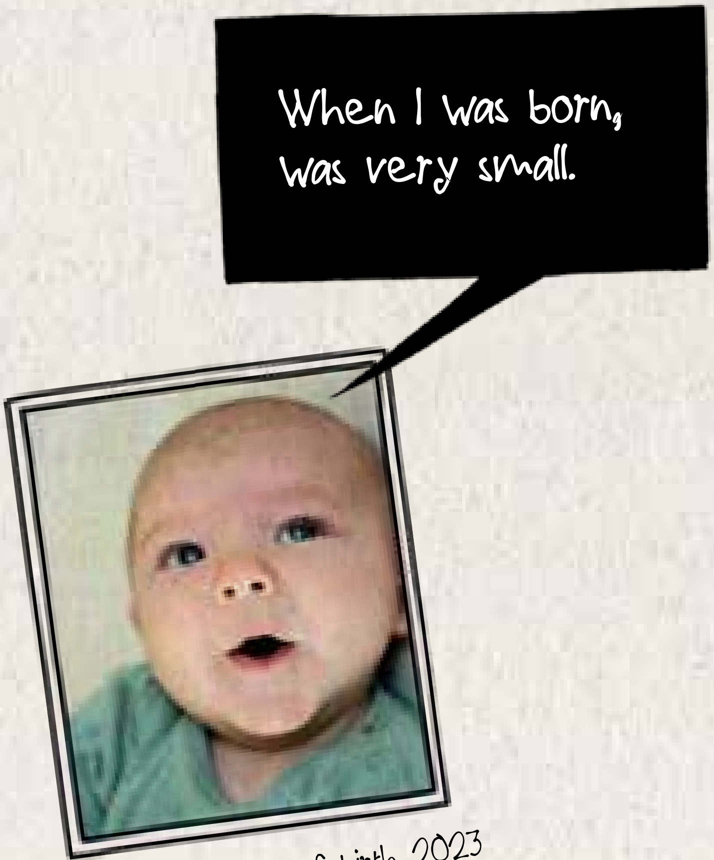
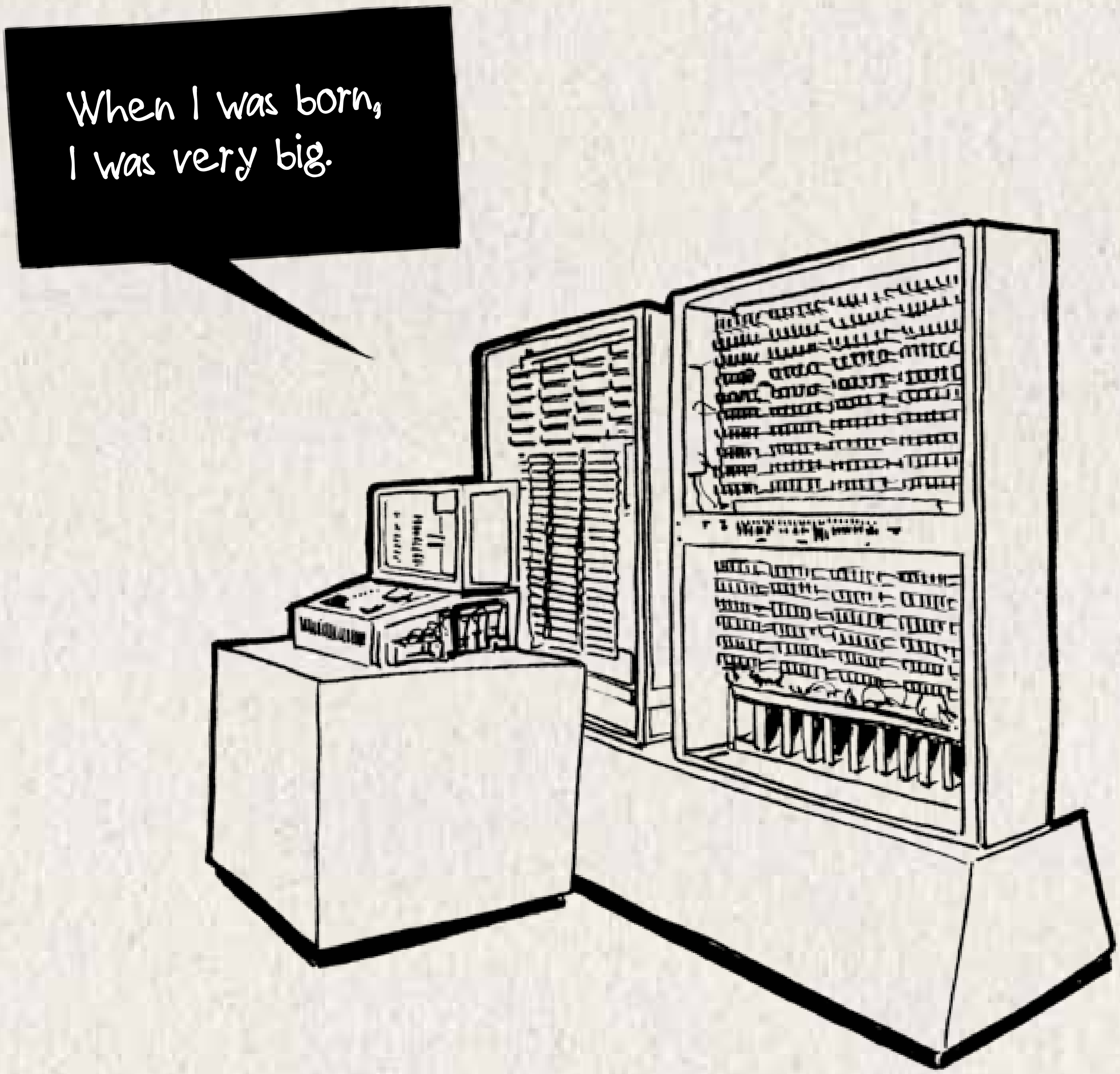
EGO

2023 Annual Report of USU Software AG



Levi, Year of birth 2023

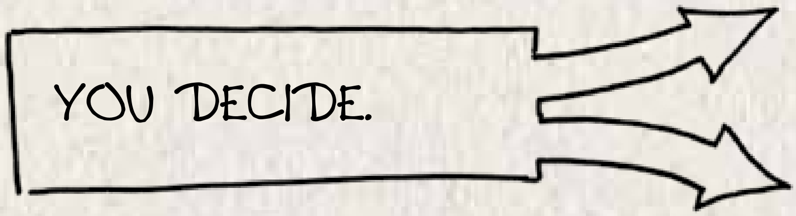

When I was born,
I was very big.

The fiscal year for USU
IFRS figures in EUR thousand

	2023	2022
Sales	**132,083**	126,522
Adjusted EBITDA	**13,325**	16,836
EBITDA	**12,429**	16,836
EBIT	**7,624**	11,802
Consolidated net income	**5,282**	7,582
Earnings per share, diluted	**0.50**	0.72
Earnings per share, undiluted	**0.53**	0.76
Equity	**57,215**	56,954
Total assets	**108,063**	112,979
Equity ratio	**53.0%**	50.4%
Cash and cash equivalents	**13,494**	15,525
Net cash from operating activities	**7,884**	10,369
Number of employees at the end of the year	**807**	783

Artificial intelligence
makes you either smaller
or bigger than YOU are.

Contents



Primordial soup

When USU is born in 1977, utter chaos prevailed in the computer industry. Bosses were complaining vociferously about their IT. Billions had been squandered worldwide on large-scale projects that never got up and running. Everyone wanted a moon project, but there were no giant leaps for mankind. On the contrary: A common joke back then was that the safest way to ruin a company was to use computers. At the same time, software people were in such short supply that it was easy for young people to set up on their own with just a few programming skills. Software companies popped up everywhere, and their founders soon became figures of great admiration. It was a start-up scene full of ideas that still resonate today.

But most of all, it was a fight for order – for standards in all areas.

Meanwhile, the ingredients for the primordial soup of progress were long established, from operating systems and artificial intelligence to the construction of networks and databases. Virtual machines existed, as did microprocessors and memory chips. There were light pens and CAD. There was pretty much everything. Even an early version of the Internet was there. In addition, anyone who read science fiction already knew about smartphones and cloud services. Even the business models that today's start-ups are so keen on were pioneered long ago.

And everyone got cooking. Clearly, no one wanted to accept that the source of so much enthusiasm was nothing more than a warmed-up stew, which is probably what made it so tasty.

Weren't they exciting times back when USU was born?

To quote Isaac Newton, the IT scene was standing on the shoulders of giants. Our mothers and fathers, granddads and grandmas, our ancestors, are the ones who prepared, indeed created, the whole thing.

Of course, the heroes of the seventies were as reluctant to accept this as the 25 business partners we interviewed for this USU annual report, who are proud of their own achievements. They were born between 1962 and 1997 – in other words, during the last 40 years of the last century. Half of them are older than USU, and half of them are younger.

»The analytical engine has no pretensions whatsoever to originate anything. It can only do whatever we people command it to do.«

1842: Lady Ada Lovelace (1815 – 1852),
British mathematician and probably the first programmer

From Lady Ada Lovelace's time to the present day, we have always been used to imposing our will on computers by means of software. That's part of the fascination. But will it still be like that in the future? In the age of artificial intelligence, machine learning, big data, supercomputing, blockchain, neural networks, low code/no code, chatbots, and all the other innovations? Are we still the master of all these developments? And all of that against a backdrop of global upheaval. We are living in truly historic times, the likes of which we and everyone born since the war have never seen before…

The algorithm of life

When Annalena was born in 1997, she certainly didn't have an instruction leaflet in her diaper. No algorithm had been programmed into her genes. She grew up in the freedom that Immanuel Kant, who was to become her favorite philosopher, wanted for everyone. It's also what her father, Harald Huber, for so long effectively the mastermind of USU, wanted for his daughter Annalena and her three siblings. Freedom and openness. Embedded in a family that also included USU. Annalena: "We grew up with USU."

He went on to listen to them – partly for that reason, and for the benefit of USU.

Algorithms are a bit like instructions for use – reproducible, determinable, mathematically definable. Nothing new. People need them when they're trying to create order by using software, for instance. In a company's IT assets or in the broad field of knowledge management. Issues that their father loves to ponder. For the benefit of USU, which has been devoted to this for decades – and of his family.

»Everything comes into the world with instructions for use.«

1997: Jochen Gerz, German conceptual artist

Algorithms are a lucrative line of business. Sometimes, a whole empire can be built on the back of these mathematized "instructions for use." A prime example of this came about in 1997. That's when the search engine Google launched its website – before the company itself was actually founded. Today, the company is worth USD 1.6 trillion. There is no algorithm for creating anything like that. There are merely examples – like Apple, just a year older than USU Software AG.

Of course, the Google algorithm has been a sensational success – and yet that is by no means everything. Annalena, who initially earned a bachelor's degree in history and philosophy and is now pursuing a master's in applied mathematics, knows that there are an infinite number of fields to which her knowledge of the design and construction of algorithms can be applied. She believes that creating these formulas is a deeply creative activity. However, it is also a human privilege.

She also knows where the boundaries of algorithms lie. During her studies, she worked in Stuttgart's municipal archive. No algorithm could ever root out its wealth of contents and the information to be gleaned from it. And perhaps this is one reason why, as a mathematician, she can envisage a field of work that occupies the space between the firmly predictable and the more random: in the world of games. Creativity can be given free rein there. This world provides room for people to be themselves.

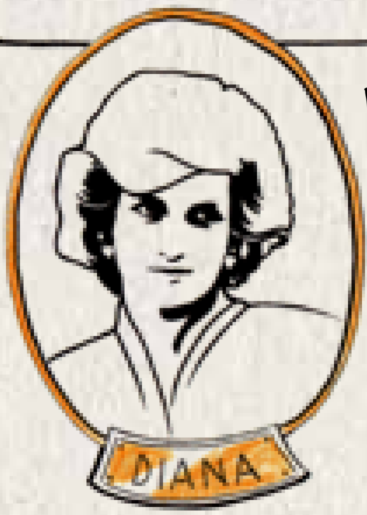
And maybe that is precisely what shapes the path of software companies like USU in the years and decades to come: navigating between the world of order and the world of possibilities.

Now more than ever, it may well be the task of companies like USU not only to take things as they are but, above all, to explore all their possibilities.

That is certainly what young people want. The coronavirus imposed an order that was not always meaningful. All of a sudden, order took a stranglehold on life. Where was the future?

The grip has now been released, and something new is flourishing – something genuinely, radically new. Something unhindered by climate change and political events. This prompts her to stress with absolute certainty: "I chose optimism." That's not a bad set of instructions.

