirement that, if it is accepted in its current form by the EU, IFRS 9 (2010) is applied for the first time to reporting periods beginning on or after January 1, 2015. The amendments have not yet been adopted into EU law.
- In May 2011, the ISAB published the standards **IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements** and **IFRS 12: Disclosure of Interests in other Entities. Amendments to IAS 27: Separate Financial Statements** and **IAS 28: Investments in Associates and Joint Ventures** were also adopted. The standard has not yet been adopted by the EU.
- **IFRS 10: Consolidated Financial Statements** replaces the consolidation guidelines in IAS 27: Consolidated and Separate Financial Statements under IFRS and SIC-12: Consolidation – Special Purpose Entities by introducing a single consolidation model for all companies based on the control concept, irrespective of the nature of the investment recipient (i.e. irrespective of whether the company is normally controlled by the voting rights of investors or by other contractual agreements, as in the case of special purpose entities). Under IFRS 10, control is determined according to whether an investor has power of determination over the investment recipient, has opportunities and faces threats arising from differing income from his involvement in that company and can use his power of determination over the investment recipient to determine the level of income.

The purpose **of IAS 27 (2011): Separate Financial Statements** is to lay down standards which are to be applied in connection with accounting for interests in subsidiaries, associates and joint ventures if one company decides to do produce separate financial statements or local rules require the presentation of separate financial statements. The rules on consolidation previously included in IAS 27 (2008) have been revised and are now contained in IFRS 10.

- **IFRS 11: Joint Arrangements** replaces IAS 31: Interests in Joint Ventures. The option of apply the proportionate consolidation method when accounting for jointly controlled companies has been removed. In addition, IFRS 11 abolishes jointly controlled assets; only joint operations and joint ventures now exist. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets.
- **IFRS 12: Disclosure of interests in Other Entities** requires improved disclosures in relation both to consolidated and non-consolidated companies, in which a company is involved. The aim of IFRS 12 is to enable the users of financial statements to evaluate the basis of control, any claims to consolidated assets and debts, risks arising from involvement in non-consolidated special purpose entities and the involvement of minority shareholders in consolidated companies.
- **IAS 28 (2011): Investments in Associates and Joint Ventures** takes into account amendments arising from the publication of IFRS 10, IFRS 11 and IFRS 12.

It is a requirement that, if they are accepted in their current form by the EU, the new and amended standards are applied for the first time to reporting periods beginning on or after January 1, 2013.

- The IASB also published **IFRS 13: Fair Value Measurement** in May 2011. The standard has not yet been adopted by the EU. IFRS 13 offers guidance to calculating the fair value, provided that it is stipulated as a measure of value under other IFRSs; IFRS 13 does not therefore extend the application of fair value measurements. The objective is to provide a uniform definition of fair value across the relevant standards and to standardize the methods to be used to calculate fair value and, in particular, the associated disclosure requirements relating to fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements are required, save in connection with share-based payment transactions within the scope of IFRS 2, leasing transactions within the scope of IAS 17, measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36. If accepted in its current form by the EU, IFRS 13 will be applicable for fiscal years beginning on or after January 1, 2013.

- In June 2011, the IASB published the amendment **to IAS 19: Employee Benefits**. The amendments have not yet been adopted by the EU. The most significant amendment is that future unexpected fluctuations in pension obligations and any planned asset bases, such as actuarial gains and losses, must be recognized immediately in other comprehensive income (OCI). The previous option of recognizing it immediately as profit or loss, as other comprehensive income (OCI) or of recognizing it at a later date under the “corridor method” is abolished. A second change to pension accounting under IAS 19 is that, in future, the management is no longer to estimate the return on the plan assets in accordance with the expected return under the asset allocation method, but rather may recognize income on the basis of the expected return on the plan assets only at the discount interest rate. Thirdly, the amended version of IAS 19 requires more extensive disclosures. In future, for the first time companies are to be required to make disclosures about their financing strategy and pension plans, and not only to describe the financing risks associated with their plans, but also to quantify those risks; in this connection, in future – amongst other things – a sensitivity analysis will be required, which sets out the extent of fluctuations in pension obligations in the event of changes to significant valuation assumptions. The average remainder of the term of pension obligations will also have to be stated in the future. If accepted in its current form by the EU, the amended version of IAS 19 will be applicable for the first time to reporting periods beginning on or after January 1, 2013.
- In December 2011 the ISAB published two revisions to **IFRS 7: Financial Instruments: Disclosures** and **to IAS 32: Financial Instruments**: **Presentation**. The amendments relate to the offsetting of financial instruments and, in the case of the revision of IAS 32, concern supplements to the application guidelines. In addition, additional disclosure requirements are introduced in IFRS in connection with the offset financial instruments. In the case of instruments under master netting arrangements, additional disclosures under IFRS 7 will be necessary in future, even where the underlying instruments are not reported as having been offset. The amendments to IAS are to come into force for fiscal years beginning on or after January 1, 2014, provided the standard is adopted unchanged by the EU. If accepted in its current form by the EU, the amended provisions under IFRS 7 will come into force for fiscal years beginning on or after January 1, 2013. The amendments apply retrospectively both in the case of IAS 32 and that of IFRS 7.

As a result of the new version of IFRS 9, the Group expects changes to the categorization of financial assets. Additional disclosure requirements – amongst other things – will follow as a result of the amendments to IFRS 7, IFRS 12 and IFRS 13. In all other cases, the Group does not expect these amendments to affect the presentation of the Group's financial position, financial performance and cash flow. The Group will apply the new and amended IFRS at the latest when required to do so by EU law.

3. Consolidation Principles

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

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

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

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

4. Scope of Consolidation

The Group consists of USU Software AG and nine German and foreign subsidiaries. The scope of consolidation was extended on July 29, 2011 with the acquisition of Get IT Services GmbH, Sursee, Switzerland. The newly acquired subsidiary has since been renamed USU Consulting GmbH. Gentner GmbH ProCOMMUNICATION i.L., Möglingen, was finally liquidated in 2011 and removed from the commercial register with effect from December 19, 2011.

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

Scope of Consolidation

Name and domicile of the company	Share-holding in %	Subscribed capital EUR thousand	Share-holders' equity as at December 31, 2011 EUR thousand	Net profit 2011 EUR thousand
USU AG, Möglingen	100.00	5,738	10,801	1,851
LeuTek GmbH, Leinfelden-Echterdingen	100.00	22	1,380	2,146
Omega Software GmbH, Obersulm	100.00	77	970	-80
USU Software s. r. o., Brno, Czech Republic	100.00	78	379	91
USU (Schweiz) AG, Zug, Switzerland	100.00	82	31	103
USU Austria GmbH, Vienna, Austria	100.00	35	-872	-52
Openshop Internet Software GmbH, Ludwigsburg	100.00	40	-773	0
Aspera GmbH, Aachen	51.00	300	1,603	2,041
USU Consulting GmbH, Sursee, Switzerland	70.00	82	7	-78

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

5. Currency and Currency Translation

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

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

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

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

	Closing rate		Average rate for the year	
Currency (equivalent to EUR 1)	Dec. 31, 2011	Dec. 31, 2010	2011	2010
Swiss francs (CHF)	1.2156	1.2504	1.2318	1.3704
Czech koruna (CZK)	25.787	25.061	24.599	25.263

6. Use of Significant Estimates and Assumptions

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

In particular, areas requiring significant estimates include the use of the percentage-of-completion method (see notes 7.6 and 14), determining the probable economic life of intangible assets (notes 7.1 and 9), the decision not to capitalize software development costs (note 7.18), bad debt allowances (note 15), contingent liabilities, pension provisions (note 22), purchase price liabilities (note 23) and other provisions (note 25), as well as the estimation of the recoverability of future tax benefits in the form of the recognition of deferred taxes from tax loss carryforwards (note 30).

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

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

7. General Accounting Policies

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

7.1. Intangible Assets and Goodwill

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

7.2. Property, Plant and Equipment

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

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

7.3. Impairment of Non-Financial Assets

All intangible assets with indefinite useful lives and goodwill are tested for impairment at least once every fiscal year. As a matter of principle, impairment testing is performed annually on September 30. For these and all other intangible assets with finite useful lives and property, plant and equipment, impairment testing is also performed when there is evidence that the carrying amount of the respective asset is no longer recoverable. This was not the case in the 2010 and 2011 fiscal years.

