ANNUAL REPORT 2009

USU SOFTWARE AG

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ANNUAL REPORT 2009

CORPORATE GOVERNANCE REPORT 2009

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 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 2009.

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 9, 2009:

“The Management Board and Supervisory Board of USU Software AG declare that, since the last submission of the declaration of conformity on December 9, 2008, the recommendations of the Government Commission for the German Corporate Governance Code in the version dated June 6, 2008 and, since it came into force, in the version dated June 18, 2009 have been and will continue to be complied with; however, the following recommendations have not been and will not be applied:

In accordance with figure 2.3.2 of the Code, the Company shall send notification of the convening of the Annual General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders, and shareholders' associations by electronic means if the approval requirements are fulfilled.
USU Software AG sends the notification of convening the Annual General Meeting to domestic and foreign financial service providers, shareholders and shareholders' associations together with the convening documents in printed form on request. In addition, the notification together with the documents mentioned above are published on the Company's website. If a domestic or foreign financial service provider, shareholder or shareholders' association also requests the electronic transfer of the notification of convening the Annual General Meeting and the convening documents, the Company will send the documents in this form insofar as this is as possible and providing that the approval requirements are fulfilled. This is considered to serve the interests of the shareholders of USU Software AG to a sufficient extent.

In accordance with figure 3.8 of the Code, if the Company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the respective Management Board member must be agreed. A similar deductible must be agreed in any D&O policy for the Supervisory Board.
USU Software AG had already taken out D&O insurance prior to the Code coming into force; this did not provide for any deductible. This contractual form, which was common practice when the D&O insurance was taken out, is currently being adjusted to reflect the new requirements. In accordance with the statutory provisions and the provisions of the German Corporate Governance Code, a corresponding deductible for the 2010 fiscal year will be introduced for the Management Board with effect from July 1, 2010. The introduction of a deductible for the Supervisory Board is also planned for the future.

Figure 4.2.1 of the Code states that the Management Board shall comprise several persons.
The Management Board of USU Software AG comprised and continues to comprise one person who simultaneously acts as the Chairman of the Management Board. This structure reflects the fact that USU Software AG primarily focuses on acquiring and holding participations in other companies. An operational management team also serves as the Management Board or management of the Group subsidiaries.

In accordance with figure 5.1.2 of the Code, the composition of the Management Board shall respect diversity and an age limit for members of the Management Board shall be specified.
The Management Board of USU Software AG comprised and continues to comprise one person who simultaneously acts as the Chairman of the Management Board. USU Software AG has not and does not intend to implement a specified age limit for Management Board members, as the Company does not wish to exclude the potential of older, more experienced and high-profile persons in such a manner when making appointments to the Management Board.

In accordance with figures 5.3.1, 5.3.2 and 5.3.3 of the Code, the Supervisory Board shall form committees, e.g. an Audit Committee and a Nomination Committee.
As the Supervisory Board of USU Software AG comprises three members, there was and remains no intention to set up committees. Independently of this, the Supervisory Board of the Company jointly performs the tasks of these committees.

In accordance with figure 5.4.1 of the Code, an age limit for Supervisory Board members shall be specified for proposed appointments to the Supervisory Board.
USU Software AG has not and does not intend to implement a specified age limit for Supervisory Board members, as the Company does not wish to exclude the potential of older, more experienced and high-profile persons in such a manner when making appointments to the Supervisory Board. Furthermore, the Company believes that an age limit would inappropriately restrict the voting rights of shareholders at the Annual General Meeting.

In accordance with figure 5.4.6 of the Code, members of the Supervisory Board shall receive separate compensation for assuming the office of Chairman or Deputy Chairman of the Supervisory Board or for membership of a Supervisory Board committee.
The compensation for assuming the office of Deputy Chairman of the Supervisory Board and for membership or chairmanship of a Supervisory Board committee is not provided. The Company does not see the assumption of the office of Deputy Chairman of the Supervisory Board as providing an increased incentive, as the members of the Supervisory Board of USU Software AG act in the Company's interests to a large extent and with a high level of commitment irrespective of this. As the Supervisory Board consists of three experienced members who jointly perform the prescribed tasks, Supervisory Board committees have not been set up and will not be set up in future, meaning that the corresponding compensation is not relevant.

In accordance with figure 7.1.2 of the Code, interim reports shall be publicly accessible within 45 days after the end of the reporting period.
USU Software AG has published and will continue to publish interim reports in accordance with the relevant stock exchange rules and regulations immediately after they are completed, and at the very latest within two months of the end of the reporting period. In the opinion of USU Software AG, adherence to the statutory publication periods serves to fulfill the information requirements of the Company's shareholders to a sufficient extent, particularly since the statutory duties of publication are observed and adhered to in full."

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 shown in the following table totaling EUR 211.0 thousand (2008: EUR 213.7 thousand) 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 subsidiary Openshop Internet Software GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board				*in EUR thousand*
	Fixed compensation	Contribution to social security and pension	Non-cash benefit from private use of company car	Variable compensation
2009	132.0	19.4	20.1	39.5 [1)]
2008	132.0	19.4	16.8	45.5 [2)]

[1)] of which for the previous year: EUR 9.5 thousand

[2)] of which for the previous year: EUR 12.0 thousand

Table: Individual Management Board compensation of 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 was adopted by the Annual General Meeting of the Company on July 12, 2007. In accordance with the relevant provisions, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand in addition to the reimbursement of expenses for every full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. The members of the Supervisory Board also receive additional annual variable compensation based on the IFRS result from ordinary operations (EBIT) compared with sales as reported in the Company's consolidated income statement for the past fiscal year. Starting from an EBIT share of 5% of sales, the members receive additional annual variable compensation of a 10% premium on the fixed component per full percentage point of the EBIT share of sales up to a maximum of 200%. In the 2009 fiscal year, EBIT amounted to 4.3% of sales (2008: 4.0%), meaning that the Supervisory Board of USU Software AG received no variable compensation.

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.

In the 2009 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 107.5 thousand (2008: EUR 107.5 thousand).

Individual compensation of the Supervisory Board for the 2009 fiscal year *in EUR thousand*			
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	0.0	10.0
Günter Daiss	12.5	0.0	7.5
Erwin Staudt	12.5	0.0	5.0

Table: Individualized Supervisory Board compensation 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, 2009, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows.

Shareholdings subject to mandatory disclosure	2009 No. of shares	2008 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 3,773,868 voting rights in USU Software AG (2008: 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 (2008: 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, 2009, USU Software AG does not operate any share-based incentive systems.

Treasury shares

On May 14, 2009, the Company published a notification in accordance with section 26 (1) sentence 2 WpHG stating that the number of treasury shares of USU Software AG held by the Company fell below the threshold of 3% on May 13 due to the withdrawal of all treasury shares held and therefore amounted to 0% on this date. Accordingly, USU Software AG no longer holds any treasury shares as of December 31, 2009.

Report of the Supervisory Board of USU Software AG

Dear shareholders,

2009 as a whole was dominated by the global recession and the resulting negative economic environment. Nevertheless, USU Software AG and its subsidiaries succeeded in meeting their targets for 2009 in full, recording a slight increase in Group sales and a substantial improvement in earnings. At the same time, the Company invested in the further expansion of its global presence and the new and further development of Group products in a targeted manner in order to ensure successful business development in future. The Company's shareholders will again participate in the success of USU Software AG to a significant extent this year. In order to reinforce the continuity of USU Software AG's dividend policy, the Supervisory Board has approved the Management Board's proposal for the appropriation of net profit for the 2009 fiscal year and will propose to the Annual General Meeting on July 15, 2010 the distribution of a dividend of EUR 0.15 per dividend-bearing share as in the previous year.

Performance of Supervisory Board duties

During the 2009 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. In accordance with section 90 (1) and (2) of the German Stock Corporation Act (AktG), the Management Board regularly informed the Supervisory Board of the development and position of USU Software AG and the Group, corporate planning, risk management and all key business transactions and projects in both written and oral form. 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.

The Supervisory Board was directly involved in all decisions of major importance to the Company. Furthermore, the Supervisory Board was extensively informed in advance of, carefully examined and unanimously approved all legal transactions requiring approval and transactions of significant importance to the profitability or liquidity of the Company. At no point during the fiscal year did the Supervisory Board consider it necessary to perform inspection or audit measures in accordance with section 111 (2) sentences 1 and 2 AktG.

Since the Supervisory Board comprises three members, no committees were set up in the 2009 fiscal year; this was also the case in the previous year.

There were no changes in the composition of the Supervisory Board or the Management Board of USU Software AG in the 2009 fiscal year.

Meetings of the Supervisory Board and main points of discussion

The Supervisory Board of USU Software AG held a total of seven meetings in the 2009 fiscal year. All Supervisory Board members personally attended all meetings of the Supervisory Board. The regular focus of the reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Chairman of the Management Board and which were also attended by the divisional managers of the subsidiaries as necessary, involved the business development, the net assets, financial position and 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 as a whole. In this context, the Supervisory Board was informed about the course of business in the Product Business and Service Business segments and discussed the impact of the macroeconomic situation on USU Software AG and its subsidiaries with the Management Board. Each Supervisory Board meeting also intensively addressed the risk management of USU Software AG and the Group as a whole, prevailing risks and the analysis and controlling of important or risky projects. The Management Board also gave details of the continued corporate planning for USU Software AG and the Group, and presented the key aspects of financial, investment and human resources planning. The development of the Company's share price and the 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 9, 2009, the auditor reported on the key findings of its audit, the single-entity and consolidated financial statements were approved following a discussion with the Management Board of the Company and the auditor, and the annual financial statements were adopted. The meeting also discussed the forthcoming withdrawal of treasury shares, which had already been resolved.

The meeting on April 28, 2009, focused on the business development of USU Software AG and the Group as a whole, as well as the outlook for the subsequent quarters. This meeting also discussed and agreed on the agenda items for the 2009 Annual General Meeting of the Company.

Following the Annual General Meeting, the Supervisory Board met with the Management Board of the Company and the divisional managers of the subsidiaries on June 25, 2009 and was informed about operational business development, major customer projects and the current status of the progress made in the area of internationalization. In this context, a further Supervisory Board meeting was held on July 14, 2009 with the participation of the Management Board of USU Software AG and the Group subsidiary USU AG at which the Management Board provided a detailed report on the expansion of partner management and the global presence as well as the further strategy with regard to the internationalization of the USU Group.

In addition to a current status report on the business development of USU Software AG and the Group as a whole in light of the unstable macroeconomic environment, the Supervisory Board meeting on September 30, 2009 focused on the strategic planning of the Service Business segment and the planned structure of the organic and acquisition-based portfolio.

The meeting on December 4, 2009, which was attended solely by the members of the Supervisory Board, discussed the compensation of the Management Board for the 2010 fiscal year and the reorganization of the rules of procedure for the Management Board and the Supervisory Board of USU Software AG.

The two-day meeting of the Supervisory Board on December 8 and 9, 2009 primarily focused on the business development of USU Software AG and the Group as a whole in 2009 and planning for the 2010 fiscal year. The Chairman of the Management Board and the managers of the subsidiaries presented the current status for 2009 and the key economic and operational targets for the following year. 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 during this final meeting of 2009 with a positive outcome.

Corporate governance and declaration of conformity

The responsible management and control of USU Software AG and the Group with the aim of sustained value creation are the focus of the activities of the Management Board and the Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On December 9, 2009, the Supervisory Board discussed the aspects of the German Corporate Governance Code with the Management Board. 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 other information relating to corporate governance at USU Software AG can be found in the previous chapter of this annual report, "Corporate Governance Report 2009".

Audit of the single-entity and consolidated financial statements

In accordance with a corresponding resolution by the Annual General Meeting, the Supervisory Board appointed Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungs-gesellschaft, Steuerberatungsgesellschaft, Stuttgart, as auditors and simultaneously approved the focus of the audit for the 2009 fiscal year. In accordance with figure 7.2.1 of the German

Corporate Governance Code, the Supervisory Board obtained in advance a statement from the auditors confirming that no business, financial, personal or other relationships existed between the auditors, its executive bodies and head auditors on the one hand and the Company and the members of its executive bodies on the other.

Prof. Dr. Binder, Dr. Dr. Hillebrecht & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft audited the 2009 annual financial statements prepared in accordance with the German Commercial Code (HGB), the 2009 consolidated financial statements in accordance with IFRS and the Management Report on the Company and the Group for the fiscal year from January 1, 2009 to December 31, 2009 and issued each with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned year-end closing documents, including the Management Board's proposal on the appropriation of net profit, for examination in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 8, 2010. 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 single-entity and consolidated financial statements. 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, 2009 in accordance with HGB in the amount of EUR 3,208 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.15 per share for 10,021,054 shares, amounting to a total of EUR 1,503 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 1,705 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 Management Report on the Company and the Group for the 2009 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, 2009 to December 31, 2009 (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. 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

Following the successful completion of the 2009 fiscal year, which was dominated by the global recession, I would like to take this opportunity to thank all of the employees of USU Software AG and its subsidiaries in the name of the entire Supervisory Board for their consistently high level of commitment, their loyalty and their passionate effort on behalf of the Company. Whether in direct contact with the customer, working on new and further developments in our product and service range or providing administrative support to our operating units, your achievements have made an active contribution to the business success of the entire USU Group. I would also like to thank all of the managers of the subsidiaries for the committed and professional support they provided to the Management Board. My special thanks go to the Chairman of the Management Board of USU Software AG, Mr. Bernhard Oberschmidt, for his tireless hard work and the extremely positive cooperation we continue to enjoy in a spirit of mutual trust.

Möglingen, March 8, 2010

For the Supervisory Board

Udo Strehl
Chairman of the Supervisory Board of USU Software AG

Management Report on the Company and the Group

(Combined Management Report)

2009

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MANAGEMENT REPORT ON THE COMPANY AND THE GROUP FOR 2009

(COMBINED MANAGEMENT REPORT)

Summary

As the parent company of the Group, USU Software AG, Möglingen, Germany, directly or indirectly participates in the operating companies USU AG, Möglingen, Germany, LeuTek GmbH, Leinfelden-Echterdingen, Germany, Omega Software GmbH, Obersulm, Germany, USU Software s.r.o., Brno, Czech Republic, and USU (Schweiz) AG, Zug, Switzerland, as well as USU Austria GmbH, Vienna, Austria, which was newly formed in 2009. It also has shareholdings in Openshop Internet Software GmbH, Ludwigsburg, Germany, and Gentner GmbH ProCOMMUNICATION i.L., Möglingen, Germany, which are no longer operational.

In the 2009 fiscal year, USU Software AG recorded a moderate year-on-year increase in Group sales of 0.2% to EUR 34,048 thousand (2008: EUR 33,977 thousand). This meant that the Company met its stated target of achieving above-average sales growth in the relevant market segments despite the difficulties posed by the global recession.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 11.3% to EUR 2,546 thousand (2008: EUR 2,287 thousand). Although it made targeted investments in foreign and partner activities as part of its internationalization strategy and in the further development of Group products, USU achieved earnings growth that was significantly higher than the increase in sales, thereby fully meeting the targets of the USU Group as communicated in the previous year.

The recognition of deferred tax assets from tax loss carryforwards at USU AG accompanied by goodwill impairment at USU Software AG in the same amount meant that earnings before interest and taxes (EBIT) declined to EUR 453 thousand in the 2009 fiscal year (2008: EUR 966 thousand), while tax income amounted to EUR 772 thousand (2008: tax expense of EUR 181 thousand). These measures did not have a net impact on earnings after taxes.

In the 2009 fiscal year, the USU Group increased its net profit for the period after taxes by 19.5% to EUR 1,546 thousand (2008: EUR 1,294 thousand). Based on an average number of shares in circulation of 10,021,054 (2008: 10,185,235), USU's earnings per share rose from EUR 0.13 in the previous year to EUR 0.15 in the year under review.

In the interests of a shareholder-friendly dividend policy, the Management Board and Supervisory Board of USU Software AG will propose the payment of a dividend of EUR 0.15 per dividend-bearing share (2008: EUR 0.15) to the Company's Annual General Meeting on July 15, 2010, thereby allowing the shareholders of USU Software AG to participate in the Company's success as previously announced.

With total liquidity of EUR 10,888 thousand at the end of the 2009 fiscal year (2008: EUR 9,541 thousand), USU Software AG still has the solid financing it requires to make targeted investments even in difficult economic times and to purchase companies or interests in companies when potential acquisitions present themselves.

Overall economic development

In the 2009 fiscal year, the German economy was hit by the most severe recession since the formation of the Federal Republic after the Second World War. The intensification of the international economic and financial crisis meant that the global downturn accelerated dramatically, particularly in the first half of 2009. According to the German Federal Statistical Office (Destatis), the German economy saw a decline in real GDP of 6.7% and 5.8% in the first two quarters of 2009, although the situation stabilized as the year progressed. Across the year as a whole, GDP fell by 4.9% after price- and calendar-adjusted growth of 1.0% in 2008. According to Destatis, the main negative drivers in the year under review were capital expenditure and the significant decline in exports. The euro zone as a whole saw a similar picture, with 2009 dominated by a severe recession. According to the Statistical Office of the European Communities (Eurostat), euro zone economic performance declined by 5.0% and 4.8% in the first two quarters of 2009 alone, resulting in a fall of 4.0% for the year as a whole compared with GDP growth of 0.6% in 2008.

Industry performance

The recession affecting the economy as a whole led to lower market volumes in the German IT industry. According to studies carried out by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM), this was primarily attributable to the postponement of investments by companies in sectors that were particularly hard hit by the crisis. According to BITKOM, sales in the German IT industry fell by a total of 2.6% in 2009, compared with an increase of 3.4% in the previous year. Software companies in particular saw market volumes contract by 3.2% after 4.8% in 2008. Although providers of IT services were unable to repeat the positive performance recorded in the previous year, they generally enjoyed far more stable development with a downturn of only 0.2% (2008: growth of 5.4%).

The European Information Technology Observatory (EITO) expects to see a similar downturn in the euro zone IT market in 2009. According to EITO projections, the European market volume for information technology fell by 2.2% in the year under review compared with growth of just under 4% in 2008.

Business development

USU Software AG fully implemented its communicated targets in the 2009 fiscal year despite the severe global recession, targeted investments as part of its internationalization strategy and the expansion of its research and development activities.