1997

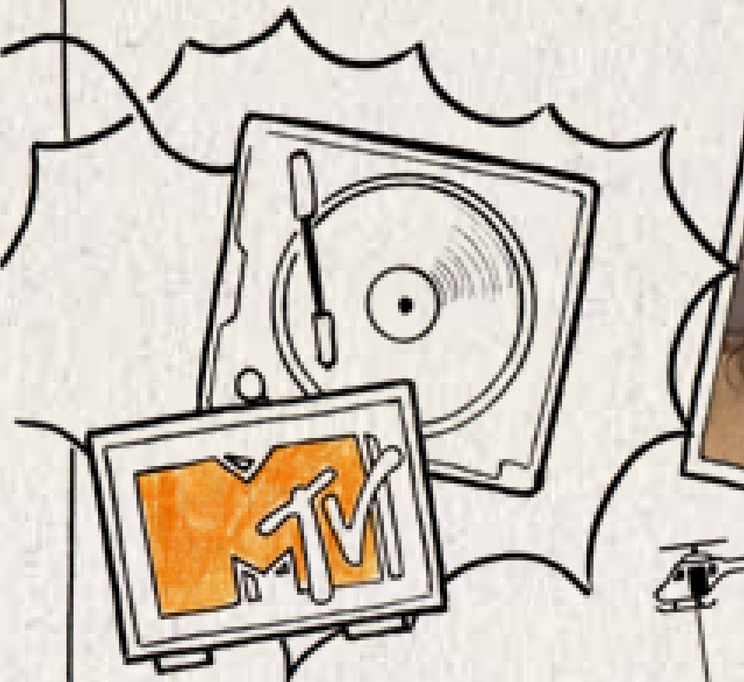


Princess Diana dies in a car crash while escaping from paparazzi.

If you no longer dare to speak freely speak as you think, then you can no longer stand by your values.

The Neuer Markt segment opens on the Frankfurt stock exchange. Turmoil on the stock markets.

MTV Central launches its German channel, initially on the air for four hours, supplementing the English-language MTV Europe in German-speaking countries.



Annalena Huber (born in 1997) is studying applied mathematics, majoring in algorithm research.

NATOs Eastward Enlargement

Annalena 1998

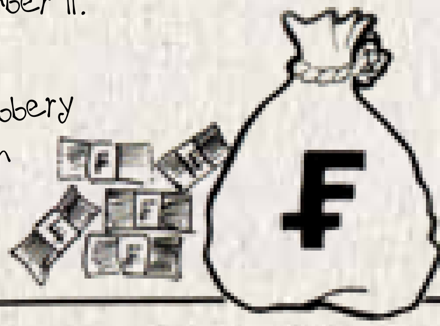
In September, Larry Page registers google.com as a domain name.

Floods in Central Europe in July. This is the first natural disaster to hit reunified Germany.

Environment: The Kyoto Protocol is adopted on December 11.

China regains control of Hong Kong.

The biggest mail robbery of all time in Zurich CHF 53 million.



The order of freedom

When Hannah was born in 1996, she certainly didn't have a web address. But USU had just secured its domain on the World Wide Web. Just in time, as that was the year when millions of new companies were established – on the Internet. It was the year when Deutsche Telekom struck it rich on the stock exchange, and USU was converted to a stock corporation ahead of its own flotation. In 2000, the year of crash and chaos.

It was a year between the dawn of a new economy and the search for a new order. This is the world into which Hannah was born – as the daughter of Thomas Gerick, USU Software AG's Head of Communications. A role that involves constant dealing with issues that lie between order and a new dawn, between all the innovations produced by a high-tech firm and the durability to make a mark on the market with them. On the stock exchange, too. The smaller world and the wider world are constantly converging – at USU and in every human being.

»The world begins in man.«
Franz Werfel (1890–1945), Austrian author

Why does Hannah feature in this annual report? She was in it once before, as was Annalena. In 1998, they were the "stars" of our annual report – as children of USU employees. Another four of them, a girl and three boys, will follow in this series. None of these five work at USU, yet they are all virtual members of this company, which has always seen itself as rooted in families – without being intrusive. In a very subtle way, this reflects the corporate culture, the SUPEREGO, of USU.

People like Hannah would fit in perfectly at USU, even though she herself is not a software developer. But she, herself, lives precisely where she can go back and forth between the two worlds: between reality and the desire to help structure, shape, and transform it creatively. She studied economics – initially focusing on microeconomics, the big world on a small scale, then macroeconomics, the small world magnified in the global village. And somehow, the two go together. Her master's thesis demonstrates this. It dealt with the factors in Latin American education policy that result in the existence of successful economies there alongside those that have quietly but still tragically failed.

While studying, she spent many months in the countries of South America – and when she talks about it from afar, you get a real sense that you're at USU. She gushes about the openness of the welcome given by groups in Mexico, for instance. That is USU. However, she also knows that this kind of connection is established less readily in Germany. Yet that process makes people much more loyal, durable, reliable. Both of these traits are USU. Openness and reliability.

Hannah likes this combination. And then it all turns around. One enchants the other. In Latin America, openness is driven by a strong Catholic faith, while our reliability stems from a strong desire for personal attainment. People in Latin America have a greater financial dependence on their families, while in Europe, there is much more support from an anonymous state.

At first, the people in a Mexican village mistook her for a German nun. The nun finds her order in self-denial. No, she was born into a totally different world, a world where you have to find your way through infinite possibilities. Individual freedom requires order as a means of coping with all the options. This order is defined by the very search for it. In everything, humans themselves are this ordering factor. Perhaps that is why language – particularly the learning of foreign languages – matters so much to Hannah. No translation program can convey culture in the same way as a conversation between people does. "There's something missing" in mere communication between humans and machines, she says.

It's the real other person. As Sigmund Freud remarked 100 years ago, "The ego is not the master in its own house." But it does make the house a home first. It is the silent ordering factor – especially in a well-established software company.

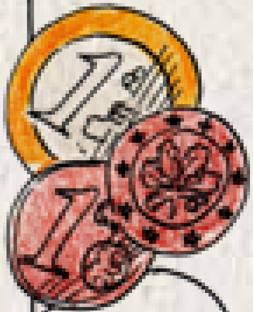
1996

Mercedes (Daimler) loses DM 5.73 billion. In 2022, the automotive group posted a consolidated profit of EUR 14.8 billion.

New TV: Media magnate Leo Kirch launches channel DF1 in Germany on July 28.

When I speak Spanish, I'm a totally different person.

Hannah Gerick (1996) completed a masters in economics in 2023. She featured in our annual report in 1998.



Eurocents are introduced.

USU: The first annual report, conversion to a stock corporation.

BÖRSE – COOP – METRO AG – PELIKAN – MEDIAMARKT – SATURN – KAUFHOF

Retail: Metro merges all its stores with 165,000 employees and sales of DM 65 billion.

Sunday trading: Fresh bread rolls were sold on Sundays for the first time in November 1996.

IPO of Deutsche Telekom.

BERLIN

ZIEHT UM

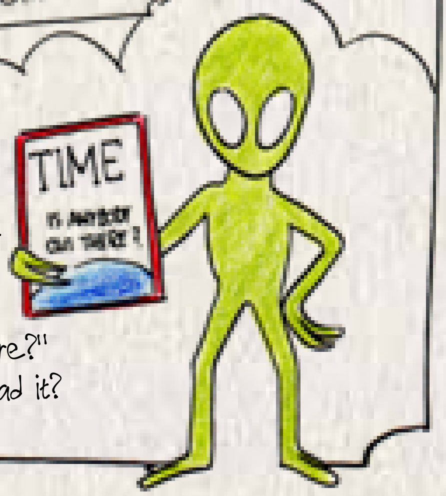
BUNDESRAT

BONN

Bundesrat: The upper chamber approves its relocation to Berlin, as the Bundestag did in 1991.

Aliens: On its front page in 1996, Time magazine asked:

"Is there anybody out there?" Did anyone out there read it?



Pool with data

Ricardo was born in 1995, the year when computers became a medium. Thanks to Windows ‘95. It was the announcement of the year. The press was full of reports and speculation about the new, multimedia operating system that finally opened the window to the consumer markets. A turning point. There was no turning back now, although the Microsoft product did tend to crash every now and then. But it sort of had a reputation for that anyway.

“Mom, do you ever get mad at work?” That’s what we got Ricardo to ask his mother Jeanette in the USU annual report three years later. He could have put the same question to anyone who worked with the bulky machines of the day. Ricardo Gutjahr now sits in front of a monitor every working day himself, albeit one with a flat screen rather than cathode-ray tubes. However, he hardly ever gets mad, and neither does his mother, who has worked for USU since time immemorial. Because things are now very stable.

Really!

It‘s not the computers that crash, it‘s the networks. And that’s what blighted the first remote interview with the man who now works for Mercedes-Bank, where he develops intricate models for the lending risks of the legendary carmaker. The recording disappeared. And we didn’t take many notes. Bad luck. Really?

No, it was fine. We rescheduled. That’s when we found out something he kept from us in the first interview. He was the German pool champion in 2022. And he had already been the youth champion. He still plays in the sport‘s Bundesliga.

Astonishing!

So you‘ve learned that he loves tackling and overcoming tricky situations. In particular, the economics graduate, who studied in England and elsewhere, identifies with the task he is given. He loves to immerse himself in the task, analyze data, and create models in a fast-changing environment. Mercedes-Bank gives him the opportunity to do just that. And in ten years’ time?

Just ask!

Won’t computers have long since taken on things that you can currently do by applying your own ideas? He smiles. He is totally reliant on training here. He says that is “the most important thing.” And you get a sense of why he became a German champion. He has the patience, calmness, and presence of mind to survey complex situations from one moment to the next and use them. Without getting mad. This is now increasingly leading him towards data sciences.

»I can’t have everything in my head.«

The character Heiko Schütz in the three-act play “Under the Sign of the Star,” a business theater production for Mercedes employees, 1994.

People like him know that they won’t be pushed around by artificial intelligence. They stay on the ball.

At first, he wanted to be a sports journalist, he adds. Even then, he may have become a data analyst sooner or later. Because that has a future. But that’s old news.

You know! He‘s been in the thick of the action for a long time.

Even though it probably won’t make him a millionaire. Or a Bill Gates.

1995
Ma|yon|nai|se
Ma|jo|nä|se
Ministers of Education and Cultural Affairs decide Spelling reform for 1998.
Yitzhak Rabin is assassinated in Tel Aviv.
EU grows to 15 countrie.
"Chaos Days 95" in Hanover, there are brawls with with the police.
My first computer game was "Who Wants to Become a Millionaire?"
Microsoft Windows 95
Windows 95 is introduced.
Real estate tycoon Jürgen Schneider is arrested in Miami.
04 30 34
05 18 95
Ricardo Gutjahr, born in 1995, data analyst at Mercedes-Bank
The Schengen Agreement enters into force.
Crucifix ruling by the Federal Constitutional Court: crosses out of classrooms.
Ricardo 1998 in the USU Annual Report.
£
Christo wraps the Reichstag in Berlin.
GREENPEACE
Greenpeace occupies the oil platform Brent Spar.
The financial juggler Nick Leeson is arrested.
BARINGS

Never home alone

When Janina was born in 1990, Germany was building a new future. Reunification was underway, something that was barely imaginable just a few months earlier. And there was no blueprint for how to see it through. Even East Germany, where everything had to be done in line with a plan, didn't have one. Yet the biggest project in German post-war history played out on the global stage that year. What was once unimaginable had become conceivable.

A miracle. And we experience it every day. Each one of us. Because new things are constantly forming in our minds – even if they are tiny or seem far-fetched. Usually, we're not even aware of them.

Suddenly, there's a new piece of software, the germination of a solution that nobody expected. You'll have painstakingly researched something, learned it, thought it through, agonized over the programming – and then something emerges that is your work, yet stems from so many sources. A process like this happens every day at a software company like USU. Even though nobody there is amazed by it, it's still a miracle.

»The longest journeys are made
in our imagination.«

Joseph Conrad (1857 – 1924), English captain and author of Polish origin

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The world of creative learning precedes these miracles. One of its inhabitants is Janina. She is the daughter of Jochen Strobel, who has been working for USU as a consultant since 1991. She works for another software company. Her job involves HR development in the Digital Learning department. So she is naturally very open to the new opportunities afforded by artificial intelligence, for instance. Totally new types of journeys with the imagination are made available to us here.

In the year of her birth, the movie "Home Alone" was released, initially in the US, where it was made, then in Europe. And when she finally got to see it, the movie's images of a huge, stunningly illuminated house bathed in countless fair lights shaped her idea of what Christmas was like – not just her concept, but that of children worldwide.

The movie didn't produce this sea of lights with a view of it being copied all over the world. It didn't set out to shape our perception of Christmas. The main objective was to provide a backdrop for the action. But this image Christmas left a lasting impression on her, "including an open fire," says Janina, who also adorned our annual report in 1998. Even then, there were signs that learning would become close to her heart. "Dad, do you get report cards at USU, too?" we got her to ask. Yes, they did. From their customers. And they were very satisfied then, as they still are today. From person to person.