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

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

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

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

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

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

Goodwill impairment losses may not be reversed.

7.4. Financial Instruments

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

(a) financial assets at fair value through profit or loss,

(b) held-to-maturity investments,

(c) loans and receivables, and

(d) available-for-sale financial assets.

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

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

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

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

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

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

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

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

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

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

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

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

7.5. Inventories

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

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

7.6. Work in Progress

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

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

7.7. Deferred Taxes

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

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

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

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

7.8. Treasury Shares

Treasury shares are carried at their fair value on the acquisition date plus any incidental costs of acquisition and are deducted from equity. With the authorization of the Annual General Meeting, treasury shares may be used as acquisition currency and may be withdrawn. USU Software AG did not hold any treasury shares on the balance sheet dates December 31, 2010 and December 31, 2011.

7.9. Other Comprehensive Income

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

7.10. Pension Provisions

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

7.11. Other Provisions

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

7.12. Financial Liabilities

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

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

7.13. Liabilities from Received Payments

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

7.14. Contingent Liabilities and Events After the Balance Sheet Date

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

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

7.15. Leasing

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

The Group has only entered into operating leases.

7.16. Sales Revenues

The Group generates sales from issuing licenses for software products to end users, from professional services and from service agreements (post-contract customer support, PCS).

Professional services relate to consulting services for software and training. PCS services include the right to receive any updates, as well as telephone support.

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

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

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

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

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

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

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

7.17. Cost of Sales

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

7.18. Research and Development Expenses

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

C. CHANGES TO GROUP ORGANIZATION

8. Acquisition in the 2011 Fiscal Year

On July 29, 2011, USU Software AG acquired 70% of shares in get IT Services GmbH, Sursee, Switzerland, which was subsequently renamed USU Consulting GmbH. USU Consulting GmbH has already been a USU partner for many years and has excellent expertise in management and technical consulting, concept development, the management of major projects in the area of IT strategy and service management plus ITIL training and preparation for ISO 20000 certification. Thus, USU Consulting GmbH supplements USU's portfolio both strategically on the market for knowledge-based service management and geographically by extending its presence in Switzerland. In addition, the contribution of the shares in USU Consulting GmbH affords opportunities to leverage synergies and cut costs.

USU Consulting GmbH has been included in consolidation in accordance with the purchase method under IFRS 3 as of July 29, 2011 and assigned to the Product Business segment. The shares not attributable to the shareholders of the parent company (30%) are reported as non-controlling interests in equity.

The cost of the 70% of shares in USU Consulting GmbH was EUR 505 thousand and was fully paid in cash. Up until the end of the reporting period, acquisition-related costs totaling EUR 40 thousand were incurred. These were directly expensed.

In the case of USU Consulting GmbH, the continuation of the management activities of the sellers was stipulated for a defined period of time in the purchase agreement in order to guarantee the transfer of specialist expertise to the Group. The resignation of the sellers as managing directors before the expiry of that period results in the forfeiture of the corresponding purchase price claims ("stay bonus"). Pursuant to IFRS 3, that purchase price component is to be recognized directly as personnel expenditure over the related period. This resulted in expenditure of EUR 61 thousand for the 2011 fiscal year.

The purchase price allocation will be carried out definitively before the end of the 2011 fiscal year. No significant, additional intangible assets were identified. Following the deduction of the assets acquired and debts assumed from the purchase price, a difference of EUR 441 thousand remains. That amount is recognized in full as personnel expenses over a period of three years, since if the former shareholders stand down a repayment arrangement in that amount exists.

An overview of the purchase price allocation is shown below:

	Previous carrying amounts under IFRS EUR thousand	Fair values EUR thousand
Intangible assets	0	0
Property, plant and equipment	33	33
Inventories	3	3
Trade receivables	123	123
Other assets	3	3
Cash and cash equivalents	116	116
Prepaid expenses	12	12
Provisions	-44	-44
Liabilities	-130	-130
Deferred income	-25	-25
Net assets	**91**	**91**
minus minority interest (30%)		-27
		64
Amount apportioned to stay bonus		441
Purchase price		**505**

In the following pro forma key figures, the Company presents its consolidated sales and consolidated income, assuming that USU Consulting GmbH, whose contribution to sales and income since the acquisition date is estimated at between EUR 283 thousand and EUR -123 thousand, had been acquired at the beginning of the 2011 fiscal year. The pro forma calculation does not include possible future synergies arising from the business combination:

	2011 EUR thousand
Pro forma sales (Group)	46,048
Pro forma profit	3,190

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

D. NOTES TO THE CONSOLIDATED BALANCE SHEET

9. Intangible assets

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

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

CGU	2011 EUR thousand	2010 EUR thousand
USU AG / Omega (Product Business)	445	445
USU AG (Service Business)	85	85
LeuTek (Product Business)	829	829
Aspera (Product Business)	652	652
	2,011	**2,011**

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

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

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

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

10. Goodwill

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

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

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

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

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

Planning is based on the following sales growth rates:

	2012	2013	2014
USU AG / Omega (Product Business)	10.2%	10.6%	11.3%
USU AG (Service Business)	2.7%	6.2%	6.2%
LeuTek (Product Business)	-8.2%	6.0%	4.8%
Aspera (Product Business)	25.2%	12.0%	12.2%

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 1.0% (2010: 1.0%).

In calculating the present value, a post-tax capitalization rate of 8.5% (2010: 8.5%) or a pre-tax capitalization rate of 10.8% (2010: 10.9%) was taken as a basis.

For the Service Business sector, a post-tax capitalization rate of 6.7% (2010: 6.8%) or a pre-tax capitalization rate of 8.6% (2010: 8.7%) was taken as a basis.

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

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

CGU	2011 EUR thousand	2010 EUR thousand
USU AG / Omega (Product Business)	12,868	12,868
USU AG (Service Business)	2,322	2,322
LeuTek (Product Business)	10,448	10,448
Aspera (Product Business)	6,757	7,247
	32,395	**32,885**

The changes in goodwill for each reporting unit in the 2010 and 2011 fiscal years are shown in the following table.

	Product Business	Service Business	Group
As of January 1, 2010	**23,701**	**2.409**	**26.110**
Impairment loss in the amount of the recognition of deferred tax assets from tax loss carryforwards (USU AG)	-385	-87	-472
Acquisition of Aspera GmbH in the 2010 fiscal year	7,247	0	7,247
As of Dec. 31, 2010	**30,563**	**2,322**	**32,885**
Stay bonus agreement (Aspera GmbH)	-490	0	-490
As of Dec. 31, 2011	**30,073**	**2,322**	**32,395**

As part of the acquisition of Aspera GmbH in 2010, a “stay bonus” agreement was concluded with the former shareholders. The agreement provides that the option price for the minority interests is reduced by a specified amount provided that they do not continue to be employed by Aspera GmbH for a specified period of time. In accordance with IFRS 3, USU decided to recognize the corresponding amount of EUR 490 thousand, which had previously been included in goodwill in the amount of EUR 7,247 thousand, as administrative expenditure over the term of the agreement. The impact on earnings of that stay bonus amounted to EUR 218 thousand in 2011.

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

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

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

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

11. Property, Plant and Equipment

Depreciation of property, plant and equipment amounted to EUR 396 thousand in the 2011 fiscal year (2010: EUR 315 thousand). There are no restrictions on the Group's rights of disposal over its property, plant and equipment, nor have any such items been assigned as collateral.

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

12. Other Non-Current Assets

Other non-current assets include the capitalized values of insurance policies under which the beneficiaries have no access to the insurance, which totaled EUR 580 thousand (2010: EUR 609 thousand).

13. Inventories

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

The cost of materials for inventories amounted to EUR 2,507 thousand in the past fiscal year (2010: EUR 1,666 thousand).

14. Work in Progress

The following table provides an overview of total work in progress and the associated billings as of December 31, 2011 and December 31, 2010:

	2011 EUR thousand	2010 EUR thousand
Contract costs plus unbilled contract earnings	5,018	2,898
of which: from service agreements		
in accordance with IAS 18	3,464	1,368
of which: from construction contracts		
in accordance with IAS 11	1,554	1,530
less amounts received from progress billings	-5,548	-1,874
Gross	**- 530**	**1,024**
of which: Work in progress	1,330	1,601
of which: Liabilities from received payments	-1,860	-577

Sales of EUR 8,248 thousand were generated from construction contracts in accordance with IAS 11 in the 2011 fiscal year (2010: EUR 4,288 thousand).