While sales of software products and IT services declined significantly in Germany and the rest of Europe, USU met its sales target with moderate growth of 0.2%, with the USU Group gaining a number of new customer projects in its core German market and beyond. In Germany, companies such as Allianz, BHF Bank, congstar, Deutsche Telekom, Edeka and hansgrohe opted in favor of the Company's products and services. Meanwhile, the Global Sales unit that was newly formed in early 2009 generated orders from foreign customers such as RUAG Electronics, Swiss Life and BKW FMB Energie in Switzerland, Poste Italiane and Ferrovie dello stato in Italy, LIWEST Kabelmedien and Silhouette in Austria and Orange Business Services in Slovakia.

The USU Group also met its target of above-average earnings growth, with operating earnings before interest, taxes, depreciation and amortization (EBITDA) rising by 11.3%, significantly in excess of the increase in sales. As a result, the net profit for the period was almost 20% higher than in the previous year.

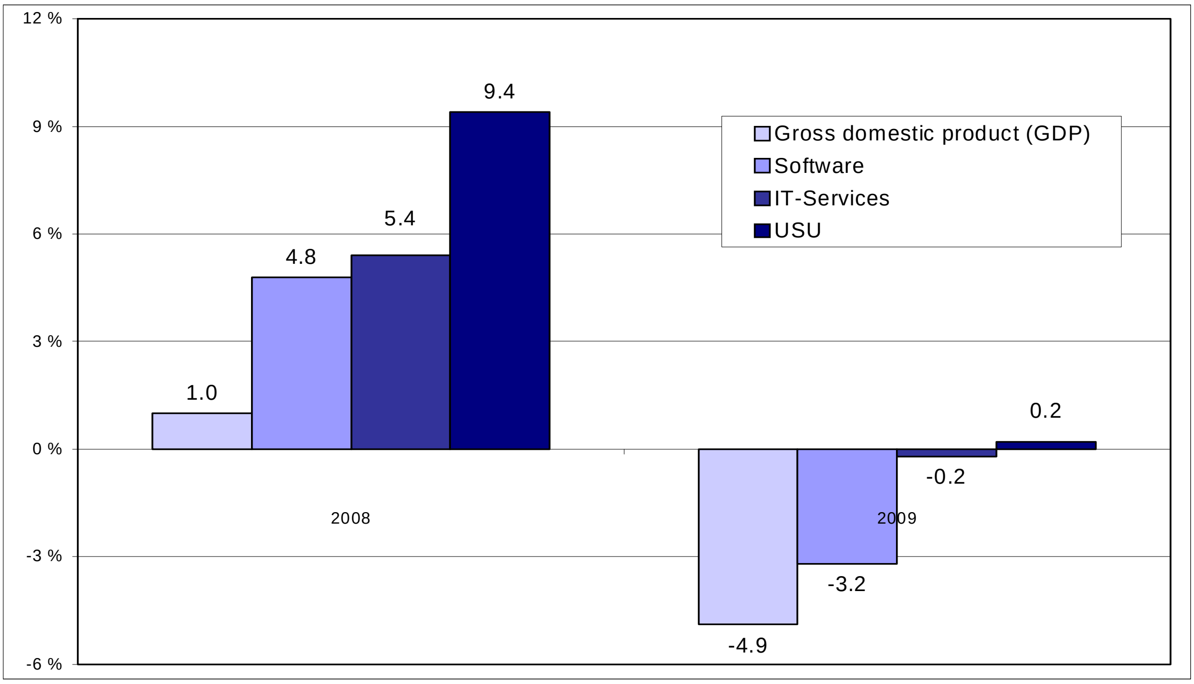
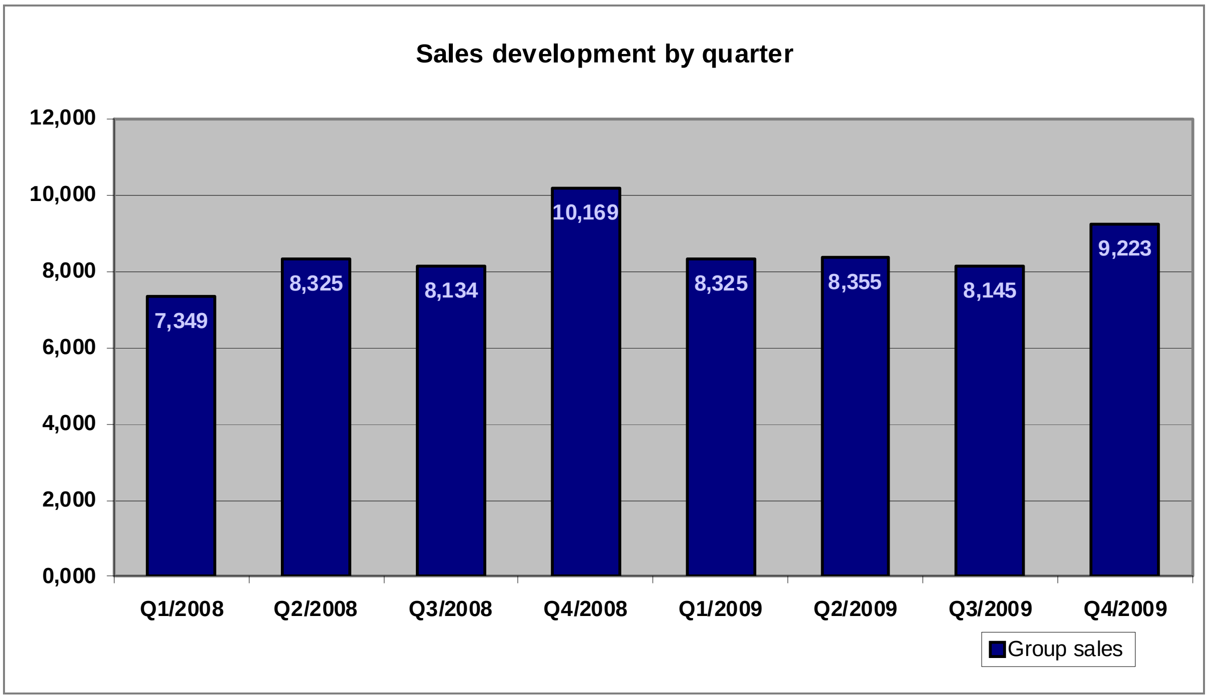


Diagram: Comparison of German economic and market growth with the sales growth of the USU Group in %

Development of sales and costs

Group sales

In the 2009 fiscal year, USU Software AG recorded a moderate year-on-year increase in Group sales of 0.2% to EUR 34,048 thousand (2008: EUR 33,977 thousand). The Company generated above-average growth in its maintenance business in the year under review thanks to the high level of orders and licenses concluded in the previous year, with sales increasing by 9.3% to EUR 7,198 thousand (2008: EUR 6,586 thousand). Accordingly, maintenance income as a proportion of total sales increased from 19.4% in the previous year to 21.1% in the year under review. Consulting business contributed a year-on-year increase in sales of 1.7% to EUR 20,096 thousand (2008: EUR 19,751 thousand), accounting for 59.0% of Group sales (2008: 58.1%). Following impressive performance in the previous year, the only area of the USU Group to feel the pinch of the recession to a moderate degree was the licenses business, where more frequent postponements of investments by interested parties led to a downturn in sales of software licenses of 6.9% to EUR 5,599 thousand in the year under review (2008: EUR 5,968 thousand). Accordingly, the share of Group sales attributable to licenses totaled 16.3% (2008: 17.6%). Other income amounted to EUR 1,195 thousand or 3.5% of total Group sales in the year under review (2008: EUR 1,671 thousand or 4.9%) and primarily related to the resale of certain third-party hardware and software.



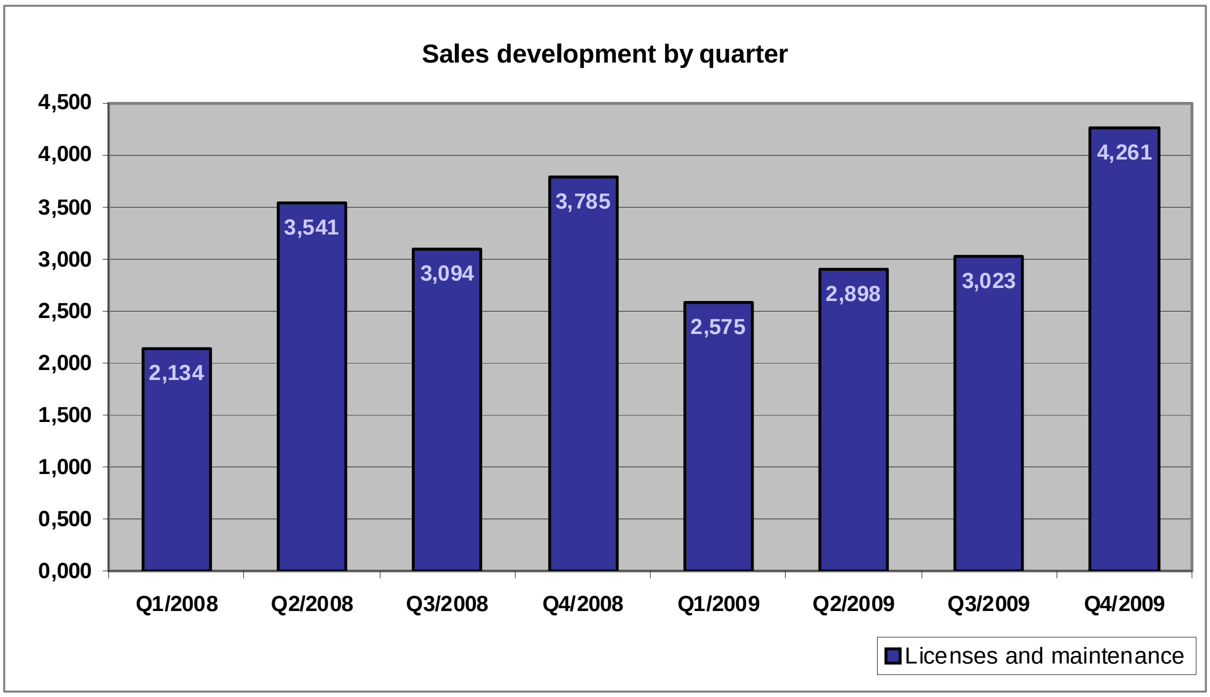


Diagram: IFRS sales development by quarter for the 2009 and 2008 fiscal years in EUR thousand

Sales by segment

The product range in the Product Business segment covers all activities relating to the USU product range in the markets for business service management solutions and knowledge management. The Service Business segment encompasses consulting services for IT projects as well as individual application development.

As a result of its positive consulting and maintenance business, the USU Group generated sales growth of 2.2% in the Product Business segment to EUR 22,815 thousand (2008: EUR 22,320 thousand). The share of Group sales generated by the Product Business segment increased from 65.7% in 2008 to 67.0% in the 2009 fiscal year. Consulting revenue in the Service Business segment totaled EUR 11,203 thousand in the same period (2008: EUR 11,621 thousand), down 3.6% on the previous year. Growth in this area was curbed by project postponements and rising price competition. Accordingly, the share of Group sales attributable to the Service Business segment declined to 32.9% (2008: 34.2%). Sales not allocated to the segments totaled EUR 30 thousand in the 2009 fiscal year (2008: EUR 35 thousand).

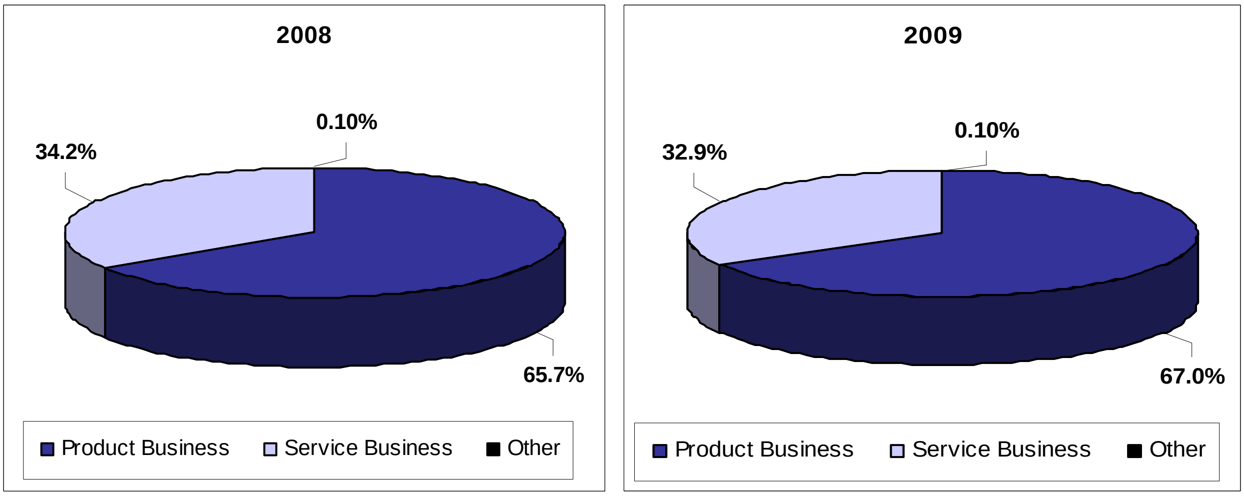


Diagram: IFRS sales development by segment for the 2009 and 2008 fiscal years in EUR thousand

The USU Group generated consolidated sales of EUR 2,846 thousand outside Germany in the period under review (2008: EUR 2,287 thousand), accounting for 8.4% (2008: 6.7%) of Group sales. USU is anticipating tangible success in this area in the 2010 fiscal year on account of the significant expansion of activities in its international partner business.

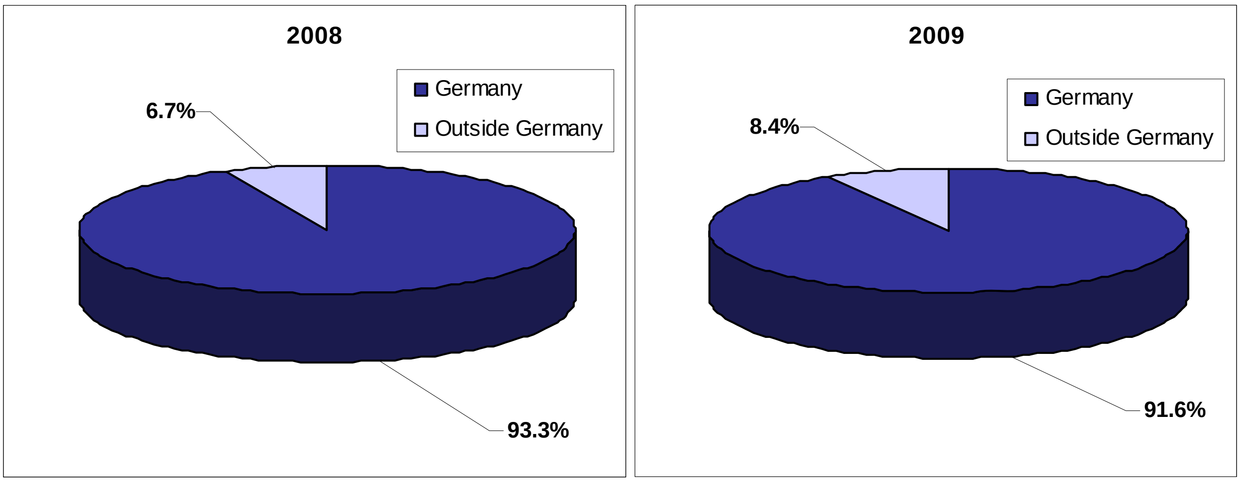


Diagram: IFRS sales development by region for the 2009 and 2008 fiscal years in EUR thousand

Operating expenses

With an increase of 0.9% to EUR 17,554 thousand (2008: EUR 17,398 thousand), the ***cost of sales*** remained essentially unchanged as against the previous year. The cost of sales as a proportion of Group sales amounted to 51.6% in the period under review (2008: 51.2%). Gross income totaled EUR 16,494 thousand (2008: EUR 16,579 thousand), corresponding to a gross margin of 48.4% (2008: 48.8%).

Despite the intensification of the USU Group's foreign and partner activities since the start of 2009, ***selling and marketing expenses*** declined by 3.1% year-on-year to EUR 5,891 thousand (2008: EUR 6,077 thousand), due in particular to the lower level of costs for trade fairs, events and advertising as well as the reduction in bonus payments. Accordingly, the ratio of marketing and sales expenses to Group sales fell to 17.3% in the 2009 fiscal year (2008: 17.9%).

General administrative expenses decreased by 7.7% to EUR 2,762 thousand in the 2009 fiscal year (2008: EUR 2,991 thousand) thanks to the streamlined and efficient administrative organization, with the result that the ratio of administrative expenses to Group sales declined to 8.1% (2008: 8.8%).

Following the targeted expansion of development activities since the middle of the previous year as part of the product campaign, ***research and development expenses*** increased by 5.8% as against the previous year to EUR 5,636 thousand in the year under review (2008: EUR 5,327 thousand). This results in a ratio of research and development costs to Group sales of 16.6% (2008: 15.7%).

USU's net ***other operating income and expenses*** improved from EUR -268 thousand in the 2008 fiscal year to EUR -26 thousand in the year under review, after the previous year's figure had been significantly impacted by non-recurring tax effects.

Earnings situation

In the 2009 fiscal year, the USU Group increased its operating ***earnings before interest, taxes, depreciation (EBITDA)*** by 11.3% to EUR 2,546 thousand (2008: EUR 2,287 thousand), thereby recording an improvement in operating earnings well in excess of sales growth despite the intensification of foreign and partner activities as part of its internationalization strategy and targeted investments in the further development of Group products. This was primarily attributable to the successful development of the Product Business segment combined with rising maintenance and consulting income and stable cost development throughout the Group.

USU AG, a subsidiary of USU Software AG, was responsible for a substantial proportion of the USU Group's net profit. Due to the positive earnings development in recent years and the growth in income that is expected over the coming years, USU AG was required to recognize new deferred tax assets from tax loss carryforwards in income in the amount of EUR 998 thousand (2008: EUR 124 thousand) in accordance with IFRS. The amount recognized is based on the forecast taxable profit of USU AG in the 2010 and 2011 fiscal years in line with the company's planning. In conjunction with the necessary recognition in income of part of the tax loss carryforwards of USU AG, an impairment loss on goodwill was recognized at USU Software AG in the same amount. Although these measures did not have a net impact on earnings after taxes, they do serve to impact the pre-tax performance indicator of earnings before interest and taxes (EBIT).