Because it comes down to each individual, to what forms in their imagination – and that's why she is unafraid of artificial intelligence. "I'm really optimistic," and as we saw with Hannah, that comes across as a very deliberate decision. Based on what she has seen for herself. The ego may not be the master in its own house, but it is never alone. The same applies to the movie's hero, Kevin. And it certainly applies today – in our multimedia ego world. Teamwork is what makes it all possible. The fascinating aspect is the interaction.

Janina recalls how her father made his own computer sometime in the late nineties. Using parts that he put together from all kinds of places. Just for her. A Christmas present. No Internet connection at the time.

There was a game that she loved. It was designed to teach her to develop a language. But it gave her so much pleasure that she never even noticed. No. She had another aim. She wanted to play it with her best friend. Both of them were hooked – and learned something for life.

Maybe that's how software development works. You learn something that has a totally different goal, follows a totally different narrative – and suddenly you work it all out for yourself. That's probably where the use of artificial intelligence will lead.

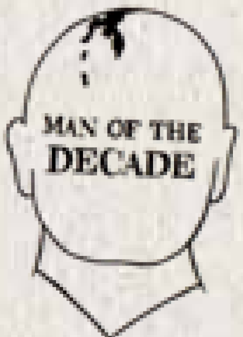
1990

The Second Gulf War:
Irag invades Kuwait
on August 3.

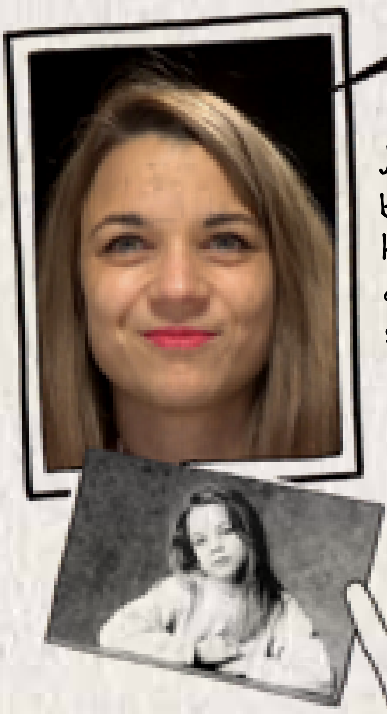
South Africa
Mandela is finally
released after 10,000
days in captivity.

Germany:
Unification.

We will probably still be working on the development of artificial intelligence in the next sixty years



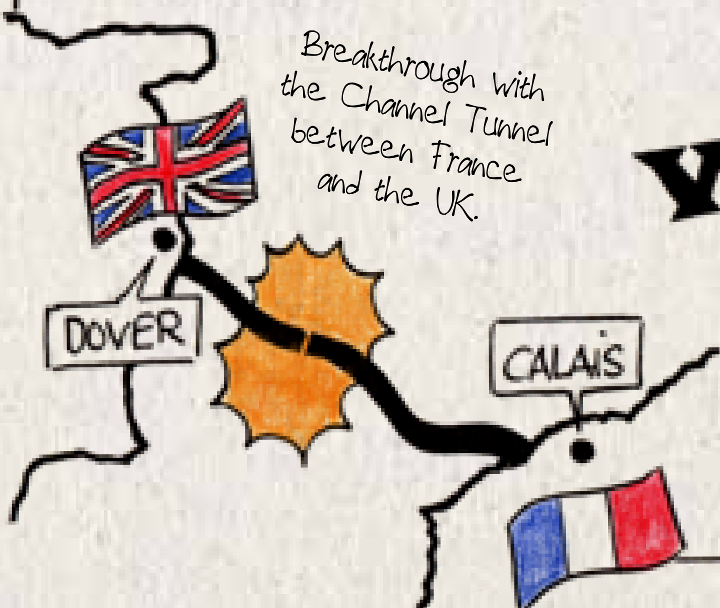
Time magazine names
Gorbacher as its
Man of the Decade.



Janina,
born in 1990, works in
HR development for
digital learning at another
software company.

"Home Alone"
is released in
movie theaters.

East Germany:
The deutschmark
arrives.



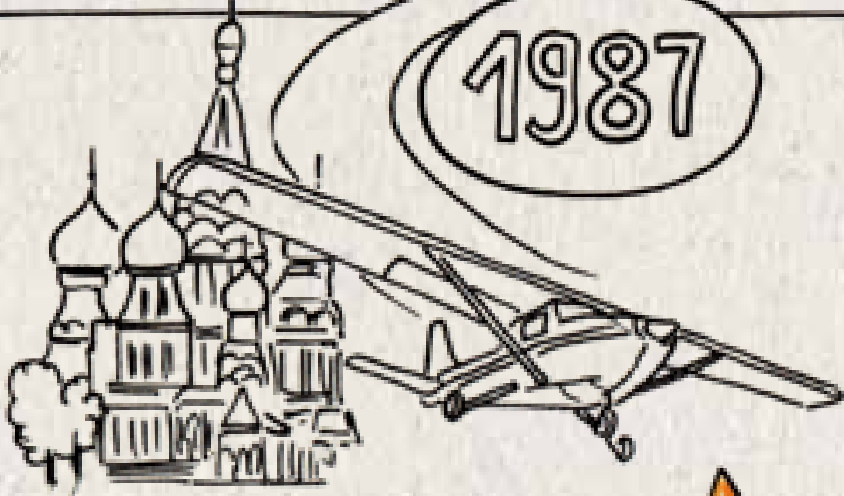
Breakthrough with
the Channel Tunnel
between France
and the UK.

The first Wacken Open Air
festival is held.

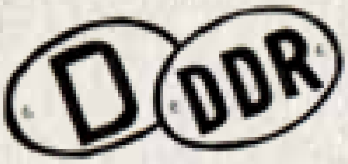
Germany wins the
soccer World Cup.

1987

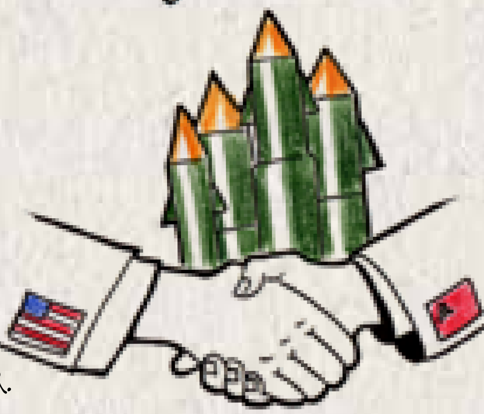
Helmut Kohl's New Year address is redone after the wrong speech was broadcast on New Year's Eve.



Mathias Rust lands in Moscow's Red Square in a Cessna.



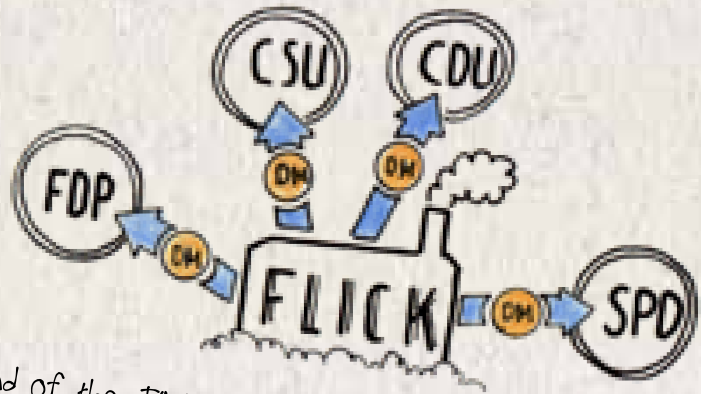
Erich Honecker becomes the first East German head of state to visit West Germany.



Disarmament treaty between the US and the USSR.

We need to get out of our comfort zones and name what doesnt work.

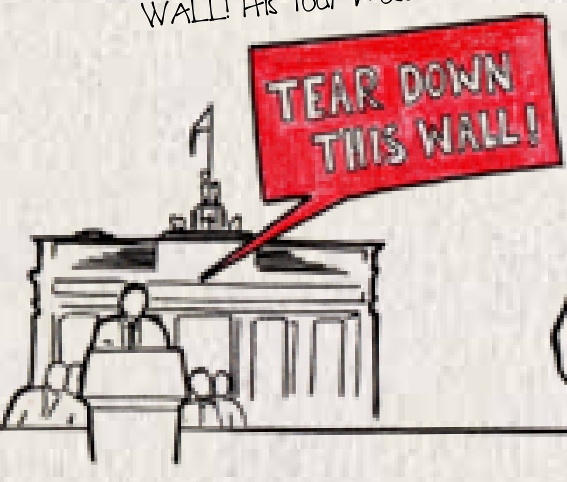
Florian Haug, born in 1987 and now in charge of in-house transformation at a Japanese consultancy/agency group, is another of those featured in 1998.



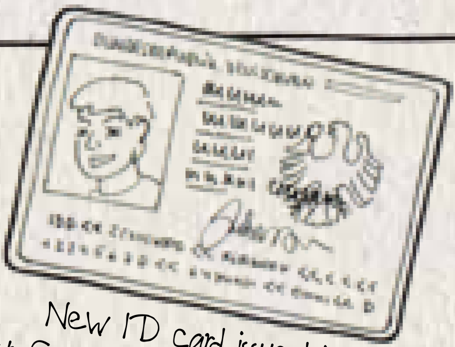
End of the Flick party donation scandal – Count Lambsdorff, Hans Friderichs and Eberhard von Brauchitsch are convicted of tax evasion.

Intel's new 80386 microprocessor has calculation problems.

Ronald Reagan visits Berlin: Mr. Gorbachev, TEAR DOWN THIS WALL! His four most famous words.



Alan Greenspan becomes Chair of the US Federal Reserve Bank.

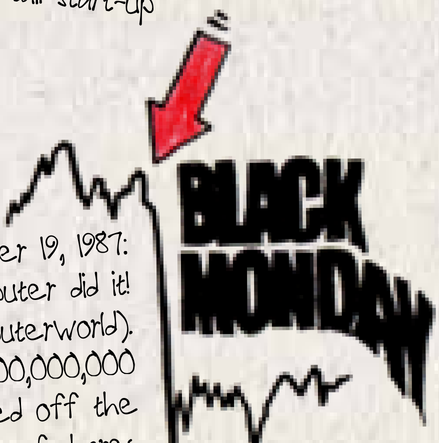


New ID card issued in West Germany - machine-readable and tamper-proof.

No wall should stand between the generations..

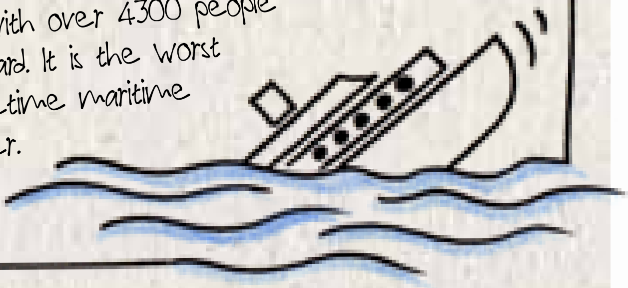
Daniel appears in the 1998 annual report.

Daniel Strehl, born in 1987, retail start-up entrepreneur.



Monday, October 19, 1987: The computer did it! (Computerworld). USD 1000,000,000,000 is wiped off the value of shares.

Philippines-registered ferry Doña Paz sinks with over 4300 people on board. It is the worst peacetime maritime disaster.



A leap into a new world

When Florian was born in 1987, the Dow Jones was hitting a rash of record highs. The month of his birth was August 1987, midsummer, with all stock exchanges booming. Some two months later came the great crash. Somehow unexpected. Yet somehow also calculated. Because it was the first crash to stem from a computer. That‘s what was said at the time.

Somehow, the IT scene took a little pride in this act of creative (self-)destruction that saw a thousand billion dollars wiped off of share values worldwide. That Monday, October 19, 1987, the Dow Jones fell by 23%, to 1,728 points. It was utterly unprecedented. 500 points gone in a stroke. These days, nobody would bat an eyelid. Because the Dow Jones, the forefather of all stock indices, now stands at 38,000 points. What a rise that is!!!

Could the young man possibly explain it for us?

Florian is the son of Bärbel Haug, the younger sister of USU founder Udo Strehl. And Florian, in his mid-thirties, is the spitting image of Udo in 1987. It‘s a striking resemblance. A double ego a generation apart.

»And tomorrow is already walking in today.«
Friedrich Schiller (1759 – 1805), German poet, in “The Death of Wallenstein”

Back in 1987, Udo unwittingly helped to sow the economic seeds for the very upturn that lay behind this sharp rise in the index. Well, it obviously wasn’t just him and the 70 colleagues around him. (Now, there are more than 800.) It was the achievement of a generation known as the baby boomers, who are now hitting retirement age. It had taken the index more than a hundred years to break the 2,000-point barrier. And now it had risen more than twenty-fold in just a few decades! What happened?