15. Trade Receivables

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

	2011 EUR thousand	2010 EUR thousand
Trade receivables	6,414	7,875
Valuation allowances as at January 1	-396	-263
Changes in the scope of consolidation	0	-109
Utilizations in the fiscal year	103	12
Additions recognized in profit or loss	-179	-45
Reversals	108	9
Valuation allowances as at December 31	-364	-396
	6,050	**7,479**

As of December 31, 2011, valuation allowances were recognized for trade receivables with a nominal value of EUR 714 thousand (2010: EUR 551 thousand).

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

			Past due but not subject to valuation allowances				
Year	Total EUR thousand	Neither past due nor subject to valuation allowances EUR thousand	<30 days EUR thousand	30-90 days EUR thousand	91-180 days EUR thousand	181-360 days EUR thousand	>360 days EUR thousand
2011	6,527	5,790	737	0	0	0	0
2010	7,324	5,681	1,643	0	0	0	0

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

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

16. Income Tax Receivables

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

17. Other Current Financial Assets

Other current financial assets are composed of the following items:

	2011 EUR thousand	2010 EUR thousand
Receivables from investments	409	0
Receivables from employees	5	29
Interest accrued on securities	1	1
Other receivables	129	138
	544	**168**

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

Year	Total EUR thousand	Neither past due nor subject to valuation allowances EUR thousand	Past due but not subject to valuation allowances: <30 days EUR thousand	30-90 days EUR thousand	91-180 days EUR thousand	181-360 days EUR thousand	>360 days EUR thousand
2011	544	544	0	0	0	0	0
2010	168	168	0	0	0	0	0

18. Prepaid Expenses

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

19. Current Financial Instruments

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

Year	Cost on acquisition EUR thousand	Unrealized gains EUR thousand	Unrealized losses EUR thousand	Market value EUR thousand
2011	502	0	-17	485
2010	502	0	-19	483

As of December 31, 2011, a total of EUR 485 thousand (2010: EUR 483 thousand) of the available-for-sale securities were due within one year EUR 0 (2010: EUR 0) between one and five years and EUR 0 (2010: EUR 0) after more than ten years. The net proceeds from the disposal of available-for-sale securities in the 2011 fiscal year consist of gross gains in the amount of EUR 0 (2010: EUR 0) and gross losses in the amount of EUR 0 (2010: EUR 0 thousand).

20. Cash On Hand and Bank Balances

This item is broken down as follows:

	2011 EUR thousand	2010 EUR thousand
Fixed-term deposits and overnight money	9,455	5,895
Demand deposits	7,684	4,668
Cash on hand	6	9
	17,145	**10,572**

21. Total Shareholders' Equity

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

21.1. Share Capital and Shares

The subscribed capital of the Company stands at EUR 10,524 thousand as of December 31, 2011. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

21.2. Authorized Capital

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

21.3. Contingent Capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may only be used for granting options to the members of the Management Board and employees of the Company. There were no outstanding options as of December 31, 2011.

21.4. Capital Reserve

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

21.5. Legal Reserve

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

21.6. Earnings Per Share

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

		2011	2010
Consolidated earnings attributable to the shareholders of USU Software AG: in EUR thousand		3,568	2,348
Annual average number of shares:	number	10,523,770	10,272,412
Basic earnings per share:	in EUR	0.34	0.23

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

	2011 number	2010 number
Number of shares as at January 1	10,523,770	10,021,054
Capital increase	0	502,716
Number of shares as at December 31	**10,523,770**	**10,523,770**

21.7. Appropriation of Net Profit

The Management Board is proposing the distribution of a dividend of EUR 0.20 per share for a total of 10,523,770 no-par value shares (EUR 2,105 thousand) from the unappropriated surplus of USU Software AG as of Saturday, December 31, 2011.

22. Pension Provisions

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

Pension provisions were calculated using the projected unit credit method prescribed by IAS 19. The future obligations were measured using actuarial calculations. The calculations were based on the 2005 G mortality tables, assuming a discount rate of 5.2% (2010: 5.20%). In the case of the pension plan, it is assumed – as in the previous year – that subsequent contributions will rise by 1% during the service period and 2% after pension payments begin. As pension obligations to employees are lump-sum payments, a pension trend of 0% is applied. In the case of pension commitments to employees, the same fluctuation probabilities as in the previous year were used for each individual based on their age. In the case of the pension plan, a fluctuation rate of 0% was used (2010: 0%). The expected average annual return on plan assets is 3.8% (2010: 3.8%). The management bases its calculations on historical income trends and market forecasts by analysts.

Actuarial gains and losses are taken directly to equity and offset against accumulated losses. The measurement date for the pension obligation was December 31, 2011.

As of December 31, 2011, the Company offset a (cumulative) total of EUR -26 thousand (before taxes) against accumulated losses, this being the balance of actuarial losses and actuarial gains.

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

The following tables show the development of the pension obligation and plan assets.

Development of the pension obligation:

	2011 EUR thousand	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand
Present value of benefit obligation at the start of the fiscal year	1,812	1,542	1,307	1,402	1,664
Current service cost	22	22	18	19	20
Interest cost	98	90	83	77	75
Actuarial gains / losses taken directly to equity	-8	158	134	-191	-357
Present value of benefit obligation at the end of the fiscal year	**1,924**	**1,812**	**1,542**	**1,307**	**1,402**

Development of plan assets

	2011 EUR thousand	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand
Fair value of the plan assets at the start of the fiscal year	1,397	1,229	1,153	1,104	1,068
Income from plan assets (interest income)	60	48	37	35	38
Payments into the plan assets	20	30	52	64	33
Amortization of plan assets	0	0	-5	-44	-25
Actuarial gains / losses taken directly to equity	-35	90	-8	-6	-10
Fair value of the plan assets at the end of the fiscal year	**1,442**	**1,397**	**1,229**	**1,153**	**1,104**

Development of the obligation reported in the balance sheet:

	2011 EUR thousand	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand
Present value of the pension obligation	1,924	1,812	1,542	1,307	1,402
Fair value of the plan assets	1,442	1,397	1,229	1,153	1,104
Obligation reported in the balance sheet	**482**	**415**	**313**	**154**	**298**

There were no significant adjustments to the pension obligation or the plan assets to reflect past experience. Employer contributions to the plan assets for the 2012 fiscal year are estimated at EUR 45 thousand.

The following amounts were reported in the income statement:

	2011 EUR thousand	2010 EUR thousand	2009 EUR thousand	2008 EUR thousand	2007 EUR thousand
Current service cost	-22	-22	-18	-19	-20
Interest cost	-98	-90	-83	-77	-75
Income from plan assets (interest income)	60	48	37	35	38
Amortization of plan assets	0	0	-5	-44	-25
	-60	**-64**	**-69**	**-105**	**-82**

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

A pension commitment has been entered into for the Management Board members of the Group subsidiary USU AG. This pension commitment is covered by an insurance policy. This defined contribution plan does not result in any liability for the Group above and beyond the premiums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 43 thousand in the year under review (2010: EUR 42 thousand).

In addition, the German statutory pension scheme is considered to represent a defined contribution plan. The expenses recognized for the statutory pension scheme amounted to EUR 1,275 thousand (2010: EUR 1,201 thousand), of which EUR 43 thousand was attributable to Management Board members (2010: EUR 42 thousand).

23. Purchase Price Liabilities

This relates to the present value of the reported purchase price obligations for the minority shareholding in Aspera GmbH.

USU Software AG is working towards a full takeover of Aspera in 2012.