Including the depreciation of non-current assets for operational reasons in the amount of EUR 367 thousand (2008: EUR 373 thousand) and the amortization of intangible assets capitalized as a result of business combinations totaling EUR 728 thousand (2008: EUR 825 thousand), USU recorded ***EBIT*** of EUR 453 thousand due to the goodwill impairment (2008: EUR 967 thousand). Without this non-recurring effect, EBIT adjusted for goodwill impairment amounted to EUR 1,451 thousand (2008: EUR 1,091 thousand).

Net ***financial income*** amounted to EUR 321 thousand in the 2009 fiscal year (2008: EUR 508 thousand). Adding current income taxes to the deferred tax assets from tax loss carryforwards results in ***tax income*** of EUR 772 thousand for the period under review (2008: tax expense of EUR 181 thousand).

In the 2009 fiscal year, the USU Group increased its post-tax ***net profit for the period*** by 19.5% to EUR 1,546 thousand (2008: EUR 1,294 thousand). Based on an average number of shares outstanding of 10,021,054 (2008: 10,185,235), USU improved its ***earnings per share*** to EUR 0.15 in the year under review (2008: EUR 0.13).

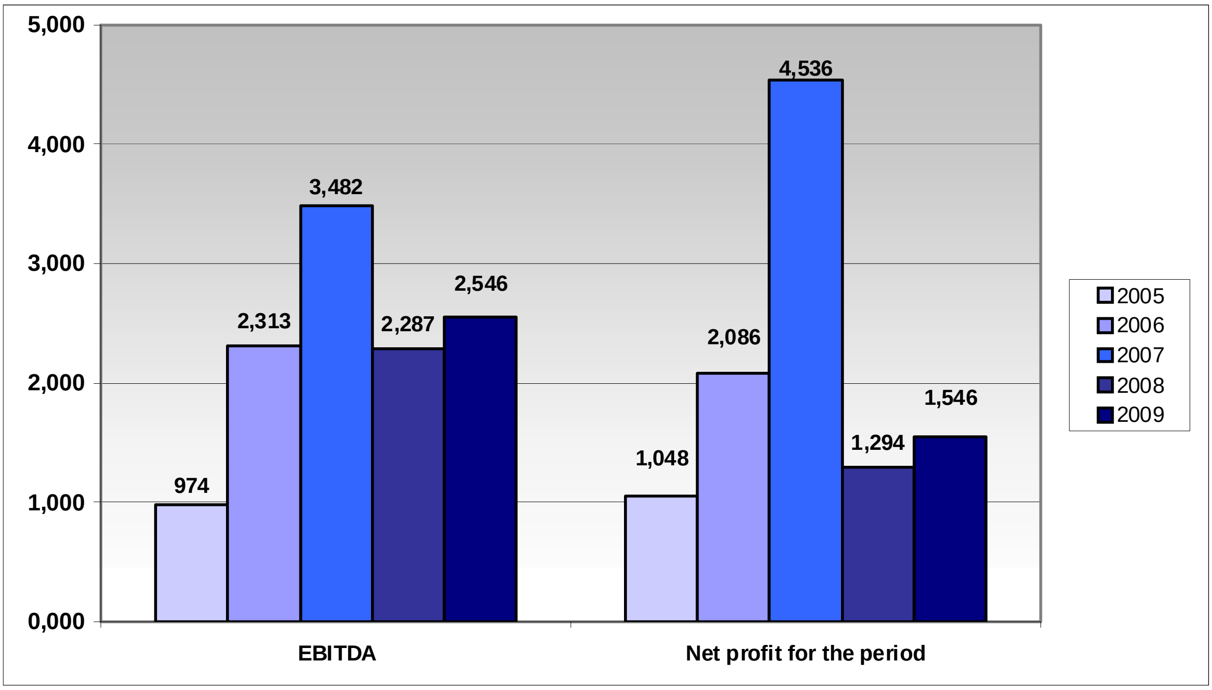


Diagram: Earnings development of the USU Group in EUR thousand

Net assets and financial position

On the asset side of the balance sheet, ***non-current assets*** totaled EUR 34,104 thousand at the end of the 2009 fiscal year (2008: EUR 34,859 thousand). The decline in this balance sheet item is primarily attributable to the amortization of intangible assets. Due to the positive business development and outlook at USU Software AG and the Group subsidiary USU AG, deferred tax assets from tax loss carryforwards were also recognized in the 2009 fiscal year, resulting in a year-on-year increase in deferred tax assets and a corresponding reduction in the goodwill reported in the balance sheet.

As of December 31, 2009, ***current assets*** increased to EUR 19,426 thousand (2008: EUR 19,294 thousand) primarily as a result of the substantial growth in Group liquidity in the form of cash and cash equivalents and marketable securities, which totaled EUR 10,888 thousand (2008: EUR 9,541 thousand).

On the liability side of the balance sheet, ***equity*** remained essentially unchanged year-on-year, amounting to EUR 45,881 thousand as of December 31, 2009 (2008: EUR 45,921 thousand). Within equity, the withdrawal of treasury shares in the 2009 fiscal year with the aim of reducing the Company's share capital resulted in the offsetting of the treasury shares balance sheet item against subscribed capital in the amount of the nominal value of the shares and, above and beyond this, against capital reserves. ***Current and non-current liabilities*** also declined to EUR 7,649 thousand as of December 31, 2009 (2008: EUR 8,232 thousand). This development is primarily attributable to the lower level of trade payables and the final earn-out payment for the acquisition of LeuTek and the corresponding reduction in other provisions and liabilities. Based on ***total assets*** of EUR 53,530 thousand (2008: EUR 54,153 thousand), the equity ratio amounted to 85.7% as of December 31, 2009 (2008: 84.8%).

Cash flow and investments

In the period under review, USU Software AG recorded a significant rise in cash and cash equivalents excluding securities and fixed deposits with a term of more than 3 months, which increased by EUR 5,070 thousand year-on-year to EUR 8,906 thousand (2008: EUR 3,836 thousand).

As a result of its business development, the USU Group significantly increased its ***net cash from operating activities*** to EUR 4,036 thousand (2008: EUR 1,814 thousand).

Net cash from investing activities in the amount of EUR 2,536 thousand (2008: net cash used in investing activities of EUR 1,069 thousand) reflects the sale of securities and the repayment of fixed-term deposits in particular.

As a result of the dividend payment to the shareholders of USU Software AG in the 2009 fiscal year, ***net cash used in financing activities*** in the period under review amounted to EUR 1,503 thousand (2008: EUR 1,970 thousand).

Current situation of the Group

With the 2009 fiscal year having ended successfully, the current economic situation of the USU Group can still be considered positive. Due to the intensified expansion of its partner network and the corresponding global presence, the targeted further development of its product range, existing orders on hand, the continued expansion of the Group workforce and the further improvement in its already comfortable liquidity position, the Management Board of USU Software AG believes that the USU Group is in a good overall position to achieve its stated targets for the 2010 fiscal year as a whole.

Development and situation of USU Software AG

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

USU Software AG primarily focuses on acquiring and holding participations in other companies. 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 components originate from its operating subsidiaries USU AG, LeuTek GmbH, and Omega Software GmbH.

As a result of the profit and loss transfer agreement with the subsidiaries LeuTek and OMEGA, the Company generated income of EUR 1,930 thousand in 2009 (2008: EUR 2,515 thousand). On December 29, 2006, USU Software AG concluded a profit transfer agreement with LeuTek, under which LeuTek was obliged to transfer its entire profit to USU Software AG for at least five years starting from January 1, 2007. On May 19, 2005, USU Software AG also concluded a profit transfer agreement with OMEGA, under which OMEGA is obliged to transfer its entire profit to USU Software AG for at least five years starting from October 1, 2005. In exchange, USU Software AG undertook to offset every net loss incurred by LeuTek and OMEGA during the contractual term that cannot be offset by way of withdrawals from reserves recognized during the same period.

No income from participations was recorded in the year under review, as the net profit of USU AG for 2008 was retained by the Company as planned, whereas a dividend distribution by the Group subsidiary USU AG to USU Software AG in the amount of EUR 1,200 thousand resulted in corresponding income in the previous year.

Other operating income in the amount of EUR 619 thousand (2008: EUR 1,029 thousand) primarily relates to the settlement of intragroup services. Other operating expenses, which totaled EUR 820 thousand (2008: EUR 1,299 thousand), related in particular to costs for services provided by Group subsidiaries, stock exchange costs and legal and advisory costs. The year-on-year decrease in other operating income and other operating expenses is largely attributable to the non-recurring effects of the findings of the tax audit in the previous year.

Personnel expenses increased slightly as against the previous year to EUR 394 thousand (2008: EUR 379 thousand). As in the previous year, the workforce of USU Software AG consisted of three full-time employees, including the Management Board.

The result from ordinary operations of USU Software AG for the 2009 fiscal year amounted to EUR 1,401 thousand (2008: EUR 3,026 thousand). This decrease was primarily attributable to the dividend payment by USU AG to the Company in the previous year. After income taxes of EUR 42 thousand (2008: EUR 99 thousand), the Company recorded a net profit for the period of EUR 1,359 thousand (2008: EUR 2,927 thousand). The unappropriated surplus amounted to EUR 3,208 thousand at the reporting date (2008: EUR 3,612 thousand). As in the previous years, the Management Board proposes to use this surplus, among other things, to pay a dividend of EUR 0.15 per share for the 2009 fiscal year to all shareholders of USU Software AG who are entitled to receive dividends (2008: EUR 0.15).

The Company's total assets amounted to EUR 28,021 thousand as of December 31, 2009 (2008: EUR 28,864 thousand). Equity declined slightly year-on-year to EUR 26,874 thousand (2008: EUR 27,124 thousand). The changes in the share capital, capital reserves and the reserve for treasury shares were due to the capital reduction that was implemented through the withdrawal of treasury shares in the year under review. At the same time, the Company reduced its provisions and liabilities from EUR 1,740 thousand as of December 31, 2008 to EUR 1,147 thousand at the end of the 2009 fiscal year; this was attributable in particular to the expiry of an earn-out obligation. Accordingly, the equity ratio remained at an extremely high 95.9% (2008: 94.0%).

With liquidity rising by EUR 148 thousand, USU Software AG increased its net cash from operating activities from EUR 2,124 thousand in the previous year to EUR 2,528 thousand as of December 31, 2009. This was offset by cash outflows from a final earn-out payment relating to the acquisition of LeuTek and the distribution of a dividend for the 2008 fiscal year to the Company's shareholders.

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

Orders on hand

The USU Group had orders on hand of EUR 13,421 thousand as of December 31, 2009 (2008: EUR 14,177 thousand). In accordance with planning, the decline as against the previous year was due to the completion of multi-year consulting contracts, while maintenance orders on hand developed positively.
The year-end order book at the reporting date shows the USU Group’s fixed future sales based on binding contracts. These primarily consist of project-related orders as well as maintenance agreements.

Research and development

In order to offer its customers products and solutions based on state-of-the-art technology, the USU Group systematically investigates the use of new technologies and designs its own innovations in its ongoing drive to improve and expand its product portfolio. In the 2009 fiscal year, the Group invested substantial funds in the planned further development of the Group products Valuemation, KnowledgeCenter, ZIS System and myCMDB on the basis of a defined roadmap. Research and development expenses in the year under review totaled EUR 5,636 thousand (2008: EUR 5,327 thousand).

In the Business Service Management suite Valuemation, the 2009 fiscal year focused on the development of the new version 3.6 of this modular ITIL certified software program from the Group subsidiary USU AG for the central presentation, monitoring, administration and management of the entire IT assets of a company or a group and the allocation of the costs involved. As well as a number of expanded functions, Valuemation 3.6 offers an improved graphical interface and enhanced performance. In addition, the Valuemation dashboard component that was launched last year was expanded to include additional key performance indicators (KPIs). At the same time as the development of the new release, a service-oriented architecture (SOA) was developed in order to allow selected Valuemation functions to be integrated into customer-based web interfaces, such as company portals, outside the Valuemation application itself.

Development activities within the USU KnowledgeCenter knowledge management product suite were dominated by the development of version 5. The new ergonomic software generation arose from the analysis of a wide range of customer workflows and also integrates key Web2.0 elements such as feedback mechanisms. The new system allows companies to practically implement a zero-error quality strategy and leads to a demonstrable improvement in productivity.

As part of the development of USU KnowledgeCenter 5, a number of expanded functions requested by customers were simultaneously implemented within the individual modules of the product suite: USU KnowledgeMiner, a high-performance search engine for company-wide searches across all potential information sources; USU KnowledgeBase, a simple and efficient document management system; and USU KnowledgeGuide, a system for intelligent fault diagnosis and solution identification using dynamic decision trees.

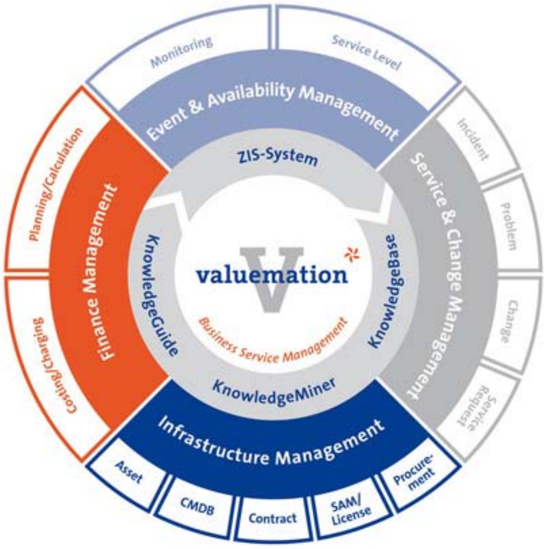


Diagram: The USU Group's Valuemation product suite

The Group subsidiary LeuTek GmbH continued the development of its ZIS System software solution for systems management in the reporting period. Firstly, the operation and administration of alarm functions in ZIS System were significantly expanded. Secondly, the central configuration of ZISAgent – the software agent for monitoring the availability of systems, applications and log files – can now be performed in ZIS System. New configurations and configuration changes can therefore be rolled out to server agents centrally via ZIS System. LeuTek also focused on connecting CMDB systems to its internally developed ZIS products and presented *Service Monitor* and *Service Explorer*, two new features that allow the fully automated creation and mapping of IT service structures in real time.

In the 2009 fiscal year, the subsidiary Omega Software GmbH focused on the further development of its SME-oriented *myCMDB* product suite, which was given a number of expanded functions such as a new navigational aid for the easy creation of complex evaluations, wire management, ASP reporting and a new escalation monitoring system. The development of the new release also involved a complete technical overhaul of the *myCMDB* interface. *myCMDB 2* was launched on schedule at the end of the 2009 fiscal year.

Employees

As of December 31, 2009, the USU Group had a total of 269 employees (2008: 252), an increase of 6.7% on the previous year. This figure does not include the four Management Board members of the subsidiary USU AG, around 70 freelance staff who are employed for project work as required, 13 temporary workers, and 5 apprentices.

Broken down by segment, the USU Group had 191 (2008: 181) employees in the Product Business segment, 60 (2008: 53) in the Service Business segment and 18 (2008: 18) in central administration.

Broken down by functional unit, 113 (2008: 102) employees were employed in consulting and services at the end of the reporting period, 94 (2008: 89) in research and development, 36 (2008: 34) in sales and marketing, and 26 (2008: 27) in administration.

The average total workforce of the USU Group in the reporting period was 264 employees (2008: 251). Accordingly, the average sales contribution per employee in the 2009 fiscal year was EUR 129 thousand (2008: EUR 135 thousand). Personnel expenses in the same period amounted to EUR 17,438 thousand (2008: EUR 16,447 thousand). The personnel cost ratio was 51.2% (2008: 48.4%) of Group sales.

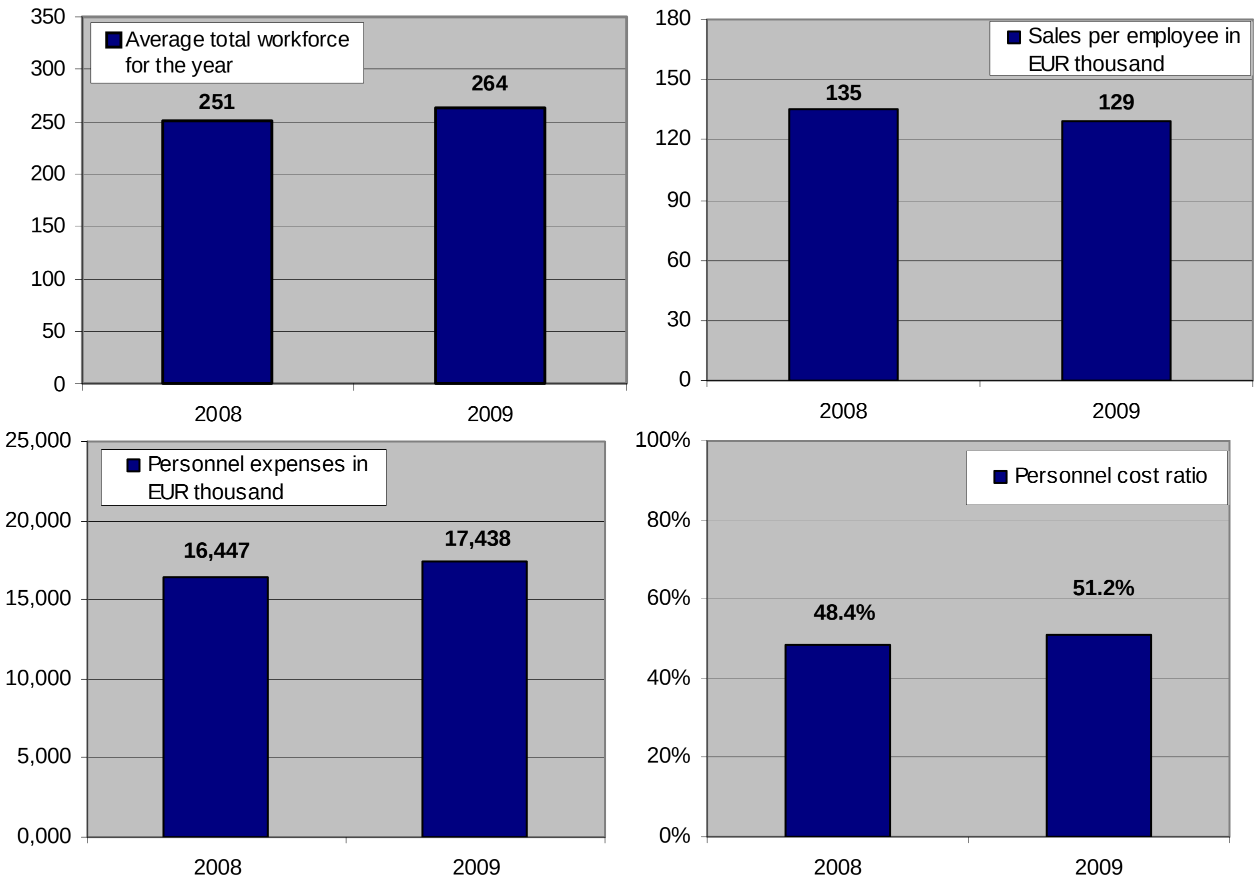


Diagram: Personnel-related key figures of the USU Group

In the 2010 fiscal year, the USU Group again plans to further expand the USU Group's workforce in order to achieve its planned growth. In addition to acquiring additional highly qualified employees, personnel activities focus on the motivation and retention of existing staff. In this context, the partial variability of many USU employees' wages and salaries should also be seen as an incentive that serves as an additional reward for both individual performance and the success of the respective unit, the Company, and the Group as a whole. The USU Group also constantly invests in the development and further training of its employees. In the 2009 fiscal year, a number of qualification measures were initiated and continued as part of the "USU – U Step Up" career model. With this program, USU offers its employees and managers ongoing refresher courses and opportunities to hone their personal development as well as specialist training and the development of soft skills. Numerous staff events round off the diverse range of measures aimed at advancing and motivating the USU Group's workforce in 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 shown in the following table totaling EUR 211.0 thousand (2008: EUR 213.7 thousand) includes all of the 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 subsidiary Openshop Internet Software GmbH.