Florian, who now works for a large Japanese consultancy group with 70,000 employees and is in charge of seven employees himself, thinks that in

a way, the crash in 1987 heralded a new era. It marked the change from the industrial age to the services era. The old world made way for the new world. But he suspects that it‘s only possible know that with the benefit of hindsight. When it happens, we are all stunned. Some take advantage of the situation – like his uncle Udo.

Philosophers would say that the ego doesn't know what it knows.

But did the computers that were linked up around the world for the first time in the crash know what would happen; were they the forerunners of globalization, of the creation of global supply chains and networks?

We don't know.

Two hundred years ago, the German poet Heinrich Heine had a theory of his own, a monetary theory: "An old Louis d'or coin has more understanding than a human being, and knows best whether there is war or peace." The stock market price shows the price of the world.

Are we back in the same situation as 1987 – in a phase when we need space for a new world? Was the pandemic to the new generation what the crash of 1987 was to the baby boomers?

We should just ask! The answer is blowing in the wind.

Start me up

When Daniel was born in 1987, it was just a few days before a US President called Ronald Reagan stood in front of the Brandenburg Gate in Berlin and uttered the words with which he and his presidency will forever be associated: “Mr. Gorbachev, open this gate! Mr. Gorbachev, tear down this wall!” That was on June 12, 1987. Some 50,000 people were demonstrating against the visit of the most powerful man in the world.

Three years later, it came to pass: East Germany ceased to exist – after a grandiose act of creative destruction. The wall was gone. And all without the use of software. Hammers and pickaxes were enough.

But here’s the surprising thing: Without East Germany, USU, which celebrated its tenth birthday in 1987, would never have existed. Without East Germany, Daniel would certainly never have existed. And without East Germany, this annual report would never have existed either. You see, Daniel is the son of USU founder Udo Strehl. Although Udo was born in Ludwigsburg in 1954, seven decades ago, his family history will forever be linked with the origins of East Germany. He was part of a farming family who escaped from the wave of expropriation by the new Socialist state in the post-war years and eventually settled in the Ludwigsburg region, in Möglingen and the nearby village of Asperg. Daniel felt at home here, as did his two brothers. “USU born and bred. Dad was USU, Mom was USU. So for us, life was either Asperg or USU,” says the man whose younger self asked the critical questions in the annual report in 1998 along with all the other kids. “Dad, who are you actually for – USU AG or its customers?”

A question that every business founder probably asks themselves in some form or other. Daniel, who has ended up running his own start-up, a fully integrated company called LOBAN, is one of them. He aims to help small, locally based retailers to survive against the giants of the digital economy.

By using software, as it happens. IT and decent footwear are enough.

To build up his business, he walks the shopping streets of his homeland as a door-to-door salesman, trying to persuade business owners to use his company’s services. On very fair terms.

»Software isn’t accelerating creative destruction today. Software is suppressing it.«

2022: James Bessen, software entrepreneur and technology expert at Boston University School of Law in the New York Times

It is a hard road that takes great resolve and lots of self-motivation, almost as much power as an actor who is determined to become US President.

He knows that, although his situation is clearly different. Even so, in this business, there are still imaginary walls to be torn down. Perhaps this really is another age in which the brainy ones rely on solid legwork as well as artificial intelligence. After all, someone has to get software up and running.

However, creative destruction isn’t Daniel’s thing. What excites him is creative construction. In a way, he‘s a chip off the old block. And in a way, that remains the business model behind USU Software AG‘s business model: persuading customers that working with USU in particular pays off. That takes decent footwear. The Strehl family know all about that. After all, mother Irmgard (aged 94) used to work for Salamander.

Anyway, that also answers Daniel’s question from 1998 ...

Happy wreaking havoc…

Andreas was born in 1986, the year of the core meltdown in Chernobyl. The radioactive rain it brought to Europe was an unquantifiable hazard – prompting children to be banned from playgrounds as a precaution. We raised the barricades. It was almost like a pandemic situation.

Esslingen-raised Andreas Otten is aware that the consequences had a long-term impact, although to him, it is a blend of memories and stories, of the emerging ego and lived history. But it did shape him somehow.

The Swabian, who lost his local dialect at school and speaks impeccable High German, has worked for USU Software AG since 2012 – in a role where it is a professional obligation to stay as objective as possible without being entirely neutral. He heads up a small team of testers who seek out errors in software systems with a fine-toothed comb.

This mainly involves projects that USU develops for customers. These relate to individual software packages, i.e. applications, that are fully tailored for a specific customer. USU calls this digital consulting. And when you need to check the work of other people, your colleagues, for errors, then you won't necessarily be everyone's friend, even in self-critical Swabia – unless you work at USU Software AG. It's fine there.

When the professional aspect is right, the personal relationships, interaction, and friendliness are right as well. Andreas has no illusions. An error is an error. So we want to give him a good grilling. It's no use. On the contrary: he enjoys it, and remains utterly unflustered. He is unflappable, which may be one reason why even customers ask him and his team directly to perform testing on their own, homemade software projects – and on the work of other, external providers and competitors. Andreas and his team examine everything rigorously. They have been called in before to check whether the underlying concept is actually coherent and correct.

So they can't complain about a lack of recognition.

He clearly can't hide the fact that he and his team particularly enjoy wreaking havoc every now and then – attacking software products before they go live in such a way that they break down. Better when in testing than when in use down the line. He's right. In a way, the developers are also grateful to him and his team.

"Made in Germany" matters to him, he says. He shares a bit of national developer's pride with his colleagues. But it's all light-hearted, of course. Does the job really involve interaction with other people? It sure does! Andreas seems to enjoy nothing more than the communication with his employees and colleagues within and outside of USU. "There's no substitute for face-to-face conversations." These are precisely what he missed the most during the pandemic. A situation that, paradoxically, could only be overcome by foregoing contact.

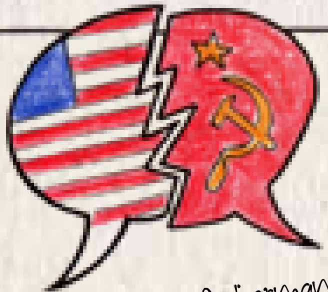
»We are indeed living in the midst of progress, even though we do not always understand it.«

Hubert Markl (1938 – 2015), German zoologist and behavioral scientist

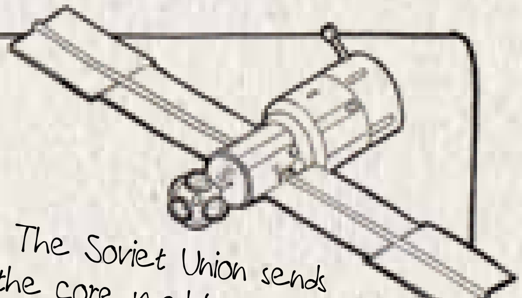
But what if artificial intelligence enables systems to write their own programs in a few years' time. Will he still be there? "We will always be there," he says. He believes that demand for advice will actually increase. "Especially when the results don't add up." Indeed – we humans are increasingly responsible for this. And it will stay that way.

We are clearly essential. To progress.

1986



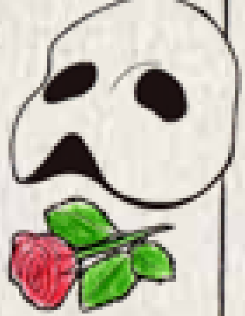
Breakdown of disarmament talks between Reagan and Gorbachev in Reykjavik.



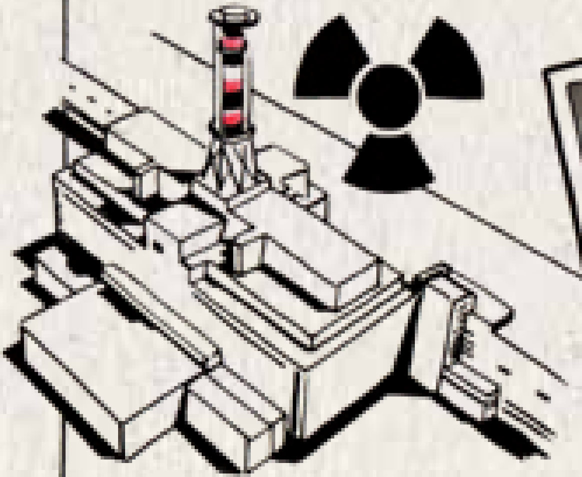
The Soviet Union sends the core module of the Mir space station into orbit.

Exposure of the Iran-Contra affair. US convicted by the International Court of Justice in The Hague.

We, the software testers, will still be there in ten years time. Our importance is growing. Despite AI.

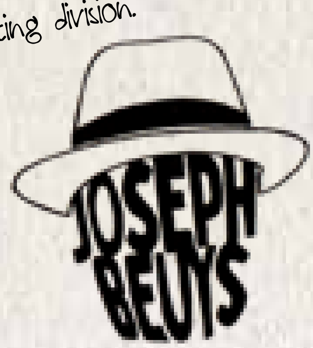


World premiere of the musical The Phantom of the Opera in London.



Andreas Otten, born in 1986, heads up the Testing department in USU Software AGs Digital Consulting division.

Reactor accident in Chernobyl (Ukraine). The area has to be evacuated, with 100,000 people leaving their homes.

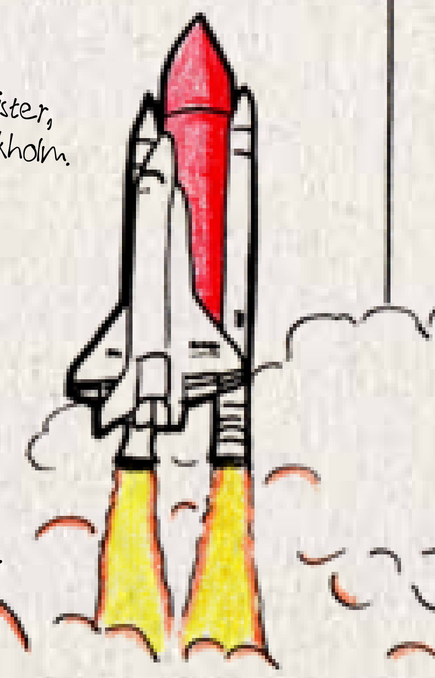


The artist Joseph Beuys dies aged 64.

Siemens manager Karl Heinz Beckurts and his driver are murdered. The Red Army Faction claims responsibility.

Mass anti-nuclear power demonstrations in Wackersdorf and Brokdorf. Protests in Mutlangen against the stationing of Pershing II missiles.

Olof Palme, Sweden's Prime Minister, is assassinated in Stockholm.



The Challenger space shuttle blows up shortly after launch. All seven astronauts are killed.

A person is a person here

When Ivayla was born in 1985, a mobile phone cost USD 3,000 in bulky form, with the more slimline version fetching USD 4,000. Unaffordable for ordinary people – and unattainable for people who, like Ivayla, grew up in Bulgaria. Yet all the walls came down – and when the daughter of a craftsman and an accounting expert was six years old, she got her first keyboard: an accordion. Music has been her constant companion, and these days the piano is the outlet for her emotions. That is when she‘s at peace with herself – with all her feelings. It was a strange year, when the Soviet Union lost its General Secretary Leonid Brezhnev, Grace Kelly and Romy Schneider died, and Chancellor Kohl succeeded Chancellor Schmidt, fueling talk in Germany of a new era that was nothing compared to the one that arrived seven years later. It was a year when every country muddled through. A bit of change here and there, largely cosmetic.

At work, she has long been a virtuoso on a different kind of keyboard. That is the physical keyboard of her computer in her office at USU and at home. As well as this, there is the virtual keyboard of her smartphone. She needs both – just as she needs both hands on the piano.

Ivayla Partalina-Schäfer is a computer scientist who started her studies in Bulgaria, where she was born, before earning a master‘s degree in Karlsruhe, Germany. She prepares informative, data-filled reports on system utilization for customers, helping them to determine their future requirements. She joined USU in 2017. What brought her to Germany was a desire to branch out, as well as the country’s good reputation for its IT courses.

Often, she sits quietly at her computer for hours, even days. With no human contact. That has its advantages when the job demands maximum concentration. So Ivayla appears to be a typical representative of her profession. “Computer scientists are the most introverted occupational group,” according to a 2012 headline in the German journal Computerwoche.

»Loneliness causes illness.«

*Rolf van Dick (*1967), German social psychologist*

Could this actually be life in the 21st century? A life of isolation and loneliness. You and AI, the artificial ego?

Forget it! Ivayla certainly doesn’t believe it, anyway. After all, she‘s far too interested in people for that. At work and in her free time, she is a gifted photographer. In her shots, through communication, she aims to capture that certain something that makes her subjects special. She loves doing this. You get a real sense that she is keen for her subjects to let go of their restraint, their loneliness. And of course, she is a fan of this personal medium, the smartphone. Engaging with the world is important to her. Her nature is both rational and emotional.