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

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

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

USU Software AG also has the right to acquire the remaining 49% stake in Aspera (call option). The call option is also dependent on the result generated by Aspera in the fiscal years 2010/11 and 2011/12, whereby the amount that USU Software AG would have to pay to purchase the remaining 49% stake in Aspera is estimated at between EUR 3,381 thousand and EUR 8,070 thousand. Furthermore, USU Software AG holds a second call option (call option 2), which is not dependent on the result achieved by Aspera and which can be exercised by USU Software AG at any time up until March 31, 2012, in deviation from the other option rights. The purchase price that USU Software AG would have to pay to acquire the remaining 49% stake in Aspera if it exercises call option 2, totals EUR 8,070 thousand, discounted from March 31, 2012 with a factor of 1.5% over the current EURIBOR on the day of payment. Furthermore, the former shareholders receive a payment, which corresponds to the profit share attributable until March 31, 2012, unless this profit share has already been distributed to the former shareholders at an earlier date. As part of call option 2, USU Software AG is obliged to consolidate Aspera fully in its consolidated financial statements. This is based on the assumption that the purchase price for the remaining stake in Aspera is EUR 6,225 thousand plus the distribution requirement for the period from April 1, 2010 to March 31, 2012, which is estimated at EUR 1,842 thousand. In this regard, EUR 944 thousand has already been paid to the minority shareholders as a pro rata profit distribution for the period April 1, 2010 to March 31, 2011.

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

24. Personnel-related Liabilities

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

	2011 EUR thousand	2010 EUR thousand
Vacation and variable compensation	3,725	2,694
Other personnel-related liabilities	514	512
	4,239	**3,206**

25. Other Provisions and Liabilities

Other provisions and liabilities include the following items:

	2011 EUR thousand	2010 EUR thousand
Outstanding invoices	405	405
Other liabilities	711	787
Other provisions	833	475
	1,949	**1,667**

Other provisions mainly comprise provisions for obligations under company law and other identifiable individual risks. Other provisions developed as follows in the 2011 fiscal year:

in EUR thousand	As of January 1, 2011	Addi- tions	Utili- zations	Reversals	Currency difference	As of December 31, 2011
Operating obligations	289	266	232	17	0	306
Other obligations	186	389	27	18	-3	527
	475	**655**	**259**	**35**	**-3**	**833**

26. Liabilities from Received Payments

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

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

27. Trade Payables

All trade payables are due within one year.

28. Additional Disclosures on Financial Instruments

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

In EUR thousand as at 31.12.2010	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Non-current financial instruments, loans to members of the Management Board	L+R [1]	85	85	0	0	85
Work in progress	IAS 11	1,330	0	0	0	1,330
Trade receivables	L+R	6,050	6,050	0	0	6,050
Other current financial assets	L+R	544	544	0	0	544
Current financial instruments	AfS [2]	485	0	485	0	485
Cash on hand and bank balances	L+R	17,145	17,145	0	0	17,145
Aggregated by class/category						
Loans and receivables	L+R	23,824	23,824	0	0	23,824
Available-for-sale	AfS	485	0	485	0	485
Work in progress	IAS 11	1,330	0	0	0	1,330

In EUR thousand as at 31.12.2010	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Financial liabilities						
Purchase price obligation for Aspera GmbH	Amortized cost	6,648	6,648	0	0	6,648
Trade payables	Amortized cost	1,303	1,303	0	0	1,303
Liabilities from advance payments	Amortized cost/ IAS 11	1,860	1,860	0	0	1,860
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	9,811	9,811	0	0	9,811

[1] L+R: Loans and receivables
[2] AfS: Available-for-sale

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

In EUR thousand as at 31.12.2010	IAS 39 category / IFRS 7 class	Carrying amount	Measurement in accordance with IAS 39			Fair value
			Amortized cost	Fair value through equity	Fair value through profit or loss	
Financial liabilities						
Purchase price obligation for Aspera GmbH	Amortized cost	7,594	7,594	0	0	7,594
Trade payables	Amortized cost	1,247	1,247	0	0	1,247
Liabilities from advance payments	Amortized cost/ IAS 11	577	577	0	0	577
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	9,418	9,418	0	0	9,418

1) L+R: Loans and receivables 2) AfS: Available-for-sale

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

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

in EUR thousand	**from interest**	**from subsequent valuation** at fair value	valuation allowance	Appreciation	Accumulation	**from disposals**	**net profit/loss** 2011	2010
Net gains and losses from financial instruments in the category								
Loans and receivables	156	0	-179	108	0	-45	40	77
available-for-sale	8	0	0	0	0	0	8	108
financial liabilities carried at amortized cost	0	0	0	0	-271	0	-271	-116
Total	**164**	**0**	**-179**	**108**	**-271**	**-45**	**-223**	**69**

The interest from financial instruments classified as loans and receivables and the other components of the net profit are reported in the net financial income (see notes 38 and 39). This does not include valuation allowances on trade receivables, which are reported in selling expenses.

In taking changes in the value of available-for-sale financial assets directly to equity, net remeasurement gains and losses of EUR 2 thousand were recognized in equity in the 2011 fiscal year (2010: EUR 28 thousand). Of the amounts recognized in equity, losses totaling EUR 0 (2010: losses of EUR 0) were transferred to the income statement in the 2011 fiscal year.

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

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

	2011 EUR thousand	2010 EUR thousand
Valuation allowances and write-downs in the category		
Loans and receivables	-179	-45
Available-for-sale	0	0
	-179	**-45**

29. Deferred Income

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

30. Deferred Taxes

Due to the positive earnings development in recent years and the growth in earnings that is forecast for 2012 and 2013, deferred tax assets from tax loss carryforwards in the amount of the deferred tax liabilities of the two companies and of the respective fiscal scope of consolidation of EUR 1,393 thousand (2010: EUR 1,339 thousand) were recognized for future income at both USU AG and USU Software AG in the amount of EUR 1,843 thousand (2010: EUR 2,027 thousand). The amount recognized was determined on the basis of the forecast results of USU AG and USU Software AG approved by the Supervisory Board for a two-year planning period and not beyond this date.

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

	2011 EUR thousand	2010 EUR thousand	Change recognized in profit or loss 2011 EUR thousand	Change not recognized in profit or loss 2011 EUR thousand
Deferred tax assets:				
Provisions	102	109	-7	0
Intangible assets	42	53	-11	0
Property, plant and equipment	11	11	0	0
Receivables	15	15	0	0
Other	14	14	0	0
From tax loss carryforwards	3,236	3,364	-126	0
Deferred tax assets (gross)	**3,421**	**3,566**	**-144**	**0**
Deferred tax liabilities				
Undistributed profits	83	57	-26	0
Provisions	26	26	-9	9
Intangible assets	2,010	2,435	425	0
Work in progress	585	388	-197	0
Securities	4	5	2	-1
Receivables	0	21	21	0
Other	16	16	0	0
Deferred tax liabilities (gross)	**2,724**	**2,948**	**216**	**8**
Gross	**697**	**618**	**72**	**8**
After netting:				
Deferred tax assets:	1,843	2,027		
Deferred tax liabilities	1,146	1,409		

As of December 31, 2011, deferred tax assets from tax loss carryforwards in Germany were not recognized in the amount of approximately EUR 34,450 thousand (2010: EUR 35,545 thousand) as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized for foreign tax loss carryforwards totaling approximately EUR 903 thousand (2010: EUR 944 thousand).

Tax loss carryforwards of EUR 20,252 thousand (2010: EUR 20,252 thousand) have not yet been recognized by the tax authorities and are therefore not included in the above figures for tax loss carryforwards. Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

E. NOTES TO THE CONSOLIDATED INCOME STATEMENT

31. Sales Revenues

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

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

	2011 EUR thousand	2010 EUR thousand
Consulting	26,232	21,899
Licenses	5,919	5,758
Service and maintenance	10,624	8,514
Other	2,822	1,852
	45,597	**38,023**

32. Cost of Sales

The cost of sales includes the following items:

	2011 EUR thousand	2010 EUR thousand
Personnel expenses	10,700	8,288
Fees for freelance staff and temporary workers	6,680	6,467
Depreciation and amortization	231	185
Other expenses	4,817	3,716
	22,428	**18,656**

33. Sales and Marketing Expenses

Sales and marketing expenses include the following items:

	2011 EUR thousand	2010 EUR thousand
Personnel expenses	3,640	3,832
Depreciation and amortization	56	52
Other expenses	2,465	2,459
	6,161	**6,343**

34. General Administrative Expenses

General administrative expenses include the following items:

	2011 EUR thousand	2010 EUR thousand
Personnel expenses	2,823	1,733
Depreciation and amortization	44	30
Other expenses	1,417	949
	4,284	**2,712**

35. Research and Development Expenses

Research and development expenses include the following items:

	2011 EUR thousand	2010 EUR thousand
Personnel expenses	5,427	4,999
Depreciation and amortization	166	144
Other expenses	898	873
	6,491	**6,016**

36. Other Operating Income

This item includes income from the sale of items forming part of the property, plant and equipment assets in the amount of EUR 64 thousand and income from the reversal of provisions in the amount of EUR 36 thousand.