Individual compensation of Bernhard Oberschmidt, sole member of the Management Board *in EUR thousand*				
	Fixed compensation	Contribution to social security and pension	Non-cash benefit from private use of company car	Variable compensation
2009	132.0	19.4	20.1	39.5 [1)]
2008	132.0	19.4	16.8	45.5 [2)]

[1)] of which for the previous year: EUR 9.5 thousand

[2)] of which for the previous year: EUR 12.0 thousand

Table: Individual Management Board compensation of 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 was adopted by the Annual General Meeting of the Company on July 12, 2007. In accordance with the relevant provisions, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 12.5 thousand in addition to the reimbursement of expenses for every full fiscal year of membership of the Supervisory Board. The Chairman of the Supervisory Board receives an amount of EUR 60.0 thousand. The members of the Supervisory Board also receive additional annual variable compensation based on the IFRS result from ordinary operations (EBIT) compared with sales as reported in the Company’s consolidated income statement for the past fiscal year. Starting from an EBIT share of 5% of sales, the members receive additional annual variable compensation of a 10% premium on the fixed component per full percentage point of the EBIT share of sales up to a maximum of 200%. In the 2009 fiscal year, EBIT amounted to 4.3% of sales (2008: 4.0%), meaning that the Supervisory Board of USU Software AG received no variable compensation.

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.

In the 2009 fiscal year, the Group-wide compensation for the Supervisory Board of the USU Group amounted to EUR 107.5 thousand (2008: EUR 107.5 thousand).

Individual compensation of the Supervisory Board for the 2009 fiscal year *in EUR thousand*			
	Fixed compensation USU Software AG	Variable compensation USU Software AG	Fixed compensation USU AG
Udo Strehl	60.0	0.0	10.0
Günter Daiss	12.5	0.0	7.5
Erwin Staudt	12.5	0.0	5.0

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

Additional disclosures in accordance with Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

Subscribed capital, shares and shareholder structure

As of December 31, 2009, a total of 10,021,054 no-par bearer shares of USU Software AG each with a notional interest in the share capital of EUR 1.00 had been issued (2008: 10,335,004). This year-on-year decrease is due to the withdrawal of all treasury shares held by the Company with effect from May 13, 2009. As a result, the Company did not hold any treasury shares at the reporting date December 31, 2009 (2008: 3.0% or 313,950 shares).
A total of 5,795,187 shares (2008: 5,795,187) are allocable to the major shareholder and Chairman of the Supervisory Board of USU Software AG, Udo Strehl, corresponding to 57.8% of the share capital (2008: 56.1%). Mr. Strehl holds 1,989,319 (2008: 1,989,319) of these shares directly, with a further 3,773,868 shares (2008: 3,773,868) allocable to him via Udo Strehl Private Equity GmbH (USPEG) in his function as majority shareholder and a further 32,000 shares (2008: 32,000) allocable to him as sole shareholder of the "Wissen ist Zukunft" foundation. A total of 12.0% (2008: 11.6%) or 1,200,000 (2008: 1,200,000) of the shares of USU Software AG were allocable to Peter Scheufler, former partner of LeuTek, at the end of the 2009 fiscal year.

Management Board authorizations on the issue of shares and the 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 in exchange for cash or non-cash contributions up to and including July 11, 2012 (authorized capital).

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 options issued exercise their rights. There were no outstanding options as of December 31, 2009.

By resolution of the Annual General Meeting on June 25, 2009, the Company's Management Board was also authorized to acquire treasury shares in one or more installments, subject to approval of the Supervisory Board, at any time up to and including June 24, 2010. The acquired shares, together with any other shares which the Company may hold as a result of earlier authorizations 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 nominated and 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; 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 only concern their wording. 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 (the “Code”) in the form of recommendations for implementation. The Code came into force in 2002 and was last updated in 2009.

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 2009 on December 9, 2009, 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.usu-software.de/investor_relations/corporate_governance.html.

Corporate management practices

The Management Board of USU Software AG undertakes to act in an ethically and socially responsible manner within the meaning of good and sustainable corporate management. To this end, the Management Board has developed basic values and targets in close cooperation with the employees of its subsidiaries. These are compiled in the form of corresponding guidelines that can be viewed on the Company's website at www.usu-software.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.
The Management Board of the Company reports to the Supervisory Board in a 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, is currently being adjusted to reflect the new requirements. In accordance with the statutory provisions and the provisions of the German Corporate Governance Code, a corresponding deductible for the 2010 fiscal year will be introduced for the Management Board with effect from July 1, 2010. The introduction of a deductible for the Supervisory Board is also planned for the future.

The Supervisory Board of the Company consists of three members and elects a Chairman and a Deputy Chairman from its members. On account of its size, the Supervisory Board has opted not to form committees; instead, the relevant tasks are jointly performed by the members of the Supervisory Board.

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, this provides for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue rules of procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities. The Supervisory Board also adopts the single-entity financial statements and approves the consolidated financial statements. Detailed information on the activities of the Supervisory Board is provided annually in the report by the Chairman of the Supervisory Board to the shareholders present at the Annual General Meeting.

The Supervisory Board is convened by the Chairman as required, and in any case at least four times a year in accordance with the Articles of Association. The 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.

Treasury shares

On May 14, 2009, the Company published a notification in accordance with section 26 (1) sentence 2 WpHG stating that the number of treasury shares of USU Software AG held by the Company fell below the threshold of 3% on May 13, 2009 due to the withdrawal of all treasury shares held and therefore amounted to 0% on this date. Accordingly, USU Software AG no longer holds any treasury shares as of December 31, 2009.

Share price development

After the deepening recession was reflected in a downturn in share prices on the German indices in early 2009, the improvement in overall economic sentiment throughout the rest of the year had a clearly positive impact on the stock markets. Across the year as a whole, the Technology All Share Index rose by 54.7% to 932.96 points as of December 31, 2009, while the Deutscher Aktienindex (DAX) improved by 23.9% to 5,957.43 points. In the same period, the price of USU's shares in the XETRA electronic trading system increased by 53.5% to EUR 3.30. In addition to the improved environment for shares in general, USU's shares benefited from a number of positive analyst and press commentaries in the course of 2009 thanks to the Company's successful business performance.

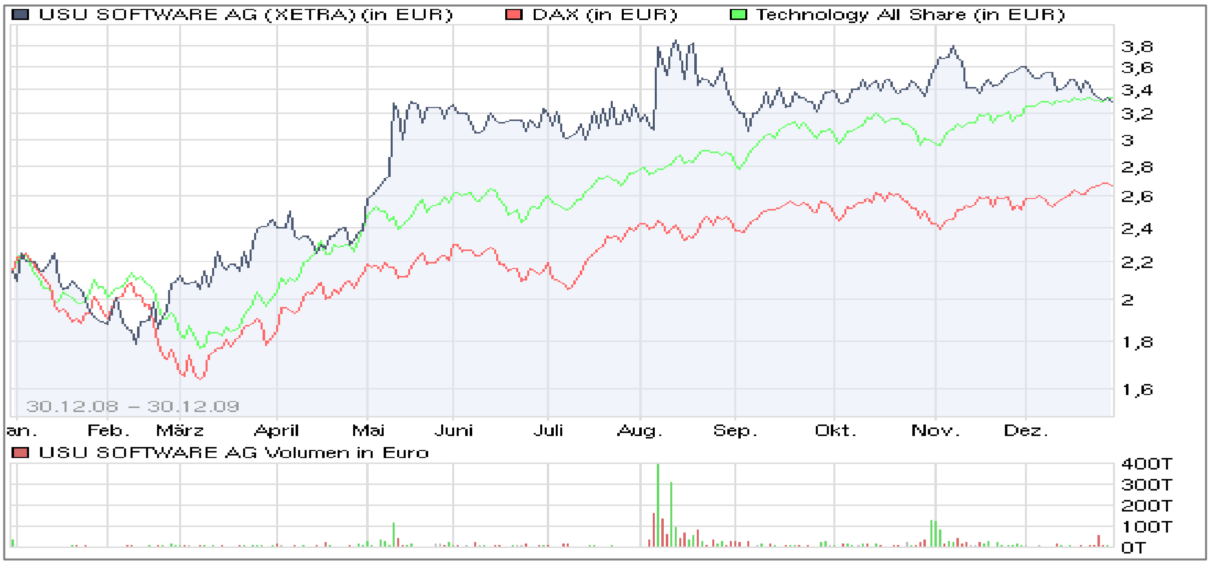


Diagram: USU Software AG's share price development in 2009

Report on related parties

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

Supplementary report

There were no transactions with a material effect on the business development of USU Software AG and the Group as a whole after the reporting date December 31, 2009, meaning that there were no major changes to the net assets, financial position and results of operations of the Company or the Group.

Risk report

Risk management system

In the course of its operations, USU Software AG and its subsidiaries are exposed to a range of opportunities and risks that are intrinsically linked to its 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 the corporate strategy, which is subject to ongoing development.

The USU Group management 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 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. 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 respective risk classification, specific strategies and measures are then implemented to control and manage 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 and the management team monitor risks on a continuous basis and advise the Supervisory Board regularly on major risks and changes to the risk situation.

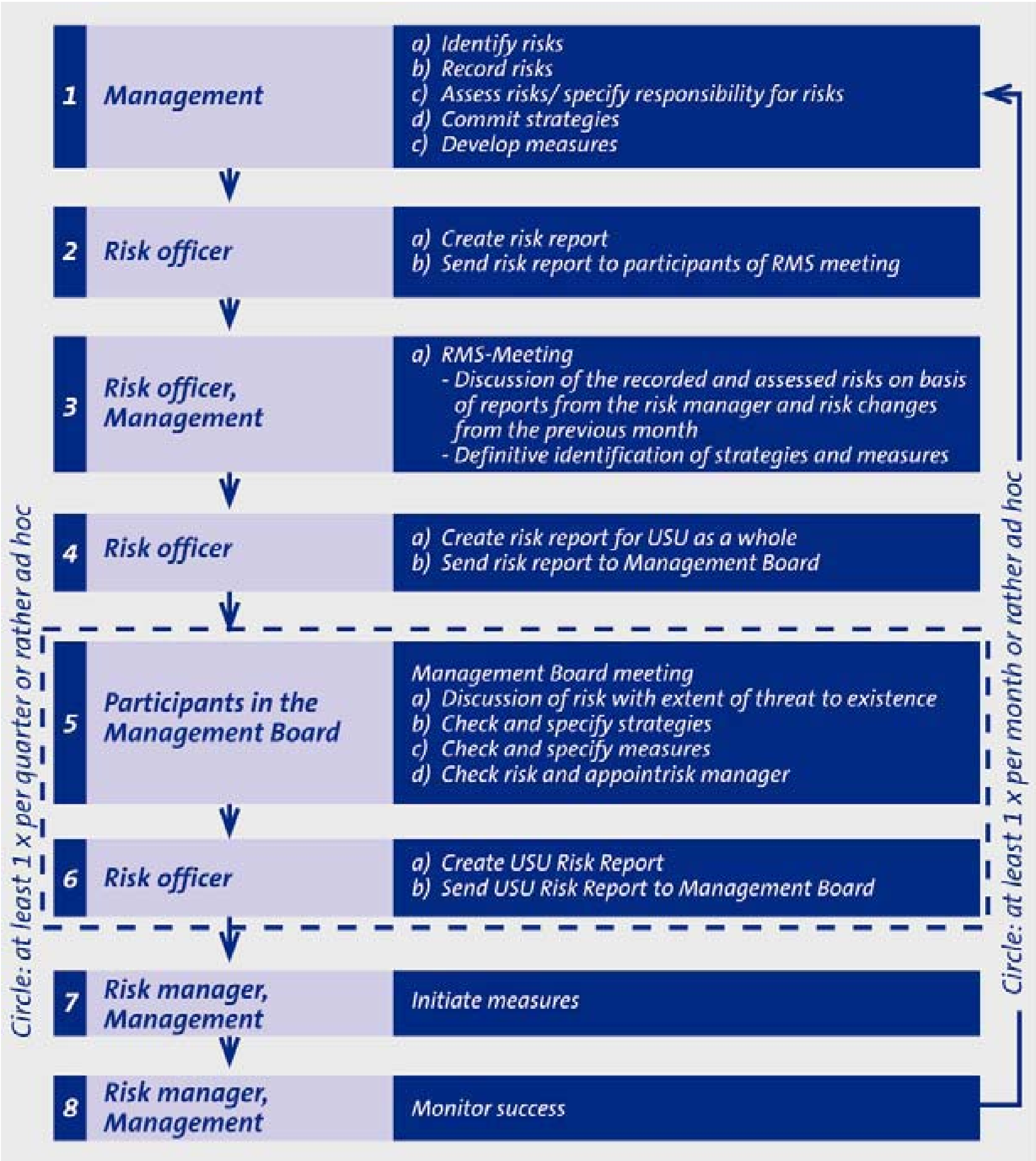


Diagram: Overview of the USU Group's risk management process

Accounting-related internal control and risk management system

The Company defines the accounting-related internal control system (AICS) and the accounting-related internal risk management system (AIRMS) as a comprehensive system aimed at ensuring that the single-entity and consolidated financial statements comply with the relevant provisions. The AICS 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 the AIRMS 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 system is designed in such a way as to guarantee the reliability of financial reporting and the preparation of the externally published single-entity and consolidated financial statements to the required extent. This is based on a clearly defined management and organizational structure in which tasks and responsibilities are allocated accordingly. Accounting-related key functions are managed centrally via USU Software AG and USU AG, with the specific areas of responsibility clearly allocated.

An extensive, regularly updated body of guidelines has been established, covering areas such as the allocation of responsibilities, reporting, guidelines for travel costs and time recording, and investment approval. Among other things, these guidelines prescribe the principle of dual control for accounting-related processes. Group-wide accounting provisions also serve to ensure the uniformity of accounting within the USU Group.
The USU Group has a largely uniform, standardized financial system with clearly defined access rights, ensuring that it can only be accessed by those employees who are involved in the accounting process within their area of responsibility.

The Finance department of USU AG and the Project and Financial Controlling units are 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 further training 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 there are no risks 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 as serious in the course of risk management or that 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

Analyzing the market and competitive situation as part of the USU Group's risk management process remains extremely important in light of the international economic and financial market crisis. Although the ifo Institute for Economic Research believes that the global recession has now been overcome, it expects economic growth in the USU Group's core European market to remain at a low level of 1.0% in 2010. EITO is also forecasting moderate growth of 0.6% in the European IT market. As BITKOM believes that the market will continue to focus on IT solutions that lead to rapid cost reductions and increased efficiency and performance for users, the Management Board believes that this represents a significant opportunity for positive future business development in the same way as in the 2009 fiscal year. However, the possibility that ongoing negative economic development will have an adverse effect on the IT industry, thereby also leading to restrained business development at the Company, cannot be ruled out.

At the same time, USU Software AG operates 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 expanded their own product ranges through diversification and acquisitions in order to access new markets. As a result, several of the Company's competitors, particularly those outside Europe, were acquired by global groups. In this context, the possibility that the current phase of economic weakness will lead to tangible price erosion and cut-throat competition cannot be ruled out.

USU Software AG has expanded its portfolio and the target market of the Group as a whole through its acquisitions of OMEGA Software GmbH and LeuTek GmbH and by pressing ahead with its internationalization activities. With its expanded product range, USU is strategically positioned in the growth market for business service management solutions with a focus on promising future areas in the field of information technology. Thanks to its long-standing relationships with and proximity to its customers, the USU Group can also address customers' problems more flexibly and provide more customized solutions. 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 was possible to maintain the price structure for product- and solution-related consulting services at the previous year's level. In the 2009 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 external consulting resources were deployed as required in response to 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 the established software products as well as new products, 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. Demands are also increasing as a result of rapid technological change.

To reflect 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. More than 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. With its position at the cutting edge of technology, 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 extensive 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 introduced extensive quality management as part of its development activities at an early stage, as well as establishing its own Project Office unit so that erroneous trends can be 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 and retain highly qualified staff. The professional advancement of employees as required is equally important to the USU Group. Specific educational and further training measures, a comprehensive career and personal development model as well as numerous employee events help to improve the retention of professional and management staff, while a positive corporate culture also improves the 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 contingencies. Another potential risk in this respect relates to the impairment of the carrying amount of the participations in USU AG, OMEGA and LeuTek in the single-entity financial statements of USU Software AG. However, the risk relating to these subsidiaries only exists in the event of a permanent deterioration in their net assets, financial position and results of operations.

In connection with the 100% acquisition of the Group subsidiary USU AG and the squeeze-out conducted in 2003, arbitration proceedings are pending on the appropriateness of the cash compensation paid to the shareholders of USU AG. Based on the expert opinion prepared in the course of the squeeze-out procedure and the subsequent audit of this opinion by the legally appointed auditor, the Management Board of USU Software AG assumes that the cash compensation paid to the shareholders of USU AG was appropriate.