Another reason why she went to USU is because of the informal, emotional approach here, with people helping each other – across all internal, external, departmental, and company boundaries. Openly and sincerely. One USU, but not a lonely USU.

Perhaps that’s why USU Software AG is in such good shape.

1985

IBM

The American actor Rock Hudson dies of AIDS.

On course to become the biggest company in the world according to new CEO John F. Akers? Sales of USD 185 billion in 1994? It came to nothing.

SDI

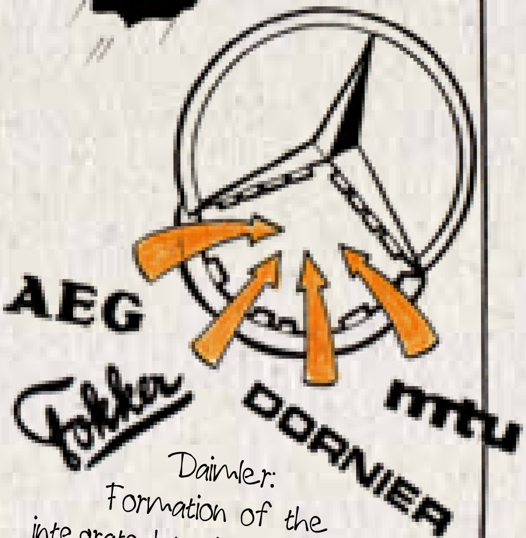
Germany is set to be involved in Star Wars (SDI).

I like solving tricky problems. Not just in IT, but also in all other areas of life.

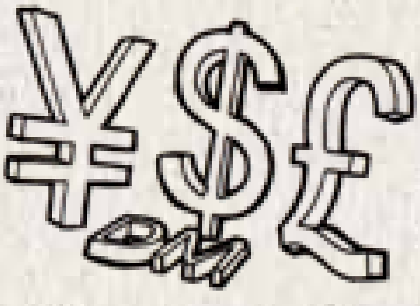
West German Chancellor Kohl and US President Reagan lay wreaths at the military cemetery in Bitburg, sparking controversy.

Portugal and Spain join the EC.

Ivayla Partalina-Schäfer, born in 1985, is a computer scientist at USU.

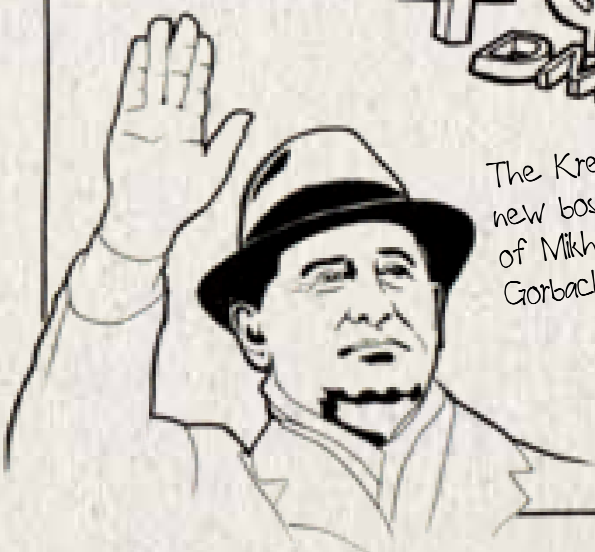


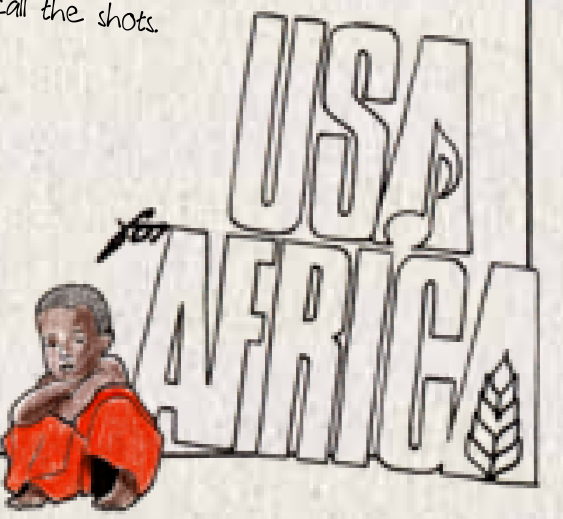
Daimler: Formation of the integrated technology group.



The Frankfurt stock exchange is 500 years old. But New York, London, and Tokyo call the shots.

The Kremlin has a new boss by the name of Mikhail Sergeyevich Gorbachev.





The song We are the World is released worldwide for famine relief in Africa.

At home with software

When Alexander was born in 1985, a young tennis player from Germany had just won Wimbledon for the first time. The place was to become his living room, his workshop. And we were all enthused about this young man who became a regular fixture on the TV screen in our own living room in subsequent years. We suffered and celebrated with him – late into the night. Pure fascination.

It's astonishing what a single human being is capable of! Boris Becker.

Alexander Braunstein's life seems to have taken a very different course. He grew up in Stammheim near Stuttgart, where he went to school, earned his high-school diploma, and began his degree after completing his alternative civilian service. While his classmates were off traveling abroad, he was busy training as a computer scientist. He finished in March 2012. That same month, he spotted a job ad for USU Software AG on the notice board at the University of Stuttgart. It appealed to him. So he applied. For the first and last time. Because he promptly got the job. He has been there ever since, in the consulting business, the division now known as Digital Consulting, delivering individual projects for customers.

And he will still be there in ten years' time, he says. In this job. No AI can drive him out. Nothing and nobody can. In fact, he's always been there.

Alexander still has a clear recollection of the AOL ad with Boris Becker. Yes, he was there already, when he didn't even know that he would make his living from software. Long before going to the university, he had helped his father, who had set up an independent mail service, to build his own individual software package for precise recording of mail distribution. This was intended for customers in case they wanted to know whether their mail had been delivered on time.

Perhaps this early sense of achievement equipped Alexander to think and act in a customer-focused way. Perhaps another reason why he applied to USU right away is that it gives him the environment to fulfill customers' expectations of their dream software that he and his employees are commissioned to produce.

Game, set, and match.

"USU isn't for beginners," said a colleague in one of our interviews. You need to get used to the informality at this company first. Alexander laughs when this statement is put to him. He doesn't see it that way at all. To him, the informality at USU was a thoroughly welcome, pleasant surprise.

»Only the human is real and true.«

Ludwig Feuerbach (1805 – 1872), German philosopher

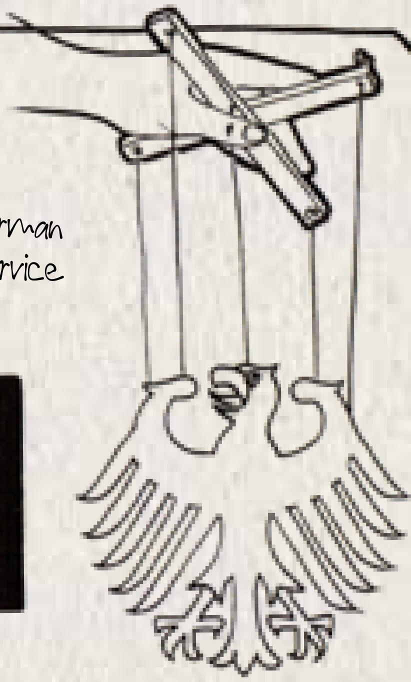
However, he wonders whether the generation currently starting work also wants informality. He thinks that Generation Z is different. But maybe these young people just don't know USU, the real, the true. That's precisely what software development is. Although his longstanding role as a manager means there are other demands on his time, he still pitches in with projects.

Yes, he's there, alright. In the living room of the world.

1985

Deutsche Bank acquires the Flick Group for DM 4.85 billion.

The Mauss affair: Industrialists pay the German Federal Intelligence Service to work for them.



Superdollar: The dollar exchange rate breaks the DM 3 barrier (USD 1 = DM 3.46).

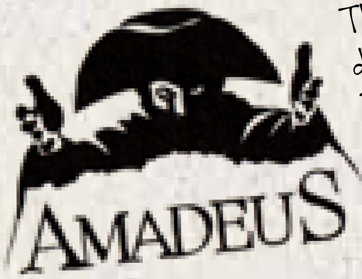
Developing software – it never loses its grip on you. Youre always there.

Alexander Braunstein, born in 1985, manager in USU's Digital Consulting division.

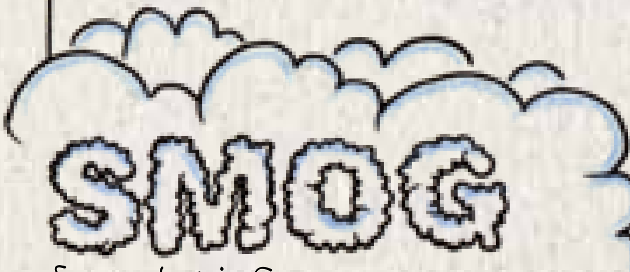
In Hesses state parliament, Joschka Fischer becomes the first Green Environment Minister.

Boris Becker wins Wimbledon for the first time at age 17.

US computer manufacturer Commodore unveils the first computer in the Amiga series.

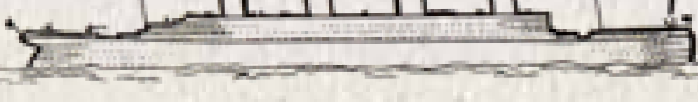


The movie Amadeus, directed by Milos Forman, wins eight Oscars and four Golden Globes.



Smog alert in Germany (North Rhine-Westphalia).

US deep-sea explorer Robert Ballard discovers the wreck of the Titanic.



We are us – an intermezzo

When we were born, in 1982 for example, none of us had any idea what historical era we had emerged into. First of all, we fought our way into our own personal era, learned to walk, learned to talk, learned and learned and learned – and we suddenly realized that everything around us had its own era too. At some point, we saw that weren't entirely alone in the world.

For the Mexican Nobel literature laureate Octavio Paz (1914 – 1998), he realized at the age of five or six that he and his family weren't alone in this world. It came as a shock to him.

We are currently experiencing that shock now – with potentates trying to take our world back to an age of war and terror that we thought we had finally escaped from. At the same time, through digital transformation, we are making great efforts to reach a future in which – as the philosopher Immanuel Kant put it – we find perpetual peace with ourselves.

»Sing with me my song of peace«

Nicole in the 1982 Eurovision Song Contest

USU was just five years old in 1982. It was on time-traveling from the personal era, embodied by the founder Udo Strehl, to a future made up of an infinite number of other specific components. As well as customers, the host of new technologies, the political climate, and the sudden outbreak of a little war, there were the environmental problems – there were challenges everywhere.

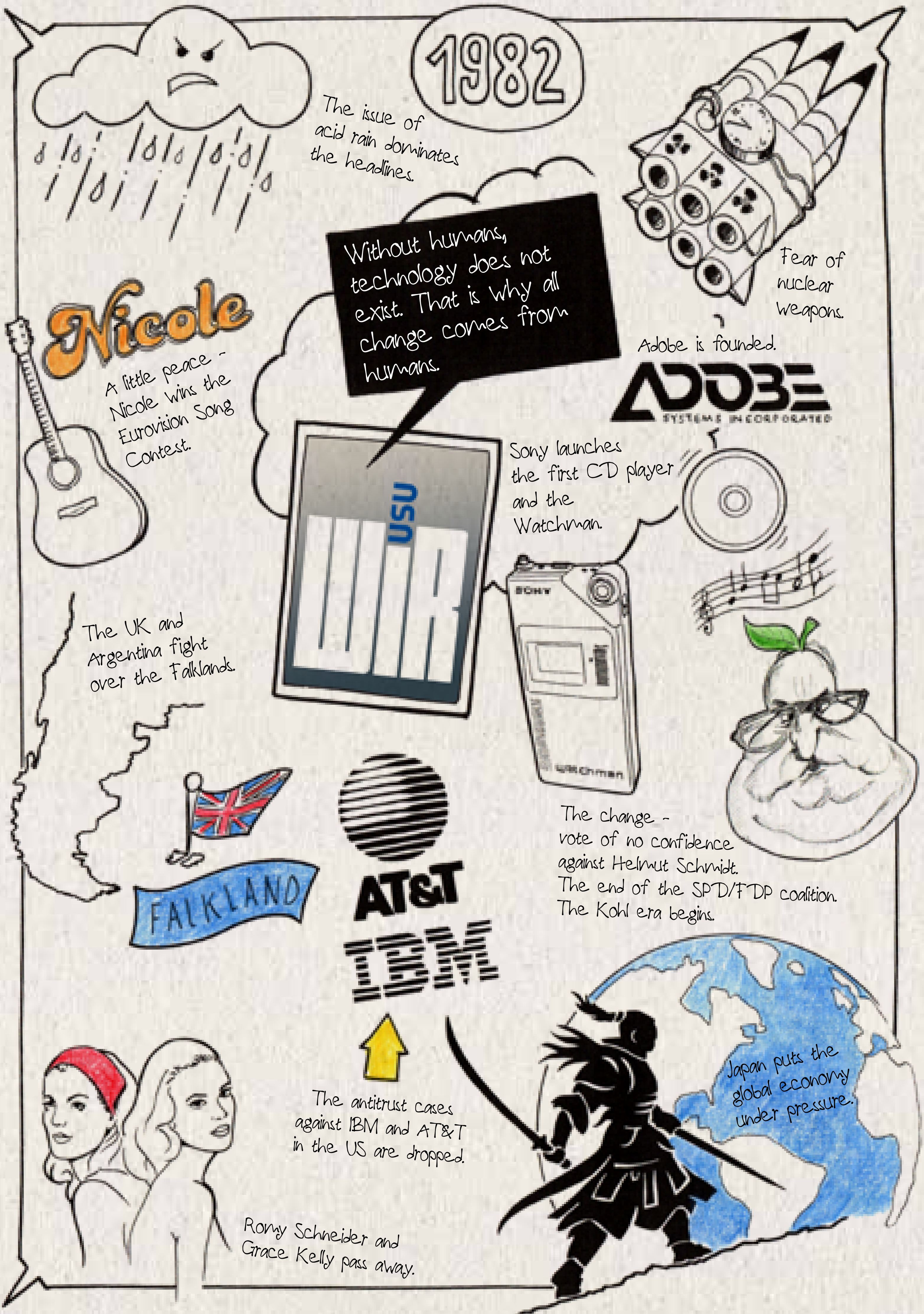
USU was growing into an era where it had to make its own way rather than relying on the helping hands of others. It had to survive as a partner of giants who were starting to use software companies for their own ends. As a client for freelancers who went on to become employees. And there was also a desire to achieve a certain standing as a standalone brand. The young company promoted its "expertise through knowledge and experience." It joined the prestigious German Association of Management Consultancies (BDU) – and above all, it sought to connect with the big, wide world.