37. Other Operating Expenses

This item includes acquisition-related expenses in the amount of EUR 40 thousand, incurred in connection with the acquisition of USU Consulting GmbH. Expenses as a result of exchange rate differences in the amount of EUR 106 thousand and prior-period expenses totaling EUR 17 thousand (2010: EUR 7 thousand) are also recognized here.

38. Interest Income

Financial income includes the following items:

	2011 EUR thousand	2010 EUR thousand
Interest income	164	110
Interest in accordance with Section 233a of the German Tax Code (AO)	0	119
Return on plan assets (interest income)	60	48
Gain from the disposal of securities	0	49
Other	60	15
Interest income	**284**	**341**

39. Financial Expenses

Financial expenses includes the following items:

	2011 EUR thousand	2010 EUR thousand
Discounting of purchase price obligation for Aspera GmbH	271	116
Interest cost of pension obligation	98	90
Interest in accordance with Section 233a of the German Tax Code (AO)	0	2
Other	52	5
Financial expenses	**421**	**213**

40. Income Taxes

Income taxes are composed as follows:

	2011 EUR thousand	2010 EUR thousand
Income taxes for the fiscal year	-1,039	-610
Income taxes for previous years	5	-2
Deferred taxes	72	250
Tax expenditure	**-962**	**-362**

In the 2011 fiscal year, the Company's income was again subject to a corporate income tax rate of 15% plus a solidarity surcharge of 5.5% on corporate income tax and an effective trade tax rate of 12.08%. The total tax rate including solidarity surcharge and effective trade tax was 27.9%.

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

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

	2011 EUR thousand	2010 EUR thousand
Profit before income taxes	4,507	2,711
Theoretical tax expense (27.9%)	-1,257	-756
Changes in the theoretical tax expense due to:		
Offsetting of the valuation allowances on deferred taxes on loss carryforwards	588	713
Non-capitalized deferred taxes on loss carryforwards	-12	-125
Goodwill impairment	0	-132
Tax refunds / back payments for prior periods	0	-2
Non-deductible expenses	-207	-58
Differences between domestic and foreign tax rates	-74	-2
Tax expenditure	**-962**	**-362**

41. Other Disclosures on the Income Statement

The average number of employees in the fiscal year was:

	2011	2010
Consulting and Services	136	119
Research and Development	105	99
Administration and Finance	30	30
Sales and Marketing	38	45
	309	**293**

Personnel expenses can be broken down as follows:

	2011 EUR thousand	2010 EUR thousand
Salaries	19,680	15,886
Social security, pensions and other benefit costs	2,910	2,966
	22,590	**18,852**

Depreciation and amortization expense can be broken down as follows:

	2011 EUR thousand	2010 EUR thousand
Amortization of intangible assets	1,660	1,244
Depreciation of property, plant and equipment	396	315
Goodwill impairment	0	472
	2,056	**2,031**

F. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows how the cash and cash equivalents of the Group changed during the year under review as a result of cash inflows and outflows. The effects of acquisitions and other changes in the consolidated group are eliminated. When purchased subsidiaries are consolidated for the first time, only the actual cash flows are shown in the cash flow statement. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities. The cash and cash equivalents shown in the cash flow statement correspond to the balance sheet item Cash on hand and bank balances with the exception of fixed deposits with a term of less than three months (see note 45). Investments in securities are made more with a view to generating a profit than for liquidity purposes, and are therefore not included in cash and cash equivalents.

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

42. Net Cash from Operating Activities

The USU Group generated net cash from operating activities of EUR 9,429 thousand in the 2011 fiscal year.

43. Net Cash from Investing Activities

Net cash from investing activities totaled EUR -761 thousand in the 2011 reporting year after net cash used in investing activities of EUR 754 thousand in the previous year.

Investments in property, plant and equipment and intangible assets totaled EUR 766 thousand (2010: EUR 500 thousand) and primarily related to cash outflows for new and replacement investments in hardware and software.

44. Net Cash Used in Financing Activities

Net cash used in financing activities in the period under review relates to the dividend distribution to the shareholders of USU Software AG in July 2011 in the amount of EUR 2,105 thousand (EUR 0.20 per share for a total of 10,523,770 no-par value shares).

45. Cash and Cash Equivalents

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

	2011 EUR thousand	2010 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	9,455	5,895
Demand deposits	7,684	4,668
Cash on hand	6	9
	17,145	**10,572**

G. SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

in EUR thousand	Product Business		Service Business		Total of segments		not allocated		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Sales revenues	**31,194**	**26,484**	**14,364**	**11,518**	**45,558**	**38,002**	**39**	**21**	**45,597**	**38,023**
Earnings before net financial income and income tax (EBIT)	4,709	3,419	2,490	1,133	7,199	4,552	-2,555	-1,970	4,644	2,582
Interest income	0	0	0	0	0	0	284	341	284	341
Financial expenses	0	0	0	0	0	0	-421	-213	-421	-213
Income taxes	0	0	0	0	0	0	-962	-362	-962	-362
Net profit/loss	**4,709**	**3,419**	**2,490**	**1,133**	**7,199**	**4,552**	**-3,654**	**-2,204**	**3,545**	**2,348**
Segment assets / Group assets	35,231	39,417	5,363	5,055	40,594	44,472	29,456	22,412	70,050	66,884
of which goodwill	30,073	30,564	2,322	2,322	32,395	32,886	0	0	32,395	32,886
Segment liabilities / Group liabilities	9,640	7,716	1,925	1,025	11,565	8,741	8,577	9,658	20,142	18,399
Segment investments	515	358	179	77	694	435	73	64	767	499
Depreciation and amortization	1,926	1,438	107	107	2,033	1,545	23	14	2,056	1,559
Goodwill impairment	0	385	0	87	0	472	0	0	0	472
Employees as at balance sheet date (Dec. 31, 2010)	224	223	68	61	292	284	24	22	316	306

There were no inter-segment sales in the 2011 or 2010 fiscal years.

In the 2011 fiscal year, EUR 5,412 thousand (2010: EUR 3,426 thousand) or 11.9% (2010: 9.0%) of consolidated sales were generated outside Germany and EUR 40,184 thousand (2010: EUR 34,598 thousand) or 88.1% (2010: 91.0%) within Germany. The geographic allocation of sales is based on the country in which the respective customer is domiciled.

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

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

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

	2011 EUR thousand	2010 EUR thousand
Segment assets	**40,594**	**44,472**
Unallocated assets		
Cash on hand and bank balances	14,658	8,095
Deferred tax assets	1,843	2,027
Income tax receivables	130	176
Other assets	12,825	12,114
	29,456	**22,412**
Group assets	**70,050**	**66,884**

	2011 EUR thousand	2010 EUR thousand
Segment liabilities	**11,565**	**8,741**
Unallocated liabilities		
Pension provisions	482	415
Other liabilities	8,095	9,243
	8,577	**9,658**
Group liabilities	**20,142**	**18,399**

H. OTHER DISCLOSURES

46. Related Party Disclosures

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

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.3. In the 2011 fiscal year, the business relationships described below existed between members of the Management Board and the Supervisory Board and the entities included in the consolidated financial statements.

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

46.1 Udo Strehl / Udo Strehl Private Equity GmbH (USPEG)

USU AG was charged a total of EUR 30 thousand (2010: EUR 24 thousand) for cost reimbursements for sales activities performed by USPEG in the 2011 fiscal year. On the other hand, in 2011 USU AG invoiced USPEG for pro rata vehicle costs in the amount of EUR 4 thousand (2010: EUR 15 thousand).

46.2 Karin Weiler-Strehl

USU AG engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, via USPEG on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 43 thousand in the 2011 fiscal year (2010: EUR 37 thousand).