Goodwill risk

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

The impairment tests conducted in the 2009 fiscal year did not identify any evidence of impairment of the assets assigned to this balance sheet item. Based on its 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. Irrespective of this, it was necessary to recognize goodwill impairment in the same amount as the deferred tax assets from tax loss carryforwards that were required to be capitalized by the Group subsidiary USU AG in accordance with IFRS 3, as in the previous years. The net impact of this measure on earnings after taxes is zero, meaning that it presents no risk to USU Software AG or the Group, either now or in the future.

Default risk

Potential default risks relating to trade receivables are minimized by way of active receivables management. The Company also recognizes adequate provisions for such losses. Overall, therefore, the default risk remains limited to date. With regard to the potential negative effects of the economic and financial market crisis on companies that were previously considered solvent, there is a possibility that the level of insolvency-driven default risk could increase in future, even allowing for the fact that USU AG’s typical customer structure is characterized by companies with strong market positions.

Financial and liquidity risk

With funds of approximately EUR 10 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. As such, the Group is exposed to the risk of a complete or partial 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. Accordingly, the USU Group’s securities portfolio again recorded price gains in 2009.

Key opportunities

In addition to the aforementioned aspects, the Management Board believes that the following of the considerable opportunities available to USU Software AG and the Group are particularly important:

In addition to the continued expansion of domestic business from new customers, the international partner business that was intensified in the 2009 fiscal year offers particularly impressive growth potential. Among other things, extending the partner network opens up the possibility of developing new markets. The expansion of the product range through internally developed innovations and acquisitions also allows business from existing customers to be expanded and new customers to be obtained. USU pursues a strategy in which its existing portfolio is continually developed and expanded with customer-specific features or rounded off by strategic acquisitions. Workforce expansion represents another significant opportunity to utilize the full potential of existing growth options in the product and service business alike.

Forecast report

Overall economy

Following the most severe global recession since the Second World War, the *ifo Konjunkturprognose 2010* recently published by the ifo Institute for Economic Research states that the economic recovery that started during 2009 will continue at a low level in the current fiscal year. A core problem will remain the weakness of the international financial markets, whose functionality is still limited in a number of major segments. In key industrialized nations, there are also signs of a crisis on the real estate market, leading to higher write-downs at banks. In addition, the loan-financed economic programs initiated to date are scheduled to expire in the near future, with the need for consolidation in the area of public debt becoming increasingly urgent. Accordingly, ifo is forecasting only moderate GDP growth of 1.7% for Germany in 2010 (2009e: -4.9%). ifo also expects the economic recovery in the euro zone to be muted, with comparatively low GDP growth of 1.0% in 2010 following a downturn in macroeconomic performance of around 4%.

Industry

According to research by the industry association BITKOM, 2010 will see the IT industry benefiting from the increased relaxation of the investment bottleneck imposed by companies in the wake of the recession. The IT market in Germany and the EU as a whole will recover from the downturn in 2009 to record moderate growth in the current fiscal year.
According to BITKOM forecasts, market volumes in the German IT industry will increase by 1.0% in 2010 after a projected decline of 2.6% in 2009. While BITKOM is predicting growth of 2.5% in the IT services segment in 2010 (2009e: -0.2%), the software market is expected to see only a minor sales increase of 0.5% (2009e: -3.2%). EITO is also forecasting moderate growth of 0.6% (2009e: -2,2%) in the European IT market. According to BITKOM information, as previously, the success of IT companies will remain dependent on solutions that lead to rapid cost reductions and increased efficiency and performance for users.

Outlook

Following the USU Group’s successful business performance in 2009, a year that was dominated by the recession, the Management Board expects to see continued positive development in 2010. In Germany, license and maintenance business will make a particularly strong contribution to sales growth due to the launch of the new product versions Valuemation 3.6, myCMDB 2 and USU KnowledgeCenter 5 and the redeveloped LeuTek products in the ZIS System family, among other things. At the same time, the Management Board expects the high utilization levels for employed consultants and price stability in consultancy fees to continue in both the product-related and service-related consulting business. Global partner business will also make a tangible contribution to growth in 2010. In the past fiscal year, the Company acquired several international sales partners with which it has already conducted a number of product training sessions and events for potential customers. Accordingly, the share of Group sales attributable to foreign business is likely to increase significantly in the 2010 fiscal year.

As in the previous years, the subsidiary USU AG will remain the key growth driver within the Group as a whole. The Management Board also expects the Group subsidiaries LeuTek and OMEGA to make positive contributions to sales and earnings. In the 2010 fiscal year, USU Software AG will focus on acquiring and holding participations in other companies. As such, the success of USU Software AG will continue to be determined primarily by the business development of its subsidiaries for the foreseeable future.

Assuming a sustained economic recovery, the Management Board of USU Software AG expects sales growth for the Group as a whole to exceed the average for the IT market in the 2010 fiscal year. Operating earnings before interest, taxes, depreciation and amortization (EBITDA) are again expected to rise strongly compared to sales. At the same time, the Company will make targeted investments in further expanding the international focus of the USU Group and in the continued development of Group products with a view to increasing sales and earnings in the medium to long term.

Based on this forecast, the Management Board plans to enable the shareholders of USU Software AG to participate in the Company's business success in 2010, thereby continuing the shareholder-friendly dividend policy established in previous years.

Möglingen, February 26, 2010

Bernhard Oberschmidt
Chairman of the Management Board

Consolidated Financial Statements

2009

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USU Software AG, Möglingen
Consolidated balance sheet as of December 31, 2009

A S S E T S

	Note	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
Assets			
Non-current assets			
Intangible assets	(8)	4,515	5,233
Goodwill	(9)	26,110	27,108
Property, plant and equipment	(10)	608	571
Other non-current financial assets	(26)	377	367
Deferred tax assets	(28)	1,896	978
Other non-current assets	(11)	598	602
		34,104	**34,859**
Current assets			
Inventories	(12)	616	556
Work in progress	(13)	1,798	1,827
Trade receivables	(14)	4,835	5,383
Income tax receivables	(15)	900	1,392
Other current financial assets	(16)	196	244
Other current assets		34	54
Prepaid expenses	(17)	159	297
Securities	(18)	455	3,405
Cash on hand and bank balances	(19)	10,433	6,136
		19,426	**19,294**
		53,530	**54,153**

USU Software AG, Möglingen
Consolidated balance sheet as of December 31, 2009

EQUITY AND LIABILITIES

	Note	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
Equity and liabilities			
Equity	(20)		
Subscribed capital		10,021	10,335
Capital reserves		51,490	52,764
Legal reserve		250	176
Treasury shares		0	-1,588
Other comprehensive income		-3	-11
Accumulated losses		-15,877	-15,755
		45,881	**45,921**
Non-current liabilities			
Pension provisions	(21)	313	154
		313	**154**
Current liabilities			
Income tax liabilities		37	49
Personnel-related liabilities	(22)	3,100	3,208
Other provisions and liabilities	(23)	2,075	2,284
Liabilities from advance payments received	(24)	239	461
Trade payables	(25)	726	1,122
Deferred income	(27)	1,159	954
		7,336	**8,078**
		53,530	**54,153**

USU Software AG, Möglingen
Consolidated income statement for the 2009 fiscal year

	Note	2009 EUR thou.	2008 EUR thou.
Sales	(29)	34,048	33,977
Cost of sales	(30)	-17,554	-17,398
Gross profit		**16.494**	**16,579**
Selling and marketing expenses	(31)	-5,891	-6,077
General administrative expenses	(32)	-2,762	-2,991
Research and development expenses	(33)	-5,636	-5,327
Other operating income	(34)	42	372
Other operating expenses	(35)	-68	-640
Amortization of intangible assets capitalized as a result of business combinations		-728	-825
Goodwill impairment	(36)	-998	-124
Financial income	(37)	437	750
Financial expense	(38)	-116	-242
Profit before taxes		**774**	**1,475**
Income taxes	(39)	772	-181
Consolidated net profit for the period		**1,546**	**1,294**
Consolidated earnings per share (in EUR): Basic and diluted		0.15	0.13
Weighted average number of shares outstanding: Basic and diluted		10,021,054	10,185,235

USU Software AG, Möglingen
Consolidated statement of comprehensive income for the 2009 fiscal year

	Note	2009 EUR thou.	2008 EUR thou.
Consolidated net profit for the period		**1,546**	**1,294**
Actuarial gains/losses from pension provisions	(21)	-126	189
Deferred taxes from actuarial gains/ losses		35	-54
Available-for-sale financial instruments (securities)	(18)		
Changes in fair value taken directly to equity		9	39
Recognized in profit or loss		1	-13
Deferred taxes from available-for-sale financial instruments (securities)	(28)	-3	-7
Currency translation differences		1	-36
Other comprehensive income after taxes		**-83**	**118**
Total comprehensive income		**1,463**	**1,412**

USU Software AG, Möglingen
Consolidated cash flow statement for the 2009 fiscal year

	Note	2009 EUR thou.	2008 EUR thou.
Net cash from operating activities:			
Profit before taxes		774	1,475
Adjustments for:			
Financial income/financial expense		-321	-509
Depreciation, amortization and write-downs		2,093	1,321
Income taxes paid		-114	-519
Income taxes refunded		647	341
Interest paid		-20	-149
Interest received		486	828
Other non-cash income and expenses		600	-74
Change in working capital:			
Inventories		-62	18
Work in progress		30	-1,239
Trade receivables		547	-177
Prepaid expenses and other assets		-941	-385
Trade payables		-396	75
Personnel-related liabilities and pension provisions		52	366
Other provisions and liabilities		661	442
	(41)	**4,036**	**1,814**
Net cash from/used in investing activities:			
Acquisition of subsidiaries less cash and cash equivalents acquired		-877	0
Investments in property, plant and equipment		-340	-275
Investments in other intangible assets		-102	-68
Repayment of short-term loans		0	53
Disposal of non-current assets		48	4
Disposal of available-for-sale securities		3,621	2,197
Investments in available-for-sale securities		-587	-680
Investments in fixed-term deposits		0	-2,300
Repayment of fixed-term deposits		773	0
	(42)	**2,536**	**-1,069**

USU Software AG, Möglingen
Consolidated cash flow statement for the 2009 fiscal year

	Note	2009 EUR thou.	2008 EUR thou.
Net cash used in financing activities:			
Dividend payment		-1,503	-1,540
Treasury shares acquired for withdrawal		0	-874
Subsequent allowable input taxes from the IPO costs		0	444
	(43)	**-1,503**	**-1,970**
Net effect of currency translation on cash and cash equivalents		**1**	**-3**
Increase/decrease in cash and cash equivalents		**5,070**	**-1,228**
Cash and cash equivalents at the start of the fiscal year		**3,836**	**5,064**
Cash and cash equivalents at the end of the fiscal year	(44)	**8,906**	**3,836**

USU Software AG, Möglingen

Consolidated statement of changes in equity for the 2009 fiscal year

	Share capital Number	Share capital EUR thou.	Capital reserves EUR thou.	Legal reserve EUR thou.	Treasury shares EUR thou.	Accumulated losses EUR thou.	Other comprehensive income: Currency translation EUR thou.	Other comprehensive income: Fair value measurement of securities EUR thou.	Total EUR thou.
Consolidated equity as of December 31, 2007	**10,335,004**	**10,335**	**52,320**	**154**	**-714**	**-15,623**	**62**	**-55**	**46,479**
Consolidated net profit	0	0	0	0	0	1,294	0	0	1,294
Other comprehensive income after taxes	0	0	0	0	0	136	-36	18	118
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**1,430**	**-36**	**18**	**1,412**
Transfer to legal reserve	0	0	0	22	0	-22	0	0	0
Treasury shares acquired for withdrawal	0	0	0	0	-874	0	0	0	-874
Subsequent allowable input taxes from the IPO costs	0	0	444	0	0	0	0	0	444
Dividend payment	0	0	0	0	0	-1,540	0	0	-1,540
Consolidated equity as of December 31, 2008	**10,335,004**	**10,335**	**52,764**	**176**	**-1,588**	**-15,755**	**26**	**-37**	**45,921**
Consolidated net profit	0	0	0	0	0	1,546	0	0	1,546
Other comprehensive income after taxes	0	0	0	0	0	-91	1	7	-83
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**1,455**	**1**	**7**	**1,463**
Transfer to legal reserve	0	0	0	74	0	-74	0	0	0
Capital reduction	-313,950	-314	-1,274	0	1,588	0	0	0	0
Dividend payment	0	0	0	0	0	-1,503	0	0	-1,503
Consolidated equity as of December 31, 2009	**10,021,054**	**10,021**	**51,490**	**250**	**0**	**-15,877**	**27**	**-30**	**45,881**

USU SOFTWARE AG, MÖGLINGEN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2009 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 Local Court, Dept. B., under no. 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, since the 2009 fiscal year, 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 single-entity financial statements of the consolidated subsidiaries have all been uniformly prepared in accordance with IFRS.

The consolidated financial statements have been prepared in the functional currency of the parent company (euro). All figures in the consolidated financial statements are shown in thousands of euro ("EUR thousand" or "EUR thou.") 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 February 26, 2010, the Management Board approved the consolidated financial statements for release to the Supervisory Board.

The single-entity financial statements of USU Software AG in accordance with the HGB for the year ended December 31, 2009 and these consolidated financial statements are submitted to and published in 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 amendments to the IFRSs with a potential impact on the consolidated financial statements of USU Software AG were applied for the first time in the 2009 fiscal year:

- Amendment to **IAS 1 "Presentation of Financial Statements".** On account of the amendment to IAS 1, the consolidated financial statements now include, in addition to the income statement, a separate consolidated statement of comprehensive income that shows the consolidated net profit for the period and all changes in equity for the period not resulting from transactions with shareholders in their capacity as owners as "Other comprehensive income after taxes".

The consolidated statement of comprehensive income replaces the previous statement of recognized income and expense. This also changes the presentation of changes in consolidated equity. Transactions with shareholders are now reported separately in the consolidated statement of changes in equity, which no longer forms part of the notes to the consolidated financial statements but instead constitutes a separate component of the consolidated financial statements of USU Software AG. Consolidated net profit and other comprehensive income are broken down according to the individual equity components. The figures for the previous year have been adjusted accordingly. The change in presentation did not affect the Group's consolidated net profit, consolidated equity or earnings per share.

- Amendment to **IAS 23 "Borrowing Costs".** The main change from the previous version of IAS 23 is the removal of the option of expensing borrowing costs incurred in connection with the acquisition, construction and production of qualifying assets. The amendment to IAS 23 did not affect the Group's consolidated financial statements.

- Amendments to **IAS 32 and IAS 1 "Puttable Financial Instruments"**. Under the previous version of IAS 32, instruments were required to be classified as financial liabilities if the issuer can be obligated to surrender cash or other financial assets to redeem or repurchase a financial instrument. As a result of the amendments, some of these financial instruments are now classified as equity if they represent the residual interest in the net assets of the entity. The amendments to IAS 32 and IAS 1 did not affect the Group's consolidated financial statements.

- Revision of **IAS 39 "Reclassification of Financial Assets".** On October 27, 2008, the IASB published a revised version of the amendments to IAS 39 dated October 13, 2008. The IASB clarified that every reclassification taking place on or after November 1, 2008 would become effective at the reclassification date. However, reclassifications taking place prior to November 1, 2008 may become effective with effect from July 1, 2008 or later. Reclassifications cannot take place retroactively with effect from a date prior to July 1, 2008. The revision was adopted by the EU in September 2009 and did not affect the Group's consolidated financial statements.

- Amendment to **IFRS 2 "Vesting Conditions and Cancellations"**: (a) Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Under IFRS 2, features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. (b) All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. A cancellation of equity instruments is accounted for as an acceleration of the vesting period, meaning that any amount unrecognized that would otherwise have been charged is recognized immediately. Any payments made with the cancellation (up to the fair value of the equity instruments) are accounted for as the repurchase of capital stock. Any payment in excess of the fair value of the equity instruments granted is recognized as an expense. The amendment to IFRS 2 did not affect the Group's consolidated financial statements.

- Amendment to **IFRS 7 "Improvements to Disclosures on Financial Instruments"**: The main content of the amendment is that fair value measurement must now be presented in accordance with the three-tier fair value hierarchy. The minimum disclosures on liquidity risk have also been expanded. Other than the additional disclosures in the notes, this amendment did not affect the Group's consolidated financial statements.

- Amendments to **IAS 39 and IFRIC 9 "Embedded Derivatives"**: The amendments clarify the accounting treatment of embedded derivatives for entities that made use of the reclassification amendment issued by the IASB in October 2008. The amendments did not affect the Group's consolidated financial statements.

- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"**. IFRIC 16 primarily addresses the following issues: (a) A parent may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. (b) Hedging instruments may be held by any entity or entities within the Group, i.e. not necessarily by the parent holding the net investment. (c) When the entity disposes of the investment, IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument. IAS 21 must be applied to the hedged item. IFRIC 16 did not affect the Group's consolidated financial statements.

- In May 2008, the Board published **Improvements to IFRS** for the first time with the primary aim of removing inconsistencies and clarifying the wording of the standards.

There were transitional provisions for every standard. The amendments did not affect the Group's consolidated financial statements.

The following new or amended standards and new interpretations with a potential impact on the consolidated financial statements of USU Software AG were not yet required to be applied for the fiscal year beginning on January 1, 2009 and were not applied early:

- Amendment to **IAS 39 "Exposures Qualifying for Hedge Accounting"** (to be applied for fiscal years beginning on or after July 1, 2009). As part of the revision of IAS 39, risks that qualify for designation as hedged risks are specified and the cases when an entity may designate a portion of the cash flows from a financial instrument as a hedged item are clarified. The amendments to IAS 39 currently have no impact on the Group's consolidated financial statements.
- Revision of **IFRS 3 and IAS 27 "Business Combinations, Phase II"**. The amendment to the standards relates to capital consolidation and the accounting treatment of goodwill. These changes include: (a) Costs incurred in connection with a business combination are to be recognized as an expense. (b) The accounting treatment of contingent consideration whose amount depends on events after acquisition (e.g. earn-out clauses, payments upon achieving earnings targets) depends on whether the additional payment is to be made in the form of equity instruments or cash and cash equivalents, for example. (c) Goodwill may be recognized using the full goodwill method, i.e. also on minority interests (now "non-controlling interests"). (d) Disposals of equity interests without loss of control are recognized as pure equity transactions among the owners, e.g. a gain or loss is not recognized. (e) The same applies to the acquisition of additional equity interests in subsidiaries after control is obtained. The revised version of IFRS 3 is generally required to be applied prospectively for fiscal years beginning on or after July 1, 2009. The amendments will affect the Group's net assets, financial position and results of operations depending on the nature and scope of future transactions.
- **IFRIC 17 "Distributions of Non-Cash Assets to Owners"**. Under IFRIC 17, a dividend payable should be recognized when the dividend is authorized and is no longer at the discretion of the entity making the distribution. Non-cash dividends should be measured at the fair value of the net assets to be distributed. Any difference between the fair value and the carrying amount of the assets should be recognized in profit or loss. IFRIC 17 currently has no impact on the Group's consolidated financial statements. IFRIC 17 is required to be applied prospectively for fiscal years beginning on or after July 1, 2009.