It was journeying from the EGO to the US. Everything became "just different."

This is the biggest step in a company's development. Usually – or so we would like to think – it happens quietly, unnoticed by others, perhaps even unnoticed by those involved. It only becomes apparent afterwards. And then we are startled by our own boldness.

Maybe the digital transformation is like that, too. We passed the point of no return long ago. Having landed in the new world, we need to find our way around it. We are shocked by those who want to return to an ego that consists of themselves alone.

But that time has gone. We can be nothing else. We are us. Each one of us.


1982
The issue of acid rain dominates the headlines.
Fear of nuclear weapons.
Without humans, technology does not exist. That is why all change comes from humans.
Nicole
A little peace - Nicole wins the Eurovision Song Contest.
Adobe is founded.
ADOBE SYSTEMS INCORPORATED
Sony launches the first CD player and the Watchman.
USU
WIR
SONY
Watchman
The UK and Argentina fight over the Falklands.
FALKLAND
AT&T
IBM
The change - vote of no confidence against Helmut Schmidt. The end of the SPD/FDP coalition. The Kohl era begins.
The antitrust cases against IBM and AT&T in the US are dropped.
Japan puts the global economy under pressure.
Romy Schneider and Grace Kelly pass away.

A leap in time

When Jessica was born in 1980, time was taking a leap forward. It was now daylight savings time in West Germany. The clocks went forward by an hour on April 6, 1980. And April was also the month of Jessica's birth.

Otherwise, it was a quiet year apart from the US election, which saw Ronald Reagan voted in as the 40th US President. His term of office saw rapid change on the global political stage. And technology also seemed to be taking the leap into a new order. However, probably the biggest change of all was happening in the minds of some thinkers in the US. Largely unnoticed by the general public.

Like billions of other people, Jessica didn't benefit from the thought experiments of these visionaries until decades later. The team leader at USU Software AG in Marburg routinely works from home to support her employees, most of whom are based on-site, though some are spread throughout the country.

They communicate with each other via screens. Jessica likes it when the camera is switched on and people see each other. As if it were entirely normal and had always been that way. That's how it's been since the pandemic. So it's new, right?

Not at all. Technology-related and socially conscious notions of working from home can be traced right back to 1980 and brilliant futurologists like the American Alvin Toffler (The Third Wave). Or Thomas B. Sheridan, Professor at the Massachusetts Institute of Technology (MIT). In this elite US university's highly respected journal Technology Review, he wrote in that same year, 1980, that we must never lose sight of our dignity in all human-machine interaction. To him, that was the absolute prerequisite.

He may also have written this because elsewhere in the journal, it said that it was time to consider biocybernetic communication, i.e. the fusion of the brain and technology. This would revolutionize our understanding of individuality. Such a symbiosis of grips and chips could mark the start of a shared global consciousness. Good idea. Enticing: This kind of technically enhanced, collectively shared human empathy would make wars impossible. We would all live together in peace, friendship, and openness. It would be the dawn of a new age of human existence. Do we really want this new way of being?

»We cannot turn back the clock,
nor should we wish to.«

Thomas B. Sheridan (born in 1923), Professor at MIT (the Massachusetts Institute of Technology), on computers, power, and human dignity in 1980.

Jessica, who has worked for USU since 2017, likes the humanity, openness, and mutual trust fostered in and around her workplace. But would she want to have a sort of synchronization through digital implants?

Good question: Wouldn't that instantly fulfill the overriding aim of USU, which is keen to combine the technical and the human into one USU? USU wants to see a shared understanding everywhere. That's right and important, says Jessica. Chiefly because of the growing importance of working from home. And, she adds: "Customers expect a convergence of our products and services."

This openness, trust, and empathy fostered at USU can only be lived out between people. After a brief pause for thought, she states that it will remain that way for the next ten years. Jessica has a media background, having worked for the subsidiary of a major broadcaster. So she is familiar with the challenge. Connecting her own, highly cherished feel-good world with the sometimes remote bigger picture means that you occasionally have to be ahead of yourself. "Being in the in-crowd isn't enough," as she knows from the media world. Ultimately, she wanted more. Despite the glamor. There has to be intellectual stimulation. Within yourself. That's why she joined USU.

Somehow, it makes you very strong if you move your own clock forwards. Jessica says: "Eventually, it just clicks…"

1980

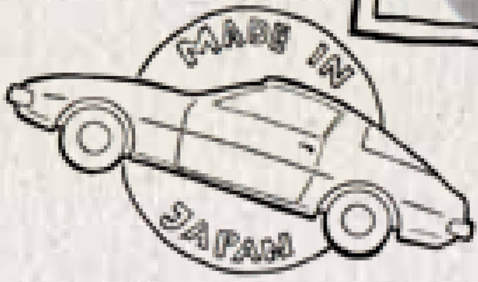
Germany:
Pope John Paul II is the first head of the Catholic Church to visit the Lutheran nation in nearly 200 years.

China:
The far-left Gang of Four are convicted. Maos widow, Jiang Qing (Madame Mao), was initially sentenced to death.

Being able to work with so many great people is a real pleasure.

Jessica Müller, born in 1980, team leader at USU in Marburg.

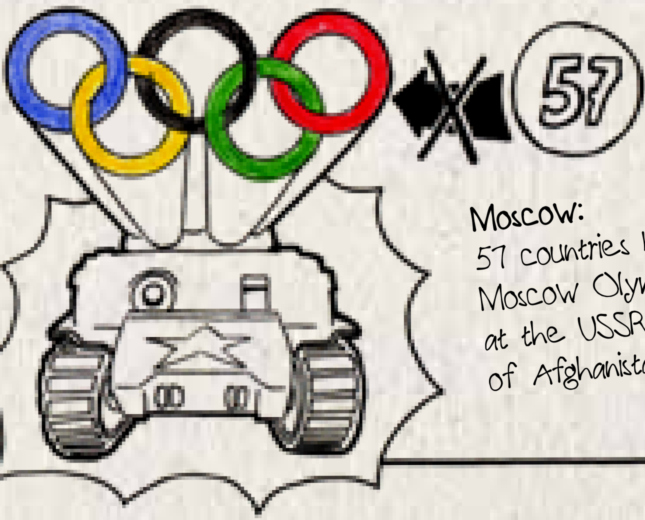
Daylight saving time is introduced in West Germany. The clocks go forward an hour.



US: Republican Ronald Reagan is elected as the 40th President.

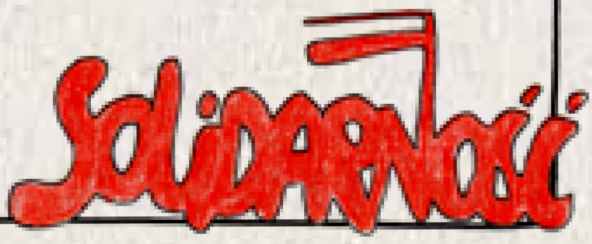
Germany:
The trade union IG Metall urges the federal government to restrict imports of Japanese cars.

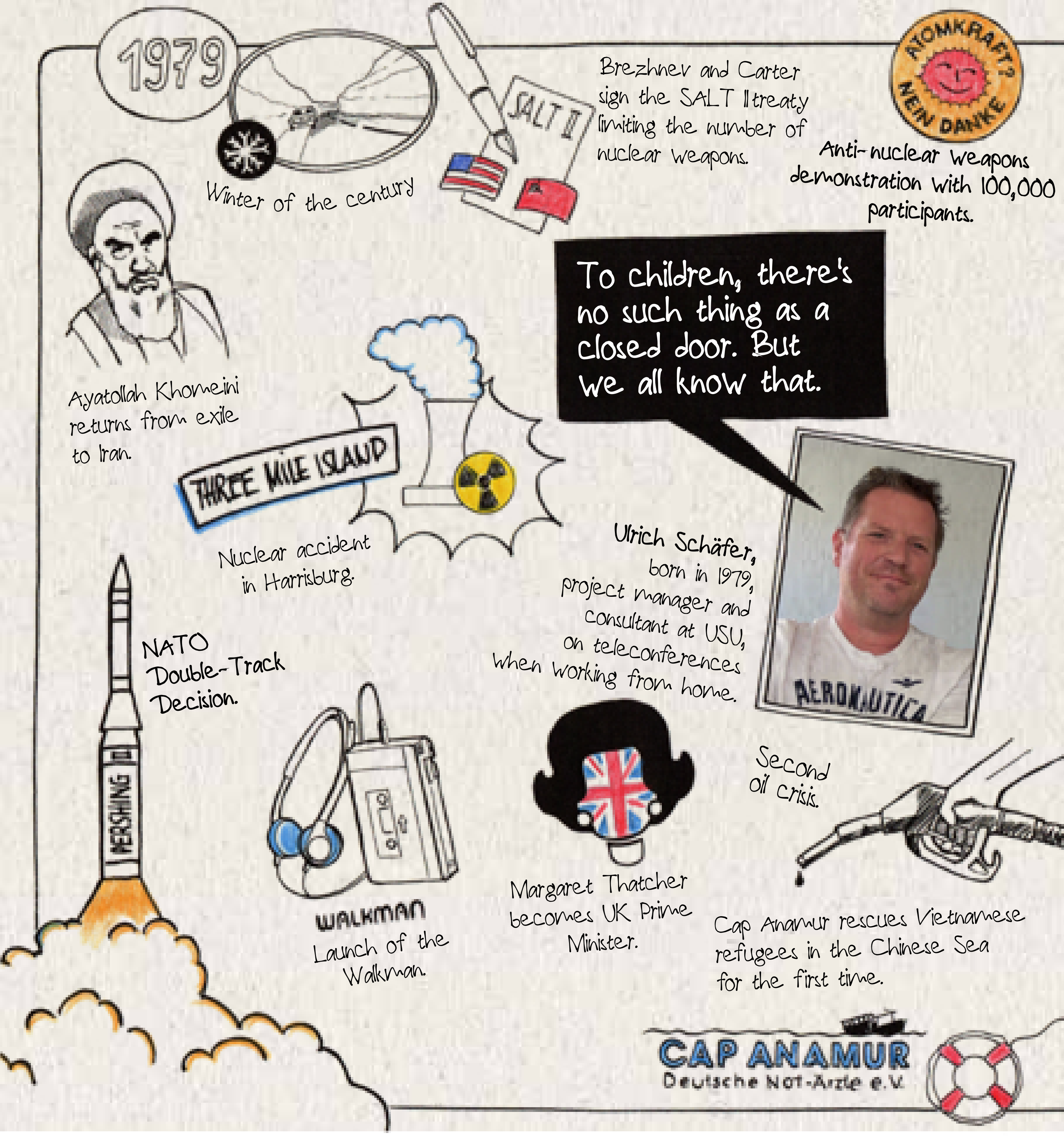
Germans wrestle with the issue of immigration. Antisemitism sprouts up again around the world.



Moscow:
57 countries boycott the Moscow Olympics in protest at the USSR's invasion of Afghanistan.

Poland: Lech Walesa challenges the Polish and Russian governments with strikes by his trade union Solidarity.