USU AG leased the Spitalhof administrative building in Möglingen from Ms. Karin Weiler-Strehl. On July 20, 2007, these two parties concluded a new rental agreement with a term to December 31, 2017. In line with this agreement, the total monthly rent amounts to EUR 20 thousand (2010: EUR 19,500) plus ancillary costs. The rental deposit in the amount of EUR 240 thousand had accrued interest of 4% p.a. since January 1, 2008 and was repaid in full on December 29, 2011. In the past fiscal year, for the rental of the administrative building and parking spaces USU AG was invoiced EUR 250 thousand (2010: EUR 245 thousand).

USU Software AG also leased an office in Münchinger Straße, Möglingen from Ms. Weiler-Strehl. In the past fiscal year, rent of EUR 10 thousand (2010: EUR 10 thousand) was paid for this office.

46.3 Loans to Shareholders

As at December 31, 2011, the Company no longer had a loan receivable from the Managing Director of Omega, who also holds a minority interest in USU Software AG. The loan was paid back in full (EUR 4 thousand).

46.4 Compensation of Senior Management and the Supervisory Board

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

Bernhard Oberschmidt (Chief Executive Officer)

Klaus Bader (Executive Vice President)

Gerald Lamatsch (Executive Vice President)

Sven Wilms (Executive Vice President)

The compensation paid to the members of the Management Boards totaled EUR 1,217 thousand in the 2011 fiscal year (2010: EUR 855 thousand).

Fixed compensation: EUR 569 thousand (2010: EUR 553 thousand)

Variable compensation: EUR 547 thousand (2010: EUR 209 thousand).

Non-cash benefit from private use of company cars: EUR 58 thousand (2010: EUR 51 thousand).

Defined contribution pension costs: EUR 43 thousand (2010: EUR 42 thousand).

In 2006, a member of the Management Board of USU AG was granted a loan of EUR 140 thousand. The loan has a term until March 31, 2016 and bears interest of 3.5% p.a. until December 31, 2010, after which 12-month EURIBOR is applied at the respective balance sheet date. Repayments are based on a certain percentage of the variable compensation earned. A total of EUR 32 thousand was repaid in the 2011 fiscal year. The loan was EUR 85 thousand as of December 31, 2011.

The total compensation paid to the Supervisory Board in the 2011 fiscal year was EUR 159 thousand (2010: EUR 135 thousand). The provisions on the compensation paid to the Supervisory Board are described in the Management Report on the Company and the Group in the chapter entitled 'Principles of the Compensation System'.

Information on the pension provision recognized for a member of the Supervisory Board and a former member of the Management Board in the amount of EUR 1,471 thousand before setting off against the coverage assets in the amount of EUR 1,261 thousand can be found in note 22.

47. Auditor's Fees

a) Audits of financial statements (separate and consolidated financial statements):

EUR 106 thousand (2010: EUR 108 thousand).

b) Other services:

EUR 10 thousand (2010: EUR 20 thousand).

48. Other Disclosures

48.1. Contingent Liabilities

There were no contingent liabilities to report as of December 31, 2010 and December 31, 2011.

48.2. Other Financial Obligations

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

	2011 EUR thousand	2010 EUR thousand
Operating lease obligations		
In the next 12 months	426	520
In the next 13 to 60 months	393	489
In more than 60 months	0	0
	819	**1,009**
Other financial obligations from building rentals		
In the next 12 months	917	891
In the next 13 to 60 months	1,600	1,499
In more than 60 months	323	568
	2,840	**2,958**
	3,659	**3,967**

Expenses for operating leases and rental agreements totaled EUR 1,366 thousand in the 2011 fiscal year (2010: EUR 1,366 thousand).

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

In the course of its ordinary operations, the Company can become involved in legal disputes, claims for damages, criminal investigations and court cases including product liability disputes and disputes under commercial law. The outcome of currently pending and/or future litigation cannot be predicted with sufficient certainty, meaning that future court decisions may result in expenses that are not fully covered by the insurance concluded and that could have a material adverse effect on the Company's business, financial position and operating results. According to the estimates of the Company and its legal counsel as of December 31, 2011 and December 31, 2010, no decisions that could have a material adverse effect on the net assets and results of operations of the Group are expected from the litigation that is currently pending.

The arbitration proceedings on the appropriateness of the cash compensation paid in conjunction with the squeeze-out of the minority shareholders of USU AG were concluded in 2011. Following the ruling of the Stuttgart District Court on October 18, 2010, the claims of the applicant shareholders themselves and the representatives acting on behalf of the non-applicant shareholders from 2004 were rejected. Two claimants lodged an immediate appeal against this ruling at the Stuttgart Higher Regional Court (OLG). The claimants withdrew their appeals on March 31, 2011 and May 25, 2011, meaning that – by virtue of the ruling of the Stuttgart Higher Regional Court of May 26, 2011 – the ruling of the Stuttgart District Court of October 18, 2010 became final.

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

50. Executive Bodies

50.1. Management Board

In the 2011 fiscal year, the Management Board of the parent company consisted of:

Bernhard Oberschmidt, Chairman of the Management Board Diplom-Ökonom

The total compensation paid to the active members of the Management Board in the past fiscal year was EUR 348 thousand. Details can be found in the chapter entitled “Principles of the Compensation System” in the Management Report on the Company and the Group.

50.2. Supervisory Board

In the 2011 fiscal year, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing Director of Udo Strehl Private Equity GmbH, Möglingen

Chairman of the Supervisory Board of USU AG, Möglingen

Günter Daiss, Vice Chairman
Managing Director of Uhlsport GmbH, Balingen

Vice Chairman of the Supervisory Board of USU AG, Möglingen
Member of the Administrative Board of Kreissparkasse Ludwigsburg, Ludwigsburg

Erwin Staudt,
Management Consultant, Leonberg

Member of the Supervisory Board of Grenke Leasing AG, Baden-Baden
Member of the Supervisory Board of Hahn Verwaltungs-GmbH, Fellbach

Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen

51. Financial Risk Management

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

51.1. Credit Risk

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

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

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

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

51.2. Liquidity Risk

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

The Company's financial liabilities are all current, i.e. due within one year. The purchase price obligation for the 100% acquisition of Aspera in the amount of EUR 6,648 thousand, i.e. for the intended acquisition of the remaining 49% stake in Aspera GmbH, half of which can be settled in USU Software AG shares according to the Company, is contingent upon existing option rights which can be exercised until December 31, 2012 and is also now due within one year.

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

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

As at December 31, 2011 and 31 December, 2010 the Group only held variable-interest bonds whose fair value is not subject to interest rate risk.

51.4. Interest Rate-Related Cash Flow Risk

At USU Software AG, changes in market interest rates primarily affect cash flows from money market funds. If the market interest rate as of December 31, 2011 had been 1% higher (lower), net profit and equity would each have been EUR 134 thousand (December 31, 2010: EUR 87 thousand) lower (higher).

51.5. Exchange Rate Risk

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

52. Additional Disclosures on Capital

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

As of December 31, 2011 and December 31, 2010, equity and total assets were as follows:

	2011 EUR thousand	2010 EUR thousand	Change %
Non-current liabilities	1,628	9,418	-82.7%
Current liabilities	18,514	8,981	106.1%
Provisions and liabilities	**20,142**	**18,399**	**9.5%**
Total shareholders' equity	**49,908**	**48,485**	**2.9%**
Total assets	**70,050**	**66,884**	**4.7%**
Equity ratio	71,2%	72,5%	

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

I. SECURITIES TRANSACTIONS BY MEMBERS OF THE EXECUTIVE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies. As of December 31, 2011, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows.

Shareholdings subject to mandatory disclosure	2011 shares	2011 shares
Management Board		
Bernhard Oberschmidt	18,696	18,696
Supervisory Board		
Udo Strehl *)	1,989,319	1,989,319
Erwin Staudt	100,000	100,000
Günter Daiss	85,500	85,500

**) An additional 3,487,868 voting rights in USU Software AG (2010: 3,773,868) are allocated to Mr. Udo Strehl via Udo Strehl Private Equity GmbH as the majority shareholder of that company pursuant to Sec. 22(1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).*
A further 32,000 voting rights (2010: 32,000) in USU Software AG are allocated to Udo Strehl via the 'Wissen ist Zukunft' foundation in his capacity as Managing Director of that foundation pursuant to Sec. 22(1) Sentence 1 No. 1 WpHG.