- Amendments to **IFRS 2 “Group Cash-settled Share-based Payment Transactions”**. The amendments relate to the accounting treatment of cash-settled share-based payment transactions within the Group. An entity that receives goods or services in a share-based payment arrangement must account for those goods and services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash. If accepted in their current form by the EU, the amendments to IFRS 2 will be applicable retrospectively for fiscal years beginning on or after January 1, 2010. They do not currently affect the Group’s consolidated financial statements.

- **IFRS 9 “Financial Instruments”**. IFRS 9 relates to the classification and measurement of financial instruments. Under IFRS 9, for example, all financial instruments currently falling within the scope of IAS 39 will be divided into two classifications – those measured at amortized cost and those measured at fair value. If accepted in its current form by the EU, IFRIC 9 will be applicable for fiscal years beginning on or after January 1, 2013. IFRS 9 will impact on the classification and measurement of the financial instruments held by the Group.

- **IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”**. If a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are consideration paid. Accordingly, the debtor should derecognize the financial liability in part or in full. The debtor should measure the equity instruments issued to the creditor at fair value, unless fair value cannot be reliably determined, in which case the equity instruments issued are measured at the fair value of the liability extinguished. If accepted in its current form by the EU, IFRIC 19 will be applicable for fiscal years beginning on or after July 1, 2009, and does not currently affect the Group’s consolidated financial statements.

- **Improvements to IFRS 2009.** In April 2009, the Board published Improvements to IFRS with the primary aim of removing inconsistencies and clarifying the wording of the standards. There are transitional provisions for every standard. If accepted in their current form by the EU, the amendments will be applicable for fiscal years beginning on or after January 1, 2009 at the earliest, and do not currently affect the Group’s consolidated financial statements.

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.

4. Consolidated group

The Group consists of USU Software AG and eight German and foreign subsidiaries. The consolidated group expanded to include the newly formed USU Austria GmbH, Austria, with effect from January 1, 2009. Until this date, the Group maintained a permanent establishment in Austria.

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

Consolidated group Name and domicile of the company	Equity interest in %	Subscribed capital EUR thou.	Equity Dec. 31, 2009 EUR thou.	Net profit 2009 EUR thou.
USU AG, Möglingen	100.00	5,738	8,079	1,487
LeuTek GmbH, Leinfelden-Echterdingen [1)]	100.00	26	2,412	1,920
Omega Software GmbH, Obersulm [1)]	100.00	77	970	11
USU Software s.r.o., Brno, Czech Republic	100.00	58	199	17
USU (Schweiz) AG, Zug, Switzerland	100.00	68	-231	135
USU Austria GmbH, Vienna, Austria	100.00	35	-318	-353
Openshop Internet Software GmbH, Ludwigsburg	100.00	40	-773	4
Gentner PROCommunication GmbH i. L., Möglingen	100.00	51	-932	0

[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 euro zone were translated to EUR using the following exchange rates:

	Closing rate		Average rate for the year	
Currency (EUR 1 =)	Dec. 31, 2009	Dec. 31, 2008	2009	2008
Swiss francs (CHF)	1.4836	1.4850	1.5076	1.5786
Czech koruna (CZK)	26.465	26.394	26.499	24.999

6. Use of significant estimates and assumptions

The preparation of the annual 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 (notes 7.6 and 13), determining the probable economic life of intangible assets (notes 7.1 and 8), the decision in favor of not capitalizing software development costs (note 7.18), bad debt allowances (note 14), contingent liabilities, pension provisions (note 21) and other provisions (note 23), as well as the estimation of the recoverability of future tax benefits in the form of the recognition of deferred taxes from tax loss carryforwards (note 28).

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

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 27.28.

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 2008 and 2009 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 8 and 9.

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 and LeuTek GmbH (with the exception of Omega GmbH), the CGUs are defined as USU AG together with Omega GmbH, where a distinction is also made between Product Business and Service Business, as well as the subsidiary LeuTek, which is fully allocated to Product Business in the same way as Omega GmbH. Information on the distinction between the Product Business and Service Business segments can be found in the notes on segment reporting in section F below.

In addition, goodwill is reduced and a loss recognized in the amount by which deferred taxes from tax loss carryforwards at subsidiaries that are not initially required to be recognized are subsequently recognized in profit or loss due to adjusting events.

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 reinsurance policies, non-current 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 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 which 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 no longer held any treasury shares as of December 31, 2009.

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 was 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, non-current 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 advance payments received

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. Leases

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

The Group has only entered into operating leases.

7.16. Sales

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. NOTES TO THE CONSOLIDATED BALANCE SHEET

8. 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 1,359 thousand that can be allocated to the CGUs as follows:

CGU	2009 EUR thou.	2008 EUR thou.
USU AG / OMEGA (Product Business)	445	445
USU AG (Service Business)	85	85
LeuTek (Product Business)	829	829
	1,359	**1,359**

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 9.

The trademarks and brands relate to both the Product Business and the Service Business segments (information on segment reporting can be found in section F 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.

9. Goodwill

Goodwill contains amounts from the transfer of business operations (asset deals) as well as 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 and LeuTek.

In previous years, these companies also constituted the CGUs, although a distinction was also made between Product Business and Service Business in the case of USU AG. As the operating business of USU AG and OMEGA dovetailed to a large extent in the 2009 fiscal year, OMEGA was integrated into the USU AG (Product Business) CGU. As a result, there are three CGUs for the 2009 fiscal year: 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 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:

	2009	2010	2011
USU AG / OMEGA (Product Business)	14.56%	10.45%	10.56%
USU AG (Service Business)	8.23%	7.88%	7.42%
LeuTek (Product Business)	7.38%	8.18%	8.08%

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 1.0% (2008: 1.0%).

In calculating the present value, a post-tax capitalization rate of 9.53% (2008: 9.52%) was applied for the USU AG (Product Business) and LeuTek CGUs, corresponding to a pre-tax capitalization rate of 12.12% (2008: 12.21%). For the USU AG (Service Business) CGU, a post-tax capitalization rate of 7.78% (2008: 7.77%) was applied, corresponding to a pre-tax capitalization rate of 9.97% (2008: 10.01%).

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.

In addition, goodwill is reduced and a loss recognized in the amount by which deferred taxes from tax loss carryforwards at subsidiaries that are not initially required to be recognized are subsequently recognized in profit or loss. As a result of the positive earnings development in recent years, deferred tax assets from tax loss carryforwards were again recognized in income in the amount of EUR 998 thousand (2008: EUR 124 thousand) at the subsidiary USU AG in the 2009 fiscal year, and goodwill was reduced by the same amount. The implementation of this accounting requirement in accordance with IAS 12.68 did not have a net impact on earnings after taxes.

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

CGU	2009 EUR thou.	2008 EUR thou.
USU AG / OMEGA (Product Business)	13,254	14,067
USU AG (Service Business)	2,408	2,593
LeuTek (Product Business)	10,448	10,448
	26,110	**27,108**

The changes in goodwill for each reporting unit in the 2008 and 2009 fiscal years are shown in the following table.

	Product Business	Service Business	Group
As of January 1, 2008	**23,739**	**2,616**	**26,355**
Impairment loss in the amount of the recognition of deferred tax assets from tax loss carryforwards (USU AG)	-101	-23	-124
Earn-out obligation (LeuTek)	877	0	877
As of December 31, 2008	**24,515**	**2,593**	**27,108**
Impairment loss in the amount of the recognition of deferred tax assets from tax loss carryforwards (USU AG)	-814	-184	-998
As of December 31, 2009	**23,701**	**2,409**	**26,110**

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

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.

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

10. Property, plant and equipment

Depreciation of property, plant and equipment amounted to EUR 274 thousand in the 2009 fiscal year (2008: EUR 279 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).

11. Other non-current assets

Other non-current assets primarily include the capitalized values of reinsurance policies under which the beneficiaries have no access to the insurance, which totaled EUR 598 thousand (2008: EUR 500 thousand).

12. Inventories

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

The cost of materials for inventories amounted to EUR 1,201 thousand in the past fiscal year (2008: EUR 1,540 thousand).

13. Work in progress

The following table provides an overview of total work in progress and the associated billings as of December 31, 2009 and 2008:

	2009 EUR thou.	2008 EUR thou.
Contract costs plus unbilled contract earnings	3,990	2,786
of which: from service agreements in accordance with IAS 18	1,116	1,033
of which: from construction contracts in accordance with IAS 11	2,874	1,753
less amounts received from progress billings	-2,424	-1,402
Balance	**1,566**	**1,384**
of which: work in progress	1,798	1,827
of which: liabilities from advance payments received	-232	-443

Sales of EUR 3,983 thousand were generated from construction contracts in accordance with IAS 11 in the 2009 fiscal year (2008: EUR 3,414 thousand).

14. Trade receivables

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

	2009 EUR thou.	2008 EUR thou.
Trade receivables	5,098	5,621
Valuation allowances as of January 1	-238	-409
Utilizations in the fiscal year	28	240
Additions recognized in profit or loss	-54	-69
Reversals	0	0
Valuation allowances as of December 31	-263	-238
	4,835	**5,383**

As of December 31, 2009, valuation allowances were recognized for trade receivables with a nominal value of EUR 422 thousand (2008: EUR 358 thousand).
The following table contains an analysis of overdue trade receivables for which valuation allowances have not been recognized:

			Overdue but not subject to valuation allowances				
	Total	Neither overdue nor subject to valuation allowances	<30 days	31-90 days	91-180 days	181-360 days	>360 days
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
2009	4,675	3,750	925	0	0	0	0
2008	5,263	3,897	1,366	0	0	0	0

In the case of overdue 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.

15. Income tax receivables

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

16. Other current financial assets

Other current financial assets are composed of the following items:

	2009 EUR thou.	2008 EUR thou.
Receivables from employees	44	67
Interest accrued on securities	1	34
Other receivables	151	143
	196	**244**

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

	Total	Neither overdue nor subject to valuation allowances	Overdue but not subject to valuation allowances				
			<30 days	30-90 days	91-180 days	181-360 days	>361days
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
2009	196	196	0	0	0	0	0
2008	244	244	0	0	0	0	0

17. Prepaid expenses

Prepaid expenses primarily contain deferred trade fair costs and expenses relating to service agreements.

18. 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 EUR thou.	Unrealized gains EUR thou.	Unrealized losses EUR thou.	Fair value EUR thou.
2009	502	0	-47	455
2008	3,463	63	-121	3,405

As of December 31, 2009, a total of EUR 455 thousand (2008: EUR 1,367 thousand) of the available-for-sale securities were due within one year, EUR 0 (2008: EUR 2,038 thousand) between one and five years, and EUR 0 (2008: EUR 0) after more than ten years. The net proceeds from the disposal of available-for-sale securities in the 2009 fiscal year consist of gross gains in the amount of EUR 89 thousand (2008: EUR 39 thousand) and gross losses in the amount of EUR 16 thousand (2008: EUR 0).

19. Cash on hand and bank balances

This item is broken down as follows:

	2009 EUR thou.	2008 EUR thou.
Fixed-term deposits and overnight money	3,052	2,465
Demand deposits	7,373	3,667
Cash on hand	8	4
	10,433	**6,136**

20. Equity

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

20.1. Share capital and shares

Following the withdrawal of treasury shares, the subscribed capital of the Company decreased by EUR 314 thousand to EUR 10,021 thousand as of December 31, 2009. This amount is divided into 10,021,054 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

20.2. Authorized capital

By resolution of the Annual General Meeting on 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.

20.3. Contingent capital

By resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may 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, 2009.

20.4. Capital reserves

Capital reserves primarily contain the cash premium from the issue of shares by USU Software AG and amounted to EUR 51,490 thousand at the balance sheet date.

20.5. Legal reserve

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

20.6. Treasury shares

By resolution of the Annual General Meeting on June 25, 2009, the Management Board of the Company was authorized, subject to the approval of the Supervisory Board, to acquire treasury shares in one or more installments up to and including December 24, 2010 in accordance with section 71 (1) no. 8 AktG. The acquired shares, together with any other shares which the Company may hold as a result of earlier authorizations to acquire treasury shares, may not exceed 10% of the Company's share capital at the time of this authorization.

As of December 31, 2008, the Company held a total of 313,950 treasury shares with a notional interest in the share capital of EUR 314 thousand. This represented 3.0% of the share capital as of December 31, 2008. With effect from May 13, 2009, the Company withdrew all 313,950 treasury shares in order to reduce its share capital. Accordingly, USU Software AG no longer holds any treasury shares as of December 31, 2009.

20.7. 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.

		2009	2008
Consolidated net profit for the period:	(EUR thou.)	1,546	1,294
Annual average number of shares outstanding:		10,021,054	10,185,235
Basic earnings per share:	(EUR)	0.15	0.13

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

	2009	2008
Number of shares at January 1	10,021,054	10,335,004
Treasury shares at January 1	0	-53,950
Buyback of treasury shares in 2008	0	-260,000
Number of shares at December 31	**10,021,054**	**10,021,054**

20.8. Appropriation of net profit

The Management Board is proposing the distribution of a dividend of EUR 0.15 per share for a total of 10,021,054 no-par value shares (EUR 1,503 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2009. Treasury shares are not dividend-bearing.

21. Pension provisions

The Group has pension commitments to LeuTek employees which provide for a lump-sum payment for the beneficiaries at the age of 65. USU AG also maintains a pension plan for a former Management Board member and a current member of the Supervisory Board. This defined benefit plan guarantees the 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 5.80% (2008: 6.32%) and a fluctuation rate of 0% (2008: 0%). 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. The expected average annual return on plan assets is 3.8% (2008: 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, 2009.

As of December 31, 2009, the Company offset a (cumulative) total of EUR 89 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, reinsurance 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:

	2009 EUR thou.	2008 EUR thou.	2007 EUR thou.	2006 EUR thou.	2005 EUR thou.
Present value of benefit obligation at the start of the fiscal year	1,307	1,402	1,664	1,351	1,061
Addition from company acquisition (LeuTek)	0	0	0	250	0
Current service cost	18	19	20	4	0
Interest cost	83	77	75	63	53
Actuarial gains/losses taken directly to equity	134	-191	-357	-4	237
Present value of benefit obligation at the end of the fiscal year	**1,542**	**1,307**	**1,402**	**1,664**	**1,351**

Development of plan assets:

	2009 EUR thou.	2008 EUR thou.	2007 EUR thou.	2006 EUR thou.	2005 EUR thou.
Fair value of plan assets at the start of the fiscal year	1,153	1,104	1,068	790	639
Addition from company acquisition (LeuTek)	0	0	0	93	0
Income from plan assets (interest income)	37	35	38	30	24
Contributions to plan assets	52	64	33	134	134
Amortization of plan assets	-5	-44	-25	0	0
Actuarial gains/losses taken directly to equity	-8	-6	-10	21	-7
Fair value of plan assets at the end of the fiscal year	**1,229**	**1,153**	**1,104**	**1,068**	**790**

Development of the obligation reported on the face of the balance sheet:

	2009 EUR thou.	2008 EUR thou.	2007 EUR thou.	2006 EUR thou.	2005 EUR thou.
Present value of pension obligation	1,542	1,307	1,402	1,664	1,351
Fair value of plan assets	1,229	1,153	1,104	1,068	790
Obligation reported on the face of the balance sheet	**313**	**154**	**298**	**596**	**561**

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 2010 fiscal year are estimated at EUR 25 thousand.

The following amounts were reported in the income statement:

	2009 EUR thou.	2008 EUR thou.	2007 EUR thou.	2006 EUR thou.	2005 EUR thou.
Current service cost	-18	-19	-20	-4	0
Interest cost	-83	-77	-75	-63	-53
Income from plan assets (interest income)	37	35	38	30	24
Amortization of plan assets	-5	-44	-25	0	0
	-69	**-105**	**-82**	**-37**	**-29**

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 42 thousand in the year under review (2008: EUR 32 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 1,116 thousand (2008: EUR 1,047 thousand), of which EUR 29 thousand (2008: EUR 22 thousand) was attributable to Management Board members.

22. Personnel-related liabilities

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

	2009 EUR thou.	2008 EUR thou.
Vacation and variable compensation	2,617	2,754
Other personnel-related liabilities	483	454
	3,100	**3,208**

23. Other provisions and liabilities

Other provisions and liabilities include the following items:

	2009 EUR thou.	2008 EUR thou.
Outstanding invoices	632	231
Other liabilities	899	1,507
Other provisions	544	546
	2,075	**2,284**

Other provisions mainly comprise provisions for obligations under company law and other identifiable individual risks. Other provisions developed as follows in the 2009 fiscal year:

in EUR thousand	At Jan. 1, 2009	Additions	Utilizations	Reversals	At Dec. 31, 2009
Operating obligations	307	246	248	40	265
Other obligations	239	59	19	0	279
	546	**305**	**267**	**40**	**544**

24. Liabilities from advance payments received

This item relates to advance payments that exceed the services rendered for the individual contracts in question, further information on which can be found in the disclosures on work in progress (note 13), as well as advance payments received for licenses ordered.

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

25. Trade payables

All trade payables are due within one year.