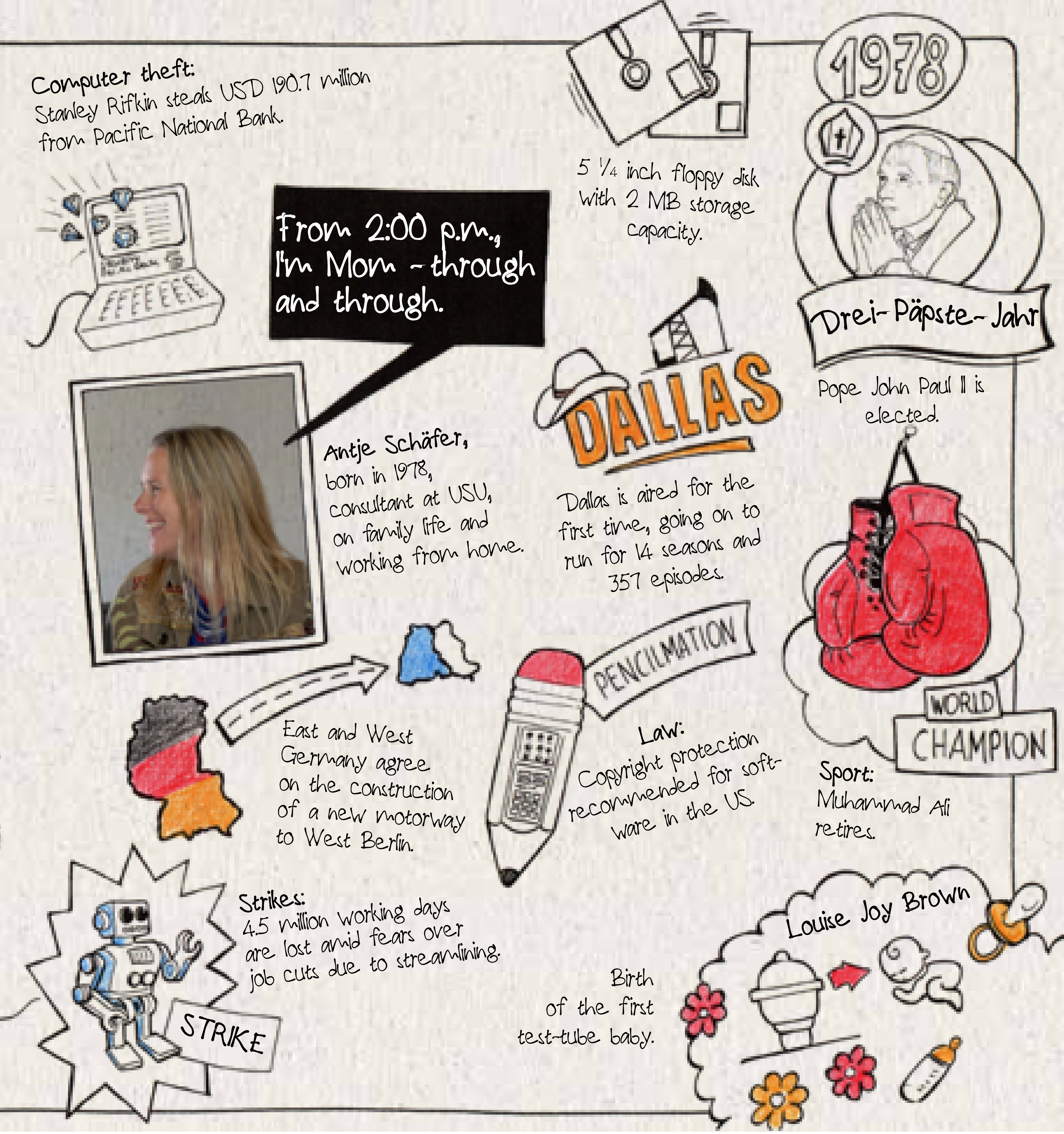




In the midst of life

Antje was born in 1978, just after the birth of the first test-tube baby. Over in England. A landmark moment. For the first time since Adam and Eve, a human being was conceived outside the womb. Yet according to Antje, the most significant moment in the year of her birth was the advent of the Apple II.

When Uli was born in 1979, the first killer application for PCs had just been invented. It was a spreadsheet program called VisiCalc. Hardly anyone can remember the forerunner of Excel spreadsheets. But it could only have been conceived on an Apple II with at least 20 kilobytes of main memory.



So once again, it all started with an Apple.

More importantly, though: Apple originated in the West of the US, in California. VisiCalc came from the East, in Massachusetts. They found each other – like Antje and Uli. That was 2009, thirty years later. Of course, technological change goes much further back.

Antje comes from the Spree Forest, and Uli is from the Black Forest. They met at USU, where they worked as consultants, which they do to this day. They have been married for many years, with two daughters. The Schäfer family is a very happy one. And their love is infinitely bigger than 20 kilobytes…

Uli, who studied business IT, is a project manager. He is more of a reflective character who has supported his customers for many years. Every now and then, he has sleepless nights when he tries to solve problems on a project using thought alone. Antje is a computer scientist who loves getting things done quickly on short-term projects, an agile troubleshooter. She has given up sleepless nights. When asked whether their work is creative, the two of them answer quick as a flash: Yes, of course! They speak with one heart and one voice.

Neither of them can envisage artificial intelligence replacing them or encroaching on them so much that they no longer have any contact with other people in their job. "In that case, we'd serve no purpose," says Antje, who simply can't imagine her job without project events or human interaction. But she is astonished at how adeptly their ten-year-old daughter can use ChatGPT or get Alexa to check her homework. And this really is just the start – just as, back in 1978, the Apple II paved the way for interest in PCs, the Internet, Nokia – and ultimately led to Apple's iPhone.

Uli is rather different. "For many years, the TV was enough for me," he admits. He bought his first PC after earning his high-school diploma, after his military service. He has always been interested in history. "I devoured books," he recalls. Yet he had no intention of becoming a teacher. So he studied a subject based solely on the future: business IT. His wife Antje didn't know what to do after completing her high-school diploma, either. She also chose the future: IT.

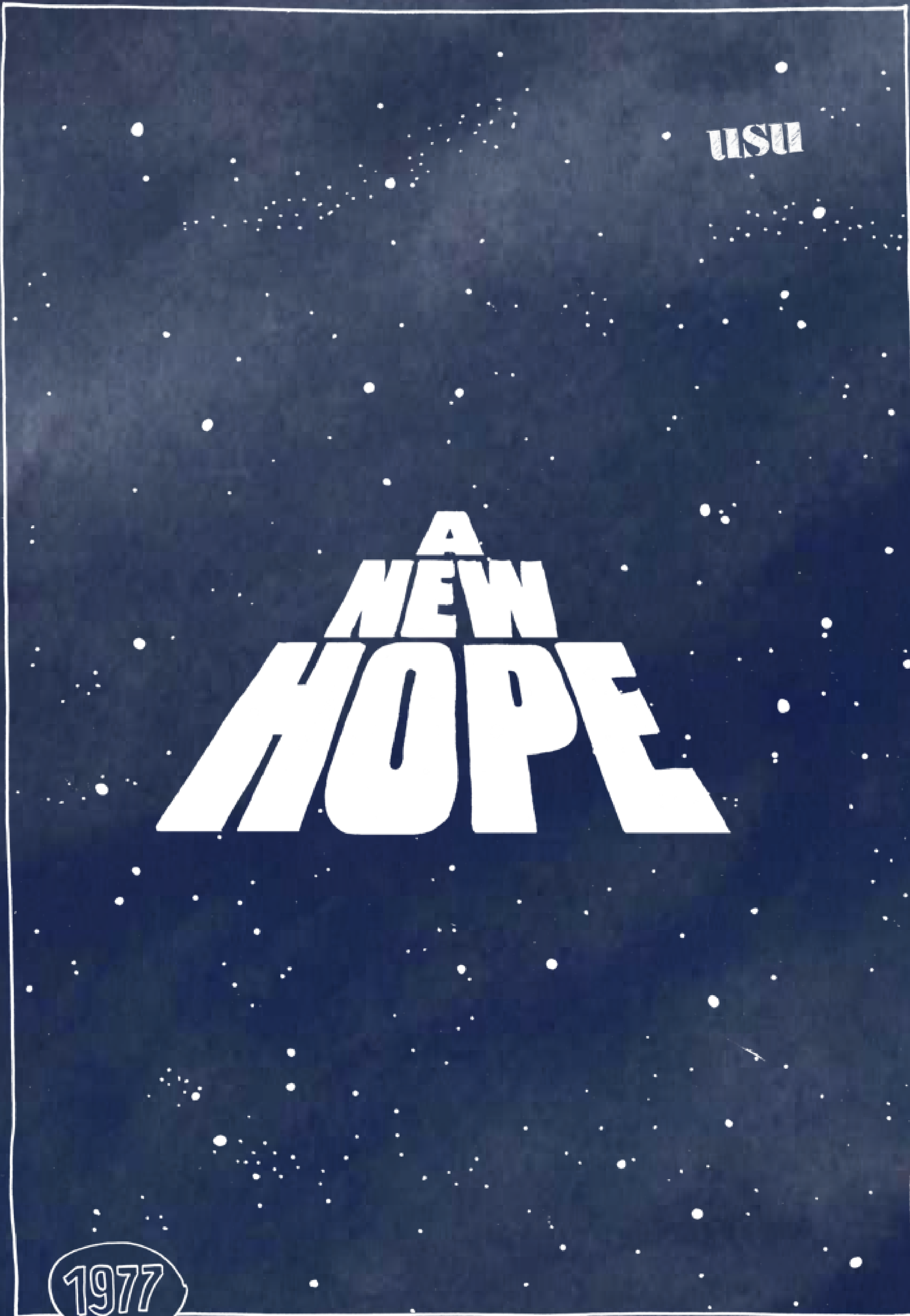
When they became a couple, they bade each other goodbye every Monday with the words, "Until Thursday." It was all about the customer. Then the children arrived, followed by the pandemic – and suddenly, they both ended up working from home in a village between Ludwigsburg and Heilbronn. They can't believe how well it worked.

»My story is what I do,
not what happens to me.«

Vilém Flusser (1920 – 1991), Czech-Brazilian media philosopher

A short while earlier, Uli mentioned that he became a consultant because he "didn't want to go into the same office every day to see the same faces every time." He wanted variety. Now, they both go into the same office every morning, but each into their own. And when they come back out, they're delighted to see the same faces.

Sometimes, it's easy to think that working from home is the killer application of the 21st century. It reconciles work and family life.


usu
A NEW HOPE
1977

A fantastic transformation

When Uwe was born in 1977, a movie was released that took fairy tales and myths, technology and fantasy, kitsch and art, heaven and hell, good and evil, and wove them together in a way that has never ceased to amaze. It embodied progress. It was both the past and the future of media and humanity.

It was, and remains, unique.

What George Lucas started in his epic 'Star Wars' is, in the strangest of ways, currently becoming a reality at a company that is the same age as the movie and the same age as Uwe Steixner, who joined USU in 2001 and is now a manager there.

Uwe doesn't know that the whole future was born back then – not just his own at USU, but also that of USU itself, which was founded in 1977.

When Uwe contemplates the future of IT, the business IT expert sees himself and his colleagues in highly abstract software worlds in which everything people need to navigate through life is there in spirit form. Obviously, he puts this much more prosaically. His magical worlds are frameworks that are so smart that all users can use them to put together their own software. Creating these frameworks demands the utmost human capability – indeed, all AI development requires human expertise and imagination above all.

In 1977, cutting-edge technology was needed in order to make the movie Star Wars, yet the images instantly proved to be so powerful that audiences didn't notice the technology behind them or see through the tricks, and became totally immersed in this virtual world. However, in the software worlds of the future, you are no longer in the audience. You're in the thick of it, playing your part. "You contribute your own ideas," says Uwe, referring to the frameworks that he and his colleagues provide – filled with the power of people's own ideas. So everything is merged together in ever larger cosmologies, while individuality is preserved. "The ordinary programmer will then be replaced by AI," he says, although he means the role rather than the person. They will be needed more than ever. At a higher level.

However, it isn't the fantastical world of fairy tales and myths that is being reimagined here but the entirely mundane world of business. Indeed, this is transforming itself, gaining a new dynamism and quality: "The individual, the ego, plays a key role." More than that: "It is the ego that generates the unique selling point of companies."

He really shouldn't disclose that. After all, the notion that software is both fully adapted to individual preferences and preserves commonality could become a unique selling point itself. Everyone is their own software astronaut.

»Every program is potentially a sub-program of a larger program.«

1977: Joseph Weizenbaum (1923 – 2008), German-American inventor of the chatbot

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It's just that in 1977, when USU was founded, a brilliant man named Joseph Weizenbaum predicted everything and called this change a "fantastic transformation" in his book Computer Power and Human Reason. However, he was also skeptical. He believed that humans would just be a passive subprogram here. Uwe also sees the risk of "dumbing down." But at the same time, he believes in the ego, the self-will of humans, who will determine the direction of this "fantastic transformation" themselves.