On March 8, 2011, Udo Strehl Private Equity GmbH (USPEG), whose majority shareholder is Udo Strehl, Chairman of the Supervisory Board of USU Software AG, sold a total of 300,000 shares in USU Software AG to several institutional investors off the board.

On August 5, 2011, USPEG acquired 6,482 shares in USU.
On August 8, 2011, USPEG acquired 3,518 shares in USU.
On October 3, 2011, USPEG acquired 2,499 shares in USU.
On October 4, 2011, USPEG acquired 710 shares in USU.
On November 18, 2011, USPEG acquired a further 791 shares in USU.
All of USPEG's purchases were concluded via the Stuttgart stock exchange.

The Chairman of the Supervisory Board, Udo Strehl, notified USU Software AG of these securities transactions. In turn, the company published notification of these transactions on its homepage.

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

J. Dividend Payment

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

K. Declaration of Conformity

On December 1, 2011, the Management Board and the Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu-software.de. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group to these consolidated financial statements.

Möglingen, March 7, 2012

USU Software AG

Bernhard Oberschmidt

Chairman of the Management Board

USU Software AG, Möglingen

Annex A to the Notes to the Consolidated Financial Statements

Development of the Consolidated Fixed Assets in 2011

	Cost convention					Accumulated depreciation					Carrying amounts	
	Jan. 1, 2011 EUR thousand	Company acquisition EUR (thousand)	Additions EUR (thousand)	Disposals EUR (thousand)	Dec. 31, 2011 EUR (thousand)	Jan. 1, 2011 EUR (thousand)	Additions EUR (thousand)	Disposals EUR (thousand)	Currency EUR (thousand)	Dec. 31, 2011 EUR (thousand)	Dec. 31, 2011 EUR (thousand)	Jan. 1, 2011 EUR (thousand)
Intangible assets												
Purchased software / orders on hand	5,407	0	208	1	5,614	3,818	775	0	0	4,593	1,021	1,589
Trademarks and brands	2,532	0	0	0	2,532	521	0	0	0	521	2,011	2,011
Maintenance contracts	3,008	0	0	0	3,008	1,535	442	0	0	1,977	1,031	1,473
Customer base	4,421	0	0	0	4,421	1,259	443	0	0	1,702	2,719	3,162
	15,368	**0**	**208**	**1**	**15,575**	**7,133**	**1,660**	**0**	**0**	**8,793**	**6,782**	**8,235**
Goodwill	**55,003**	**0**	**0**	**490**	**54,513**	**22,118**	**0**	**0**	**0**	**22,118**	**32,395**	**32,885**
Property, plant and equipment												
Land and buildings	171	0	13	1	183	103	10	0	0	113	70	68
Other equipment, operating and office equipment	2,168	33	545	262	2,484	1,358	386	199	2	1,547	937	810
	2,339	**33**	**558**	**263**	**2,667**	**1,461**	**396**	**199**	**2**	**1,660**	**1,007**	**878**

USU SOFTWARE AG

USU Software AG, Möglingen

Annex B to the Notes to the Consolidated Financial Statements

Development of the Consolidated Fixed Assets in 2010

	Cost convention					Accumulated depreciation					Carrying amounts	
	Jan. 1, 2010 EUR thousand	Company acquisition EUR thousand	Additions EUR thousand	Disposals EUR thousand	Dec. 31, 2010 EUR thousand	Jan. 1, 2010 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Currency EUR thousand	Dec. 31, 2010 EUR thousand	Dec. 31, 2010 EUR thousand	Jan. 1, 2010 EUR thousand
Intangible assets												
Purchased software / orders on hand	3,996	1,355	56	0	5,407	3,277	541	0	0	3,818	1,589	719
Trademarks and brands	1,880	652	0	0	2,532	521	0	0	0	521	2,011	1,359
Maintenance contracts	1,933	1,075	0	0	3,008	1,183	352	0	0	1,535	1,473	750
Customer base	2,595	1,826	0	0	4,421	908	351	0	0	1,259	3,162	1,687
	10,404	**4,908**	**56**	**0**	**15,368**	**5,889**	**1,244**	**0**	**0**	**7,133**	**8,235**	**4,515**
Goodwill	**47,756**	**7,247**	**0**	**0**	**55,003**	**21,646**	**472**	**0**	**0**	**22,118**	**32,885**	**26,110**
Property, plant and equipment												
Land and buildings	171	0	0	0	171	93	10	0	0	103	68	78
Other equipment, operating and office equipment	1,653	138	443	66	2,168	1,123	305	62	-8	1,358	810	530
	1,824	**138**	**443**	**66**	**2,339**	**1,216**	**315**	**62**	**-8**	**1,461**	**878**	**608**

AUDITOR'S REPORT

Auditor's Report

We audited the consolidated financial statements prepared by USU Software AG, Möglingen, comprising the balance sheet, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report for the 2011 fiscal year. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315a (1) HGB are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

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

Our audit did not lead to any reservations.

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

Stuttgart, March 7, 2012

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

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Schupeck	Link
German Public Auditor	German Public Auditor

Separate Financial Statements 2011

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USU Software AG, Möglingen

Balance Sheet as of December 31, 2011

ASSETS

	Notes	Dec. 31, 2011 EUR thousand	Dec. 31, 2010 EUR thousand
A. FIXED ASSETS			
Financial assets	(1)		
1. Shareholdings in associated companies		26,336	25,791
2. Loans to associated companies		125	0
		26,461	**25,791**
B. CURRENT ASSETS			
I. Receivables and other assets	(2)		
1. Receivables from associated companies		2,813	2,867
2. Other assets		64	107
		2,877	**2,974**
II. Cash on hand and bank balances		715	209
		3,592	**3,270**
		30,053	**29,061**

USU Software AG, Möglingen

Balance Sheet as of December 31, 2011

LIABILITIES AND SHAREHOLDERS' EQUITY

		Notes	Dec. 31, 2011 EUR thousand	Dec. 31, 2010 EUR thousand
A,	**SHAREHOLDERS EQUITY**			
I,	**Subscribed capital**	(3)	**10,524**	**10,524**
II,	**Capital Reserve**	(6)	13,645	13,645
III,	**Unappropriated surplus**		2,333	2,361
			26,502	**26,530**
B,	**PROVISIONS**			
	Other Provisions	(7)	507	335
			507	**335**
C,	**LIABILITIES**	(8)		
	1. Trade payables		24	34
	2. Liabilities to affiliated companies		2,423	1,367
	3. Other liabilities		597	795
			3,044	**2,196**
			30,053	**29,061**

USU Software AG, Möglingen
Income Statement for the 2011 Fiscal Year

	Notes	2011 EUR thousand	2011 EUR thousand	2010 EUR thousand	2010 EUR thousand
1. Other operating income	(11)		528		863
2. Personnel expenses					
a) Wages and salaries		-582		-355	
b) Social security, pensions and other benefit costs (of which for pensions: EUR 13,000; previous year: EUR 12,000)		-47	-629	-48	-403
3. Other operating expenses	(12)		-815		-969
4. Income from participations (of which from associated companies: EUR 982,000; previous year: TEUR 0)		982		0	
5. Expenses assumed on behalf of a subsidiary	(13)	-80		-69	
6. Income from profit transfer agreements	(13)	2,146		2,083	
7. Other interest and similar income (of which from associated companies: TEUR 0; previous year: TEUR 0).		14		117	
8. Impairment of financial assets		0		-900	
9. Interest expenses and similar charges (of which to associated companies: TEUR 55; previous year: TEUR 17).		-55	3,007	-18	1,213
10. Result from ordinary operations			**2,091**		**704**
11. Income taxes			-15		-47
12. Net profit			**2,076**		**657**
13. Profit carryforwards from the previous year			257		1,704
14. Unappropriated Surplus			**2,333**		**2,361**

USU SOFTWARE AG, MÖGLINGEN

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE 2011 FISCAL YEAR

A. General Information

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

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

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

B. General Accounting Policies

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

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

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

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

Liabilities are carried at their settlement amount.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with Section 274 HGB. Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting and taking into account the existing tax loss carryforwards. The Company has not exercised the option of utilizing deferred tax assets (Section 274 (1) sentence 2 HGB). Deferred tax assets are measured using the company's own tax rate (as at December 31, 2010: approximately 29%).