26. Additional disclosures on financial instruments

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

			Measurement in accordance with IAS 39			
in EUR thousand at Dec. 31, 2009	**IAS 39 category/ IFRS 7 class**	**Carrying Amount**	Amortized cost	Fair value through equity	Fair value through profit or loss	**Fair value**
Non-current financial instruments Loans to members of the Management Board, rental deposit	L+R [1]	377	377	0	0	377
Work in progress	IAS 11	1,798	-	-	-	1,798
Trade receivables	L+R	4,835	4,835	0	0	4,835
Other current financial assets	L+R	196	196	0	0	196
Current financial instruments	AfS [2]	455	0	455	0	455
Cash on hand and bank balances	L+R	10,433	10,433	0	0	10,433
Aggregated by class/category						
Loans and receivables	L+R	15,841	15,841	0	0	15,841
Available for sale	AfS	455	0	455	0	0
Work in progress	IAS 11	1,798	-	-	-	1,798

[1] L+R: Loans and receivables

[2] AfS: Available for sale

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in EUR thousand at Dec. 31, 2009	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	
Current financial liabilities						
Trade payables	Amortized cost	726	726	0	0	726
Liabilities from advance payments received	Amortized cost/IAS 11	239	239	0	0	239
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	965	965	0	0	965

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

in EUR thousand at Dec. 31, 2008	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, rental deposit	L+R	367	367	0	0	367
Work in progress	IAS 11	1,827	-	-	-	1,827
Trade receivables	L+R	5,383	5,383	0	0	5,383
Other current financial assets	L+R	244	244	0	0	244
Securities	AfS	3,405	0	3,405	0	3,405
Cash on hand and bank balances	L+R	6,136	6,136	0	0	6,136
Aggregated by class/category						
Loans and receivables	L+R	12,130	12,130	0	0	12,130
Available for sale	AfS	3,405	0	3,405	0	0
Work in progress	IAS 11	1,827	-	-	-	1,827

in EUR thousand at Dec. 31, 2008	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	
Current financial liabilities						
Trade payables	Amortized cost	1,122	1,122	0	0	1,122
Liabilities from advance payments received	Amortized cost/IAS 11	461	461	0	0	461
Aggregated by class/category						
Measured at amortized cost	Amortized cost/IAS 11	1,583	1,583	0	0	1,583

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	Interest	Remeasurement			Disposal	Net income	
		at fair value	Write-down	Reversal of write-down		2009	2008
Net gains/losses from financial instruments in the category:							
Loans and receivables	178	0	-54	0	**-155**	-31	94
Available for sale	65	10	0	0	**73**	148	199
Financial liabilities carried at amortized cost	0	0	0	0	**0**	0	0
Total	**243**	**10**	**-54**	**0**	**-82**	**117**	**293**

The interest from financial instruments classified as loans and receivables and the other components of net profit are reported in net financial income (see notes 37 and 38). 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 10 thousand were recognized in equity in the 2009 fiscal year (2008: EUR 39 thousand). Of the amounts recognized in equity, losses totaling EUR 1 thousand (2008: gains of EUR 13 thousand) were transferred to the income statement in the 2009 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:

	2009 EUR thou.	2008 EUR thou.
Valuation allowances and write-downs in the category:		
Loans and receivables	-54	-69
Available for sale	0	0
	-54	**-69**

27. Deferred income

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

28. Deferred taxes

Due to the positive earnings development in recent years and the growth in earnings that is forecast for 2010 and 2011, deferred tax assets from tax loss carryforwards were recognized for future income at both USU AG and USU Software AG in the amount of EUR 1,896 thousand (2008: EUR 978 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 (2008: one-year planning period).

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

	2009 EUR thou.	2008 EUR thou.	Change recognized in profit or loss 2009 EUR thou.	Change taken directly to equity 2009 EUR thou.
Deferred tax assets:				
Provisions	104	95	-26	35
Intangible assets	64	0	64	0
Receivables	152	127	25	0
Other	25	14	11	0
From tax loss carryforwards	3,705	2,856	849	0
Deferred tax assets (gross)	**4,050**	**3,092**	**923**	**35**
Deferred tax liabilities:				
Provisions	23	49	26	0
Intangible assets	1,318	1,514	196	0
Work in progress	455	379	-76	0
Securities	13	34	24	-3
Receivables	329	0	-329	0
Other	16	138	122	0
Deferred tax liabilities (gross)	**2,154**	**2,114**	**-37**	**-3**
Balance	**1,896**	**978**	**886**	**32**
Net deferred taxes reported in the balance sheet:				
Deferred tax assets	1,896	978		
Deferred tax liabilities	0	0		

As of December 31, 2009, deferred tax assets from tax loss carryforwards in Germany were not recognized in the amount of approximately EUR 37,708 thousand (2008: EUR 42,362 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 281 thousand (2008: EUR 417 thousand).

Tax loss carryforwards of EUR 20,252 thousand (2008: 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. Tax loss carryforwards for foreign income tax can be carried forward for a maximum of seven years.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

29. Sales

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

Sales of goods and services can be broken down as follows:

	2009 EUR thou.	2008 EUR thou.
Consulting	20,096	19,751
Licenses	5,559	5,968
Maintenance	7,198	6,586
Other	1,195	1,672
	34,048	**33,977**

30. Cost of sales

The cost of sales includes the following items:

	2009 EUR thou.	2008 EUR thou.
Personnel expenses	7,731	7,380
Fees for freelance staff and temporary workers	6,678	6,750
Depreciation and amortization	175	169
Other expenses	2,970	3,099
	17,554	**17,398**

31. Selling and marketing expenses

Selling and marketing expenses include the following items:

	2009 EUR thou.	2008 EUR thou.
Personnel expenses	3,445	3,192
Depreciation and amortization	48	50
Other expenses	2,398	2,835
	5,891	**6,077**

32. General administrative expenses

General administrative expenses include the following items:

	2009 EUR thou.	2008 EUR thou.
Personnel expenses	1,597	1,607
Depreciation and amortization	36	63
Other expenses	1,129	1,321
	2,762	**2,991**

33. Research and development expenses

Research and development expenses include the following items:

	2009 EUR thou.	2008 EUR thou.
Personnel expenses	4,664	4,267
Depreciation and amortization	108	91
Other expenses	864	969
	5,636	**5,327**

34. Other operating income

This item contains income from the reversal of provisions in the amount of EUR 41 thousand (2008: EUR 28 thousand) and from the disposal of assets totaling EUR 26 thousand (2008: EUR 4 thousand).

35. Other operating expenses

Other operating expenses contain prior-period expenses in the amount of EUR 10 thousand (2008: EUR 495 thousand).

36. Goodwill impairment

Due to the positive earnings development in recent years and the growth in earnings that is forecast for 2010 and 2011, new deferred tax assets from tax loss carryforwards were recognized in income in the amount of EUR 998 thousand (2008: EUR 124 thousand) at the subsidiary USU AG in the 2009 fiscal year (see note 9), and goodwill was reduced by the same amount. The implementation of this accounting requirement in accordance with IAS 12.68 did not have a net impact on earnings after taxes.

As neither LeuTek nor OMEGA had any tax loss carryforwards at the time of their acquisition, no further impairment of goodwill was recognized despite the recognition of deferred tax assets from tax loss carryforwards at USU Software AG as the fiscal entity.

37. Financial income

Financial income includes the following items:

	2009 EUR thou.	2008 EUR thou.
Interest income	243	355
Interest in accordance with section 233a of the German Tax Code (AO)	55	301
Reversal of bad debt allowances	0	0
Gain from the disposal of securities	89	36
Other	50	58
Financial income	**437**	**750**

38. Financial expense

Financial expense includes the following items:

	2009 EUR thou.	2008 EUR thou.
Interest cost of pension obligation	79	93
Interest in accordance with section 233a of the German Tax Code (AO)	5	140
Loss on disposal of securities	16	0
Other	16	9
Financial expense	**116**	**242**

39. Income taxes

Income taxes are composed as follows:

	2009 EUR thou.	2008 EUR thou.
Income taxes for the fiscal year	-125	-128
Income taxes for previous years	11	-51
Deferred taxes	886	-2
Tax income/expense	**772**	**-181**

In the 2009 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:

	2009 EUR thou.	2008 EUR thou.
Profit before income taxes	774	1,475
Theoretical tax expense (27.9%)	-216	-412
Changes in the theoretical tax expense due to:		
Reversal of write-down on deferred taxes from tax loss carryforwards	1,353	405
Effect of changes in tax rates	0	0
Unrecognized deferred taxes from tax loss carryforwards	-88	0
Goodwill impairment	-278	-35
Tax refunds/back payments for prior periods	11	-51
Non-deductible expenses	-21	-42
Differences between domestic and foreign tax rates	11	3
Other	0	-49
Tax income/expense	**772**	**-181**

40. Other disclosures on the income statement

The average number of employees in the fiscal year was:

	2009	2008
Consulting and services	108	101
Research and development	94	89
Administration and finance	26	27
Sales and marketing	36	34
	264	**251**

Personnel expenses can be broken down as follows:

	2009 EUR thou.	2008 EUR thou.
Wages and salaries	14,930	13,972
Social security, pensions and other benefit costs	2,508	2,475
	17,438	**16,447**

Depreciation and amortization expense can be broken down as follows:

	2009 EUR thou.	2008 EUR thou.
Amortization of intangible assets	820	918
Depreciation of property, plant and equipment	275	279
Goodwill impairment	998	124
	2,093	**1,321**

E. NOTES TO THE CONSOLIDATED 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 44). 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.

41. Net cash from operating activities

The USU Group generated net cash from operating activities of EUR 4,036 thousand in the 2009 fiscal year (2008: EUR 1,814 thousand).

42. Net cash from investing activities

Net cash from investing activities primarily reflects the disposal of securities in the amount of EUR 3,621 thousand in the past fiscal year. As a result, net cash from investing activities totaled EUR 2,536 thousand in the year under review after net cash used in investing activities of EUR 1,069 thousand in the previous year.

Investments in property, plant and equipment and intangible assets totaled EUR 442 thousand (2008: EUR 343 thousand) and primarily related to cash outflows for new and replacement investments in hardware and software.

43. Net cash used in financing activities

Net cash used in financing activities in the period under review primarily relates to the dividend distribution to the shareholders of USU Software AG in June 2009 in the amount of EUR 1,503 thousand (EUR 0.15 per share for a total of 10,021,054 no-par value shares).

44. 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.

	2009 EUR thou.	2008 EUR thou.
Fixed-term deposits and overnight money with a term of less than 3 months	3,052	165
Demand deposits	5,846	3,667
Cash on hand	8	4
	8,906	3,836

F. 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
- KnowledgeCenter, for the optimization of knowledge-intensive business processes.

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 as described in note 7. The Group measures the success of its segments based on the key performance indicator described in 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.

Segment assets, segment liabilities and segment earnings are calculated in accordance with the accounting policies applied by the Group in preparing the consolidated financial statements.

Segment assets include all assets but exclude assets from income taxes and certain financial instruments (including liquidity).

Segment liabilities include all liabilities but exclude income tax liabilities and liabilities for pensions and similar obligations as well as 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		Segment total		Unallocated		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Sales	**22,815**	**22,320**	**11,203**	**11,621**	**34,018**	**33,941**	**30**	**36**	**34,048**	**33,977**
Earnings before net financial income and income taxes (EBIT)	2,240	2,003	267	1,396	2,507	3,399	-2,054	-2,432	453	967
Financial income					0	0	437	750	437	750
Financial expense					0	0	-116	-242	-116	-242
Income taxes					0	0	772	-181	772	-181
Consolidated net profit for the period	**2,240**	**2,003**	**267**	**1,396**	**2,507**	**3,399**	**-961**	**-2,105**	**1,546**	**1,294**
Segment assets/ Group assets	34,252	35,855	5,263	5,972	39,515	41,827	14,015	12,326	53,530	54,153
of which: goodwill	23,701	24,515	2,409	2,593	26,110	27,108	0	0	26,110	27,108
Segment liabilities/ Group liabilities	4,697	4,813	948	1,119	5,645	5,932	2,004	2,300	7,649	8,232
Segment investments	326	265	103	57	429	322	14	21	443	343
Depreciation and amortization	971	1,071	104	102	1,075	1,173	20	24	1,095	1,197
Goodwill impairment	814	101	184	23	998	124	0	0	998	124
Number of employees at Dec. 31	191	181	60	53	251	234	18	18	269	252

There were no inter-segment sales in the 2009 or 2008 fiscal years.

In the 2009 fiscal year, EUR 2,846 thousand (2008: EUR 2,287 thousand) or 8.4% (2008: 6.7%) of consolidated sales were generated outside Germany and EUR 31,202 thousand (2008: EUR 31,689 thousand) or 91.6% (2008: 93.3%) 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:

	2009 EUR thou.	2008 EUR thou.
Segment assets	**39,515**	**41,827**
Unallocated assets		
Current financial instruments	0	2,960
Cash on hand and bank balances	10,191	5,936
Deferred tax assets	1,896	978
Income tax receivables	900	1,392
Other assets	1,028	1,060
	14,015	**12,326**
Group assets	**53,530**	**54,153**

	2009 EUR thou,	2008 EUR thou,
Segment liabilities	**5,645**	**5,932**
Unallocated liabilities		
Pension provisions	313	154
Other liabilities	1,691	2,146
	2,004	**2,300**
Group liabilities	**7,649**	**8,232**

G. OTHER DISCLOSURES

45. 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 on 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 2009 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 at arm's-length conditions.

45.1. Udo Strehl/Udo Strehl Private Equity GmbH (USPEG)

USU AG was charged a total of EUR 15 thousand (2008: EUR 29 thousand) for cost reimbursements for sales activities performed by USPEG in the 2009 fiscal year. USU AG also assumed car rental, travel and telecommunications expenses incurred by Mr. Udo Strehl in conjunction with sales and marketing activities in the amount of EUR 20 thousand (2008: EUR 17 thousand).

45.2. 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 28 thousand in the 2009 fiscal year (2008: EUR 36 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 19.5 thousand (2008: EUR 19.5 thousand) plus ancillary costs. The rental deposit in the amount of EUR 240 thousand has accrued interest of 4% p.a. since January 1, 2008. In the past fiscal year, USU AG was invoiced EUR 245 thousand (2008: EUR 245 thousand) for the rental of the administrative building and parking spaces.

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 (2008: EUR 10 thousand) was paid for this office.

45.3. Earn-out obligations towards shareholders

There was no obligation for the 2009 fiscal year.

45.4. Loans to shareholders

At December 31, 2009, the Company had a short-term loan receivable of EUR 22 thousand from the Managing Director of OMEGA, who also holds a minority interest in USU Software AG. The loan bears interest at 4% p.a. There is no fixed repayment plan. A total of EUR 17 thousand was repaid in the 2009 fiscal year.

45.5. 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, member of the Management Board of USU AG since January 1, 2009)

The compensation paid to the members of the Management Boards totaled EUR 792 thousand in the 2009 fiscal year (2008: EUR 556 thousand).

Fixed compensation: EUR 525 thousand (2008: EUR 388 thousand)

Variable compensation: EUR 166 thousand (2008: EUR 94 thousand)

Non-cash benefit from private use of company cars: EUR 59 thousand (2008: EUR 42 thousand)

Defined contribution pension costs: EUR 42 thousand (2008: EUR 32 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. Repayments are based on a certain percentage of the variable compensation earned. A total of EUR 0 thousand was repaid in the 2009 fiscal year. Accordingly, the value of the loan remained unchanged at EUR 117 thousand as of December 31, 2009.

The total compensation paid to the Supervisory Board in the 2009 fiscal year was EUR 108 thousand (2008: EUR 108 thousand). The provisions on the compensation paid to the Supervisory Board are described in the “Principles of the compensation system” chapter of the Management Report.

Information on the pension provision recognized for a member of the Supervisory Board and a former member of the Management Board can be found in note 21.

46. Auditor’s fees

a) Audits of financial statements (single-entity and consolidated financial statements)

EUR 98 thousand (2008: EUR 98 thousand)

b) Other services

EUR 4 thousand (2008: EUR 4 thousand)

47. Other disclosures

47.1. Contingent liabilities

There were no contingent liabilities to report as of December 31, 2009 and 2008.

47.2. 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, purchase commitments and other financial obligations can be broken down as follows:

	2009 EUR thou.	2008 EUR thou.
Operating lease obligations		
In the next 12 months	599	587
In the next 13 to 60 months	475	592
In more than 60 months	0	0
	1,074	**1,179**
Other financial obligations from building rentals		
In the next 12 months	763	728
In the next 13 to 60 months	1,001	1,834
In more than 60 months	744	984
	2,508	**3,546**
	3,582	**4,725**

Expenses for operating leases and rental agreements totaled EUR 1,337 thousand in the 2009 fiscal year (2008: EUR 1,187 thousand).

47.3. Contingent assets

A tax audit for the 2001-2004 assessment periods, which was completed in 2008, resulted in back payments due to deducted input tax that was not recognized in previous years. USU Software AG has filed an appeal against the underlying tax assessments with the relevant tax authority. The Company expects this to result in reimbursements excluding proportionate interest income of EUR 545 thousand that were not reported on the face of the balance sheet as of December 31, 2009.

48. 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, 2009 and 2008, 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.

A decision in the arbitration proceedings on the appropriateness of the cash compensation paid in conjunction with the squeeze-out of the minority shareholders of USU AG was still outstanding as of December 31, 2009. The expert appraisal commissioned by court order has determined that the share price of USU AG as of June 13, 2004 was significantly lower than the cash compensation paid. A risk provision of EUR 44 thousand has been recognized for the expected legal, court and appraisal costs (December 31, 2008: EUR 61 thousand).

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

49. Executive bodies

49.1. Management Board

In the 2009 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 211 thousand. Details can be found in the “Principles of the compensation system” chapter of the Management Report on the Company and the Group.

49.2. Supervisory Board

In the 2009 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
Insurance broker

Member of the Supervisory Board of Bühler Barth AG, Freiberg a. N.
Vice Chairman of the Supervisory Board of USU AG, Möglingen
Member of the Administrative Board of Kreissparkasse Ludwigsburg, Ludwigsburg

Erwin Staudt
Diplom-Volkswirt
Full-time President of VfB Stuttgart 1893 e.V., Stuttgart
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

50. 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).

50.1. 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 certain customers 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.

50.2. 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.

50.3. Securities price risk/interest rate-related fair value risk

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

As of December 31, 2009, the Group only held variable-interest bonds whose fair value is not subject to interest rate risk. The securities reported in the previous year were initially fixed-income securities. This entails a price risk in the event of changes in interest rates, as the fair value of the respective financial instrument fluctuates depending on interest rate developments.
If the market interest rate at December 31, 2009 had been one basis point higher (lower), the fair value of the fixed-income financial instruments would have been EUR 80 thousand lower (EUR 78 thousand higher). Accordingly, the Company’s equity would have decreased by EUR 80 thousand or increased by EUR 78 thousand respectively. As changes in fair value are taken directly to equity, this would have had no effect on net profit.

50.4. 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, 2009 had been 1% higher (lower), net profit and equity would each have been EUR 68 thousand (December 31, 2008: EUR 56 thousand) higher (lower).