As at the balance sheet date, subject to examination by the tax office, the Company has corporate tax loss carryforwards in the amount of EUR 30,018 thousand and business tax loss carryforwards amounting to EUR 29,997 thousand.

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

	Dec. 31, 2011	
	Deferred tax assets	Deferred tax liabilities
Balance sheet item	Taxes	Taxes
Financial assets		x
Measurement of pension provisions	x	
Measurement of other provisions	x	
Tax loss carryforwards	x	

C. Notes to the Balance Sheet

1. Fixed Assets

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

Disclosures on Participations

USU Software AG has participations in the following companies:

	Participation Dec. 31, 2011 in %	Total shareholders' equity Dec. 31, 2011 in EUR thousand	Net profit/loss 2011 in EUR thousand
USU AG, Möglingen	100.0	10,801	1,851
LeuTek GmbH, Leinfelden-Echterdingen 1)	100.0	1,380	2,146
Omega Software GmbH, Obersulm 1)	100.0	970	-80
Openshop Internet Software GmbH, Ludwigsburg	100.0	-773	0
USU Consulting GmbH, Sursee, Switzerland2)	70.0	7	-78
Aspera GmbH, Aachen	51.0	1,603	2,041

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

2) *On July 29, 2011, USU Software AG acquired a 70% stake in get IT Service GmbH, Sursee, Switzerland. The company has now been renamed USU Consulting GmbH.*

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

	Participation Dec. 31, 2011 in %	Total shareholders' equity Dec. 31, 2011 in EUR thousand	Net profit/loss 2011 in EUR thousand
USU Software s. r. o., Brno, Czech Republic	100.0	379	91
USU (Schweiz) AG, Zug, Switzerland	100.0	31	103
USU Austria GmbH, Vienna, Austria	100.0	-872	-52

USU AG had an interest in Gentner GmbH ProCOMMUNICATIONi. L., Möglingen, Germany in the 2011 fiscal year. The removal was entered in the commercial register on December 19, 2011.

2. Receivables and Other Assets

Other assets relate exclusively to recoverable taxes with terms of less than one year.

3. Subscribed Capital

The subscribed capital of the Company is divided into 10.523,770 (2010: 10,523,770) no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

4. Authorized Capital

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

5. Contingent Capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may only be used for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of associated companies. There were no outstanding options as of December 31, 2011.

6. Capital Reserve

This balance sheet item remained unchanged against the previous year and was EUR 13,645 thousand on December 31, 2011.

7. Other Provisions

Other provisions include the cost of obligations under company law in the amount of EUR 205 thousand and personnel-related obligations totaling EUR 163 thousand.

8. Liabilities

All of the liabilities reported in the balance sheet are due within one year. Other liabilities include tax liabilities of EUR 597 thousand (2010: EUR 694 thousand).

9. Contingent Liabilities

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

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

Furthermore, USU Software AG has provided letters of comfort for Openshop Internet Software GmbH, Ludwigsburg (an associated company). Under the terms of those letters of comfort, USU Software AG, Möglingen, undertook to manage this subsidiary in the 2011 and 2012 fiscal years and to provide it with the necessary financial resources to fulfill its obligations. USU Software AG also subordinated all of its receivables from Openshop Internet Software GmbH in the amount of EUR 785 thousand.

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

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

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

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

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

D. Notes to the Income Statement

11. Other Operating Income

Other operating income primarily relates to income from the settlement of intragroup services in the amount of EUR 468 thousand.

12. Other Operating Expenses

Other operating expenses include costs incurred under company law and expenses for services received from USU AG in the amount of EUR 187 thousand.

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

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

Accordingly, the profit generated by LeuTek GmbH in the 2011 fiscal year was transferred to USU Software AG in line with the profit transfer agreement concluded. The loss reported by Omega Software GmbH in the separate financial statements was paid by USU Software AG.

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

E. Other Disclosures

14. Supervisory Board

In the 2011 fiscal year, the Supervisory Board consisted of:

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

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

Erwin Staudt,
Management Consultant, Leonberg
Member of the Supervisory Board of Grenke Leasing AG, Baden-Baden
Member of the Supervisory Board of Hahn Verwaltungs-GmbH, Fellbach
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Supervisory Board of USU AG, Möglingen

Total Compensation of the Supervisory Board
The compensation paid to the Supervisory Board contains a fixed and a variable component. In the 2011 fiscal year, the fixed component amounted to EUR 85 thousand (2010: EUR 85 thousand), and the variable component to EUR 51 thousand (2010: EUR 26 thousand).

15. Management Board

Bernhard Oberschmidt, Pfedelbach

Total Compensation of the Management Board
The total compensation paid to the Management Board in the 2011 fiscal year was EUR 348 thousand (2010: EUR 260 thousand). Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2011 fiscal year.

16. Auditor's Fees

Financial statements (separate and consolidated financial statements):	EUR 60,000
Other services:	EUR 10,000

17. Employees

During the 2011 fiscal year, an average of 3 (2010: 2) people were employed by the Company.

18. Group Affiliations

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

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

On December 1, 2011, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and made it permanently available to shareholders on USU Software AG's website at www.usu-software.de. Further information on the declaration of conformity can be found in the Combined Management Report on the Company and the Group, which is part of these separate financial statements.

20. Appropriation of Net Profit

The Management Board proposes using the unappropriated surplus as of December 31, 2011 in the amount of EUR 2,333 thousand as follows:

- to pay a dividend of EUR 0.20 per share for 10,523,770 shares, amounting to a total of EUR 2,105 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 228 thousand to new account.

Möglingen, March 7, 2012

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Annex to the Separate Financial Statements

USU Software AG, Möglingen

Development of the Fixed Assets in 2011

	Cost convention				Accumulated depreciation				Carrying amounts	
	Jan. 1, 2011 EUR thousand	Additions EUR thousand	Disposals EUR thousand	Dec. 31, 2011 EUR thousand	Jan. 1, 2011 EUR thousand	Additions EUR thousand	Dis-posals EUR thousand	Dec. 31, 2011 EUR thousand	Dec. 31, 2011 EUR thousand	Dec. 31, 2010 EUR thousand
Financial assets										
Shareholdings in associated companies	26,951	545	0	27,496	1,160	0	0	1,160	26,336	25,791
Loans to associated companies	0	125	0	125	0	0	0	0	125	0
Participations	200	0	0	200	200	0	0	200	0	0
	27,151	**670**	**0**	**27,821**	**1,360**	**0**	**0**	**1,360**	**26,461**	**25,791**

AUDITOR'S REPORT

We audited the separate financial statements prepared by USU Software AG, Möglingen, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the combined management report for the fiscal year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the separate financial statements and the combined management report in accordance with the German Commercial Code (HGB) and the supplementary requirements of the Articles of Association are the responsibility of the Company's legal representatives, Our responsibility is to express an opinion on the separate financial statements, together with the bookkeeping system, and the combined management report based on our audit

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

Our audit did not lead to any reservations, In our opinion, based on the findings of our audit, the separate financial statements are consistent with the statutory provisions and the supplementary requirements of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting, The combined management report is consistent with the separate financial statements and, as a whole, provides an accurate view of the position of the Company and the Group and suitably presents the opportunities and risks of future development,

Stuttgart, March 7, 2012

Prof, Dr, Binder, Dr, Dr, Hillebrecht & Partner GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Schupeck	Link
German Public Auditor	German Public Auditor

RESPONSIBILITY STATEMENT

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

Möglingen, March 7, 2012

USU Software AG

Bernhard Oberschmidt

Chairman of the Management Board

FINANCIAL CALENDAR, 2011

March 29, 2012	Publication of the consolidated financial statements for 2011
April 26, 2012	Analysts and Investors Conference as part of the HIK – Hamburg Investment Conference
May 16, 2012	Publication of the three-monthly report 2012
July 18, 2012	Annual General Meeting Ludwigsburg
August 16, 2012	Publication of the six-monthly report 2012
November 9, 2012	Publication of the nine-monthly report 2012
November 12-14, 2012	Analysts and Investors Conference as part of the German Equity Forum 2012, Frankfurt am Main

**These are preliminary dates for the 2012 fiscal year,*
Any changes will be published on the Company's website at www,usu-software,de,

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