50.5. 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.

51. 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, 2009 and 2008, equity and total assets were as follows:

	2009 EUR thou.	2008 EUR thou.	Change %
Non-current liabilities	313	154	103.2%
Current liabilities	7,336	8,078	-9.2%
Total liabilities	**7,649**	**8,232**	**-7.1%**
Equity	**45,881**	**45,921**	**-0.1%**
Total assets	**53,530**	**54,153**	**-1.2%**
Equity ratio	85.7%	84.8%	

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.

H. 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, and by former members in particular. As of December 31, 2009, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

Shareholdings subject to mandatory disclosure	2009 No. of shares	2008 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 3,773,868 voting rights in USU Software AG (2008: 3,773,868) are allocable to Udo Strehl via Udo Strehl Private Equity GmbH 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 (2008: 32,000) are allocable to Udo Strehl via the “Knowledge is the Future” 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.

I. Dividend payment

The Management Board and the Supervisory Board are proposing the payment of a dividend of EUR 1,503 thousand (EUR 0.15 per share).

J. Declaration of conformity

On December 9, 2009, 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 Management Report on the Company and the Group.

Möglingen, February 26, 2010

Bernhard Oberschmidt
Chairman of the Management Board

USU Software AG, Möglingen

Consolidated statement of changes in non-current assets 2009

Annex A to the consolidated financial statements

	Cost				Cumulative depreciation and amortization					Carrying amounts	
	Jan. 1, 2009	Additions	Disposals	Dec. 31, 2009	Jan. 1, 2009	Additions	Disposals	Currency	Dec. 31, 2009	Dec. 31, 2009	Jan. 1, 2009
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Intangible assets											
Purchased software/orders on hand	3,894	102	0	3,996	2,979	298	0	0	3,277	719	915
Trademarks and brands	1,880	0	0	1,880	521	0	0	0	521	1,359	1,359
Service agreements	1,933	0	0	1,933	920	263	0	0	1,183	750	1,013
Customer base	2,595	0	0	2,595	649	259	0	0	908	1,687	1,946
	10,302	**102**	**0**	**10,404**	**5,069**	**820**	**0**	**0**	**5,889**	**4,515**	**5,233**
Goodwill	**47,756**	**0**	**0**	**47,756**	**20,648**	**998**	**0**	**0**	**21,646**	**26,110**	**27,108**
Property, plant and equipment											
Land and buildings	171	0	0	171	82	11	0	0	93	78	89
Other equipment, operating and office equipment	1,549	340	236	1,653	1,067	264	209	1	1,123	530	48
	1,720	**340**	**236**	**1,824**	**1,149**	**275**	**209**	**1**	**1,216**	**608**	**571**
Deferred tax assets	978	1,656	738	1,896	0	0	0	0	0	1,896	978
	978	**1,656**	**738**	**1,896**	**0**	**0**	**0**	**0**	**0**	**1,896**	**978**
Other non-current assets											
Rental deposit	250	10	0	260	0	0	0	0	0	260	250
Premium account	602	15	19	598	0	0	0	0	0	598	602
Loans	117	0	0	117	0	0	0	0	0	117	117
	969	**25**	**19**	**975**	**0**	**0**	**0**	**0**	**0**	**975**	**969**
	61,725	**2,123**	**993**	**62,855**	**26,866**	**2,093**	**209**	**1**	**28,751**	**34,104**	**34,859**

USU Software AG, Möglingen
Consolidated statement of changes in non-current assets 2008

Annex B to the consolidated financial statements

	Cost				Cumulative depreciation and amortization					Carrying amounts	
	Jan. 1, 2008	Additions	Disposals	Dec. 31, 2008	Jan. 1, 2008	Additions	Disposals	Currency	Dec. 31, 2008	Dec. 31, 2008	Jan. 1, 2008
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Intangible assets											
Purchased software/orders on hand	3,905	68	79	3,894	2,681	377	79	0	2,979	915	1,224
Trademarks and brands	1,880	0	0	1,880	521	0	0	0	521	1,359	1,359
Service agreements	1,933	0	0	1,933	638	282	0	0	920	1,013	1,295
Customer base	2,595	0	0	2,595	390	259	0	0	649	1,946	2,205
	10,313	**68**	**79**	**10,302**	**4,230**	**918**	**79**	**0**	**5,069**	**5,233**	**6,083**
Goodwill	**46,879**	**877**	**0**	**47,756**	**20,524**	**124**	**0**	**0**	**20,648**	**27,108**	**26,355**
Property, plant and equipment											
Land and buildings	141	30	0	171	71	11	0	0	82	89	70
Other equipment, operating and office equipment	1,338	245	34	1,549	832	268	32	1	1,067	482	506
	1,479	**275**	**34**	**1,720**	**903**	**279**	**32**	**0**	**1,149**	**571**	**576**
Deferred tax assets	1,041	124	187	978	0	0	0	0	0	978	1,041
	1,041	**124**	**187**	**978**	**0**	**0**	**0**	**0**	**0**	**978**	**1,041**
Other non-current assets											
Rental deposit	240	10	0	250	0	0	0	0	0	250	240
Premium account	613	27	38	602	0	0	0	0	0	602	613
Loans	120	0	3	117	0	0	0	0	0	117	120
	973	**37**	**41**	**969**	**0**	**0**	**0**	**0**	**0**	**969**	**973**
	60,685	**1,381**	**341**	**61,725**	**25,657**	**1,321**	**111**	**1**	**26,866**	**34,859**	**35,028**

AUDITOR’S REPORT

We have audited the consolidated financial statements prepared by USU Software AG, Möglingen, comprising the balance sheet, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report for the fiscal year from January 1 to December 31, 2009. 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 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 annual 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, February 26, 2010

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

Schupeck	Barth
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

Single-Entity Financial Statements

2009

CONTENTS:

SINGLE-ENTITY FINANCIAL STATEMENTS

USU Software AG, Möglingen

Balance sheet as of December 31, 2009

ASSETS

	Note	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
A. FIXED ASSETS			
Financial assets	(1)		
1. Shares in associated companies		24,252	24,252
		24,252	**24,252**
B. CURRENT ASSETS			
I. Receivables and other assets	(2)		
1. Receivables from associated companies		2,878	3,248
2. Other assets		681	1,185
		3,559	**4,433**
II. Securities classified as current assets			
Treasury shares	(3)	**0**	**106**
III. Cash on hand and bank balances		**209**	**61**
		3,768	**4,600**
C. PREPAID EXPENSES		**1**	**12**
		28,021	**28,864**

USU Software AG, Möglingen

Balance sheet as of December 31, 2009

EQUITY AND LIABILITIES

		Note	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
A.	**EQUITY**			
I.	**Subscribed capital**	(4)	10,021	10,335
	Nominal amount of shares acquired for withdrawal		0	-260
	Issued capital		**10,021**	**10,075**
II.	**Capital reserve**	(7)	**13,645**	**13,331**
III.	**Retained earnings**			
	Reserve for treasury shares	(8)	**0**	**106**
IV.	**Unappropriated surplus**		**3,208**	**3,612**
			26,874	**27,124**
B.	**PROVISIONS**			
	1. Provisions for taxes		18	39
	2. Other provisions	(9)	322	329
			340	**368**
C.	**LIABILITIES**	(10)		
	1. Trade payables		12	5
	2. Other liabilities		795	1,367
			807	**1,372**
			28,021	**28,864**

USU Software AG, Möglingen

Income statement

for the fiscal year from January 1 to December 31, 2009

		2009		2008	
	Note	EUR thou.	EUR thou.	EUR thou.	EUR thou.
1. Other operating income	(13)		619		1,029
2. Personnel expenses					
a) Wages and salaries		-347		-333	
b) Social security, pensions and other benefit costs		-47	-394	-46	-379
3. Other operating expenses	(14)		-820		-1,299
4. Income from participations (of which from associated companies: EUR 0; previous year: EUR 1,200 thousand)		0		1,200	
5. Income from profit transfer agreements	(15)	1,930		2,515	
6. Income from other securities and loans of financial assets		0		1	
7. Other interest and similar income (of which from associated companies: EUR 5 thousand; previous year: EUR 0)		66		214	
8. Write-downs of financial assets and securities classified as current assets		0		-115	
9. Other interest and similar expenses (of which from associated companies: EUR 0; previous year: EUR 0)		0	1,996	-140	3,675
10. Result from ordinary operations			**1,401**		**3,026**
11. Income taxes			-42		-99
12. Net profit for the period			**1,359**		**2,927**
13. Retained profits brought forward from the previous year			2,109		685
14. Withdrawals from capital reserves			0		614
15. Netting against shares acquired for withdrawal			0		-614
16. Income from capital reduction	(3)		54		0
17. Withdrawals from the reserve for treasury shares	(8)		106		115
18. Transfers to capital reserves	(7)		-314		-115
19. Expenses for simplified capital reduction	(3)		-106		0
20. Unappropriated surplus			**3,208**		**3,612**

USU SOFTWARE AG, MÖGLINGEN
NOTES TO THE SINGLE-ENTITY FINANCIAL STATEMENTS FOR 2009

A. General information

The annual 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 thousands of euro (“EUR thousand” or “EUR thou.”) unless otherwise stated.

B. Accounting policies

As in the previous year, the annual 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.

Securities classified as current assets are carried at the lower of cost or market.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. They are recognized in the amount dictated by prudent business judgment.

Liabilities are carried at their settlement amount.

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 single-entity financial statements).

Disclosures on participations

USU Software AG has participations in the following companies:

	Equity interest	Equity	Net profit
	Dec. 31, 2009	Dec. 31, 2009	2009
	%	EUR thou.	EUR thou.
USU AG, Möglingen	100.0	8,079	1,487
LeuTek GmbH, Leinfelden-Echterdingen 1)	100.0	2,412	1,920
Omega Software GmbH, Obersulm 1)	100.0	970	11
Openshop Internet Software GmbH, Ludwigsburg	100.0	-773	4

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

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:

	Equity interest	Equity	Net profit
	Dec. 31, 2009	Dec. 31, 2009	2009
	%	EUR thou.	EUR thou.
USU Software s. r. o., Brno, Czech Republic	100.0	199	17
USU (Schweiz) AG, Zug, Switzerland	100.0	-231	135
Gentner GmbH ProCOMMUNICATION i. L., Möglingen	100.0	-932	0
USU Austria GmbH, Vienna, Austria	100.0	-318	-353

2. Receivables and other assets

Other assets relate almost exclusively to recoverable taxes.

3. Treasury shares

By resolution of the Annual General Meeting on June 25, 2009, the Management Board of the Company was again authorized, subject to the approval of the Supervisory Board, to acquire treasury shares in one or more installments up to and including December 24, 2009 in accordance with section 71 (1) no. 8 AktG. The acquired shares, together with any other shares which the Company may hold as a result of earlier authorizations to acquire treasury shares, may not exceed 10% of the Company's share capital at the time of this authorization.

As of December 31, 2008, the Company held a total of 313,950 treasury shares with a notional interest in the share capital of EUR 314 thousand. This represented 3.0% of the share capital as of December 31, 2008.

Of this figure, 53,950 shares with a notional interest in the share capital of EUR 54 thousand or 0.5% as of December 31, 2008 were attributable to earlier acquisitions. These shares were reported as treasury shares and had a carrying amount of EUR 106 thousand as of December 31, 2008. The 53,950 shares were withdrawn by resolution of the Management Board on April 14, 2009.

On the basis of the authorizations granted by the Annual General Meeting, the Company acquired a further 260,000 treasury shares in the 2008 fiscal year, representing 2.5% of its share capital as of December 31, 2008. Based on a resolution on the withdrawal of these 260,000 shares passed by the Management Board on December 18, 2008 with the approval of the Supervisory Board, the nominal amount of the shares acquired for withdrawal in the amount of EUR 260 thousand was deducted from subscribed capital on the face of the balance sheet and reported as "Nominal amount of treasury shares acquired for withdrawal" in accordance with section 272 (1) sentence 4 HGB.

By way of a resolution dated April 24, 2009, the Supervisory Board approved the withdrawal of the 313,950 shares using the simplified withdrawal procedure set out in section 237 (3) no. 2 AktG. The capital reduction and the corresponding amendment to the Articles of Association were entered in the commercial register of the Stuttgart Local Court on May 13, 2009. USU Software AG no longer held any treasury shares as of December 31, 2009.

4. Subscribed capital

In conjunction with the aforementioned withdrawal of treasury shares, the subscribed capital of the Company was reduced by EUR 314 thousand, from EUR 10,335 thousand to EUR 10,021 thousand. The subscribed capital is divided into 10,021,054 (2008: 10,335,004) no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

5. Authorized capital

By resolution of the Annual General Meeting on July 12, 2007, the Management Board was authorized, with 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 capital increases in exchange for cash contributions 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.

6. 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, 2009.

7. Capital reserves

The proceeds from the capital reduction through the withdrawal of treasury shares, which totaled EUR 314 thousand, were transferred to capital reserves in accordance with section 237 (5) AktG. Accordingly, this balance sheet item increased to EUR 13,645 thousand as of December 31, 2009.

8. Reserve for treasury shares

The reserve was recognized for the 53,950 treasury shares that were acquired in previous years and withdrawn in 2009. In the course of the capital reduction through the withdrawal of treasury shares, the reserve, which corresponded to the carrying amount of the shares as of December 31, 2008, was reversed in the amount of EUR 106 thousand.

9. Other provisions

Other provisions include the cost of obligations under company law in the amount of EUR 196 thousand, personnel-related obligations totaling EUR 82 thousand and costs for the pending arbitration proceedings on the squeeze-out of the minority shareholders of USU AG in the amount of EUR 44 thousand.

10. Liabilities

All of the liabilities reported in the balance sheet are due within one year. Other liabilities contain tax liabilities of EUR 795 thousand (2008: EUR 489 thousand).

11. 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.

Furthermore, USU Software AG has submitted letters of comfort for Openshop Internet Software GmbH, Ludwigsburg (an associated company), under the terms of which USU Software AG, Möglingen, undertook to manage this subsidiary in the 2009 and 2010 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 786 thousand.

12. Other financial obligations

In addition to contingent liabilities, the Company had other financial obligations arising from a rental agreement in the amount of EUR 10 thousand at the balance sheet date.

D. Notes to the income statement

13. Other operating income

Other operating income primarily relates to income from the settlement of intragroup services in the amount of EUR 575 thousand.

14. 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 314 thousand.

15. Income from profit transfer agreements

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 profits generated by Omega Software GmbH and LeuTek GmbH in the 2009 fiscal year were transferred to USU Software AG in accordance with the profit transfer agreements concluded.

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

16. Supervisory Board

In the 2009 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

Insurance Officer

Member of the Supervisory Board of Bühler Barth AG, Freiberg a. N.

Vice Chairman of the Supervisory Board of USU AG, Möglingen

Member of the Administrative Board of Kreissparkasse Ludwigsburg, Ludwigsburg

Erwin Staudt

Diplom-Volkswirt

Full-time President of VfB Stuttgart 1893 e.V., Stuttgart

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 2009 fiscal year, the fixed component amounted to EUR 85 thousand and the variable component amounted to EUR 0. In the previous year, too, the Supervisory Board received only fixed compensation in the amount of EUR 85 thousand.

17. Management Board

Bernhard Oberschmidt, Pfedelbach, Chairman of the Management Board

Total compensation of the Management Board

The total compensation paid to the Management Board in the 2009 fiscal year was EUR 211 thousand (2008: EUR 214 thousand). Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2009 fiscal year.

18. Auditor's fees

Financial statements (single-entity and consolidated financial statements):
EUR 50 thousand (2008: EUR 50 thousand)

Other services:
EUR 4 thousand (2008: EUR 4 thousand)

19. Required disclosures in accordance with section 160 AktG

On May 14, 2009, USU Software published a notification in accordance with section 26 (1) sentence 2 WpHG stating that the number of treasury shares of USU Software AG held by the Company fell below the threshold of 3% on May 13, 2009 due to the withdrawal of treasury shares and therefore amounted to 0% (corresponding to no voting rights) on this date.

20. Employees

As in the previous year, an average of two people were employed by the Company in the 2009 fiscal year.

21. 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) and can be obtained on request from USU Software AG, Möglingen. The consolidated financial statements are also made available on USU Software AG's website at www.usu-software.de.

22. Declaration on the German Corporate Governance Code in accordance with section 161 AktG

On December 9, 2009, 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 Management Report on the Company and the Group.

23. Appropriation of net profit

The Management Board proposes using the unappropriated surplus as of December 31, 2009 in the amount of EUR 3,208 thousand as follows:

- to pay a dividend of EUR 0.15 per share for 10,021,054 shares, amounting to a total of EUR 1,503 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 1,705 thousand to new account.

Möglingen, February 26, 2010

Bernhard Oberschmidt

Chairman of the Management Board

USU Software AG, Möglingen

Statement of changes in fixed assets 2009

	Cost				Cumulative depreciation and amortization				Carrying amounts	
	Jan. 1, 2009 EUR thou.	Additions EUR thou.	Disposals EUR thou.	Dec. 31, 2009 EUR thou.	Jan. 1, 2009 EUR thou.	Additions EUR thou.	Disposals EUR thou.	Dec. 31, 2009 EUR thou.	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
Financial assets										
Shares in associated companies	24,512	0	0	24,512	260	0	0	260	24,252	24,252
Participations	200	0	0	200	200	0	0	200	0	0
	24,712	0	0	24,712	460	0	0	460	24,252	24,252

AUDITOR’S REPORT

We have audited the annual financial statements prepared by USU Software AG, Möglingen, comprising the 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, 2009. The maintenance of the books and records and the preparation of the annual 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 annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual 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 annual 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 annual 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 annual 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 annual 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 annual 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, February 26, 2010

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

Schupeck	Barth
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

Responsibility statement

To the best of my knowledge, and in accordance with the applicable reporting principles, the annual 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.

USU Software AG

Möglingen, February 26, 2010

Bernhard Oberschmidt
Chairman of the Management Board

FINANCIAL CALENDAR 2010*

March 25, 2010	Publication of Consolidated Financial Statements for 2009
May 21, 2010	Publication of 3-Month Report for 2010
July 15, 2010	Annual General Meeting
August 19, 2010	Publication of 6-Month Report for 2010
November 18, 2010	Publication of 9-Month Report for 2010

**These are preliminary dates for the 2010 fiscal year.*
Any changes will be published on the Company's website at www.usu-software.de.

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