May the force be with him.

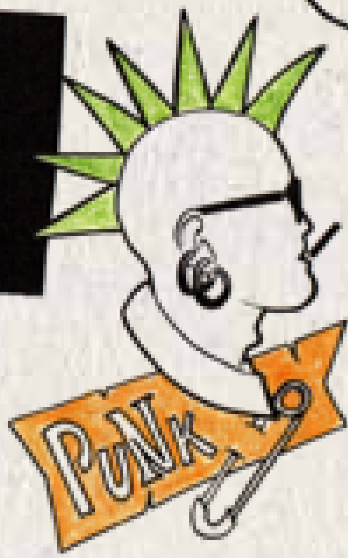
1977

The company now known as USU Software AG is founded by Udo Strehl, born in 1954.

Deutsche Bundespost unveils its new screen text service, BTX, at the International Consumer Electronics Fair in Berlin.

Elvis Presley dies aged 42 at Graceland, his mansion in Memphis, Tennessee.

The first wave of punk.



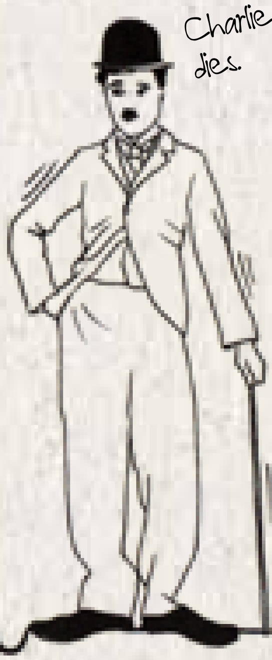
For the foreseeable future, companies will always be managed by people rather than machines.

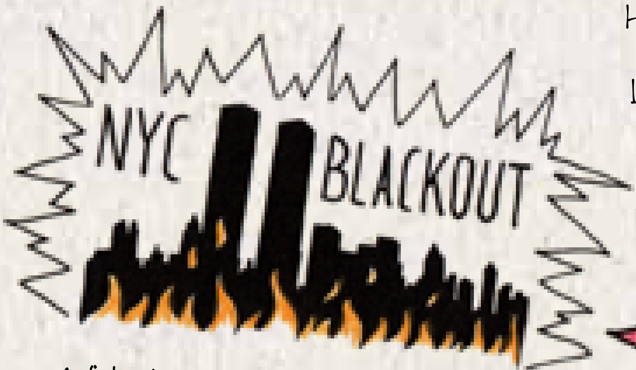
Star Wars is released. It is one of the highest-grossing movies of all time.

Uwe Steixner, born in 1977, Managing Director at USU.

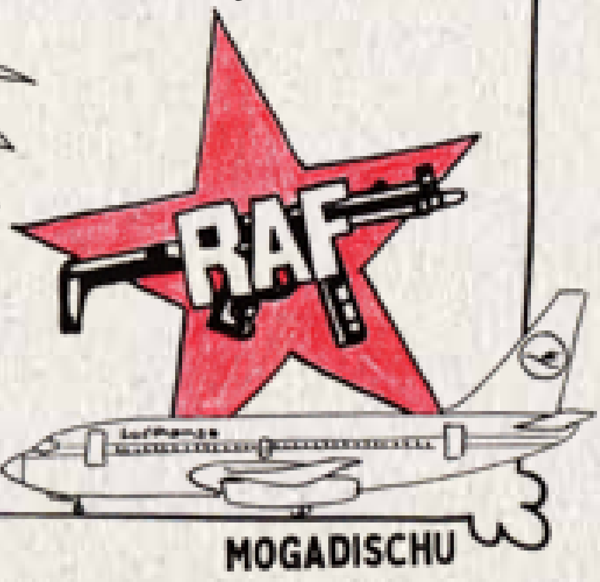
The German Autumn of terror rocks West Germany. Hans-Martin Schleyer is kidnapped and the Lufthansa plane from Landshut to Mogadishu is hijacked.

Charlie Chaplin dies.





A lightning strike causes a blackout in New York City. Looting and unrest. 3800 arrests. 1000 fires are extinguished.



Every model – totally unique

When Markus was born in 1974, a few people in Albuquerque (New Mexico) were developing the first PC, which created its own multi-billion industry almost from scratch. And before long, Markus sat in front of one of them himself, not just to play, but to program. Maybe he was destined not to mull things over at length, but to go ahead and do them. Ideally as a model. That explains everything.

You see, Markus Mattersdorfer became a software architect after studying business IT. A generation – 30 years – before him, a mathematician called John von Neumann laid the foundations for nearly all computers that have been made since then.

Because these foundations, which go back as far as the 19th century, have been relevant for so long, Markus is somewhat hesitant when asked if the pace of technical change has increased. Having worked for USU as a consultant in a host of roles since 2001, he is well aware that groundwork lasts, and pays off. Yes, there are constant changes, extensions, corrections, and innovations – but from an architect‘s perspective, these are variants, additions. Sometimes useful, sometimes not.

In the year of his birth, 1974, the journal Computer Zeitung, published in Leinfelden near Stuttgart, featured the headline, “The beginning of the end for programmers.” Software developers would soon be out of work. A natural language generator would do exactly what has been known as LowCode/NoCode since 2014. In principle, this enables everyone to write their application without having any programming skills. This concept failed half a century ago, but it has been unstoppable for the past ten years. It keeps on growing. Kits and platforms are produced for people to use as they please. Reinventing your job every day – who wouldn’t enjoy that? Provided that it isn‘t bad for business …

On the contrary, it boosts business, which is why the likes of our Markus are needed more than ever. He creates the platforms, the portals, and the models that facilitate a lasting career of personal programming. But he doesn‘t make them for the mass market. Rather, they are geared towards customers’ needs. Every model is totally unique.

»The sciences do not try to explain,
they hardly even try to interpret.
They mainly make models.”«

John von Neumann (1903 – 1956), American all-around genius of European descent who, in 1944, developed the computer architecture that is widely used to this day

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And ideally, it comes from a single source. Markus loves it when a customer says that they will leave the development of a model for their environment entirely in the hands of a USU team. That shows a great deal of trust, which makes Markus swell with pride. It makes him feel appreciated. After all, this model is always a piece of him, even though it ends up being totally absorbed into the business model of the customer with all their intrinsic, implicit motives. This model may even be their entire future – a future that will last longer than a short-lived product cycle and will outlive the many innovations.

Of course, Markus knows that such models have to be constantly renewed. The very fact that they are capable of this is an indication of their quality. Pursuing your own ideas and vision to effect change. That is something truly individual. Not everyone can do it.

But there must be a reason why USU has survived every beginning of the end for programmers so far.

There’s surely a model behind it…


1974
Ghastly sitcom character Alfred Tetzlaff proves to be a hit with TV audiences.
Wheels grind to a halt... In Germany, unions and management of the Trade Union for Public Services, Transport and Haulage, and the Postal Workers' Union go on strike for an 11% pay rise.
WM 74
Soccer World Cup:
East Germany beats West Germany 1:0, but the latter go on to win the tournament.
EIN HERZ UND EINE SEELE
18=21
The age of majority is reduced from 21 to 18.
Perhaps it's just because we have the right people.
East German spy Günter Guillaume is exposed.
Marcus Mattersdorfer,
born in 1974, software architect, when asked why customers particularly turn to USU for individual projects.
Willy Brandt resigns. Helmut Schmidt succeeds him as Chancellor.
Altair 8800 -
The first home computer is developed in Albuquerque.
Watergate:
US President Richard Nixon resigns after impeachment.
AUCH DU EIN UMWELTSÜNDER?
West Germany passes an Environmental Protection Act.
The Arab oil embargo comes to an end.

Going live

Christine was born in 1971, the year when countless projects for the future were launched. Political, technical, economic, social. So it's no surprise that the Bonn resident who spent her school years in Swabia became a project manager. This desire to get things done is clearly innate.

Christine Schneider has worked for USU since 2020 and is in charge of the development of online portals that now give millions of companies access to the digital future – not with sensational innovations, but with lots of little ones. "It's great to feel involved as a small but important cog in the wheel," she says. Indeed, the individual, the ego, remains vital. And it seems to be highly versatile.

So it's quite an eye-opener to learn that Christine actually studied English and Romance languages and literature. It's another world entirely. But in her postgraduate studies, she had added the subjects of economics and law. However, in her early years, this led her to a Swiss airline where she worked on online training courses. It wasn't the subject matter that proved to be a challenge. It was HTML, the mark-up language that forms the basis for the World Wide Web.

She was now in the IT business, she moved to a software company – and got going. Something happened there that could almost be perceived as a direct link to the year of her birth. Back then, the American Raymond Tomlinson (1941–2016) wrote a program that enabled the sending of e-mails. Others had done something similar. But he was the one who made an imprint on the whole thing. It was the @ sign. Two years later, it was used by 75% of all users of ARPAnet, the precursor to the Internet. Half a century on, it's omnipresent. We all use it.

If we're being generous (and there's absolutely no reason not to be), Christine made her own imprint – one that ensures that whatever is sent not only reaches its intended recipient, but also proves where it went and how it got there. A logistics company still uses a label for parcel tracking that she helped to develop. We don't know whether that will still be the case in 50 years' time. Probably not. But it doesn't matter at all. As we all know, the future starts now – not tomorrow.

»The best way to predict the future is to shape it.«

Willy Brandt (1913 – 1992), West German Chancellor

Creating something that makes a difference is what matters to the employees at USU. Christine sensed this as soon as she arrived at the USU branch in Bonn in 2020. You'll notice that this was little old Bonn, not the metropolis of Berlin.

Here in the former West German capital, USU assists customers in the public sector in particular. Bonn? Yes, Bonn. A completely different Bonn from that of 1971. Back then, Willy Brandt's government included a Chancellery Minister called Horst Ehmke. He was planning a new Chancellery. It wasn't the architecture of the building on a site covering 15,000 square meters that caused a sensation, but the fact that Ehmke had set aside a thousand square meters for a state-of-the-art data center. Big, bold, and totally futuristic.

Yet what changed the world was not the government's IT hub, but the small things like the @ sign, or the microprocessor from Silicon Valley that was going into series production and bore the location's name at the time. Or like the smartphone, whose precursor Christine still remembers well. After all, one day, her father brought home a prototype for one of these, made by his employer. It was one of those brick devices that you may recall from the TV series, Dallas.

Its great-grandchild, the smartphone, is now ubiquitous. Full of applications – including those for the meticulous tracking of parcels.

1971

US President Richard Nixon announces the first large-scale withdrawal of US troops from Vietnam.

Telephone calls between East and West Berlin are possible again.

The Bundestag passes the Federal Training Assistance Act.

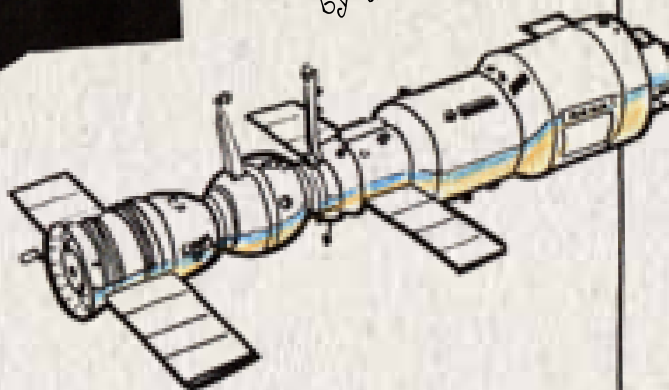
Market ready:
Intel unveils the first microprocessor. The Intel 4004 has a processing capacity of 4 bits.

The American Roy Tomlinson invents a program for sending e-mails, and develops the at sign.

It's the little, targeted steps that get progress up and running.

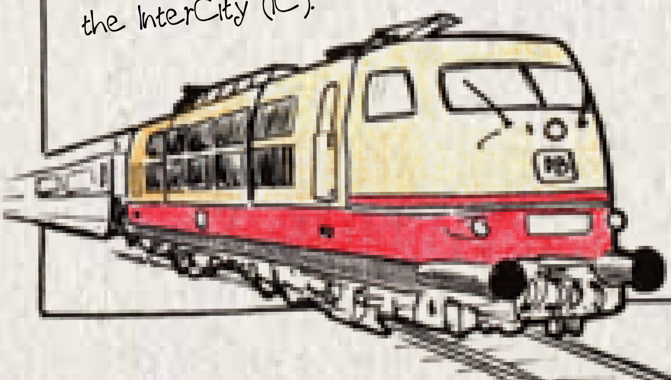
Christine Schneider, born in 1971, project manager at USU in Bonn.

The first manned space station (Salyut) is launched into orbit by the USSR.



Willy Brandt wins the Nobel Peace Prize.

Deutsche Bundesbahn launches the InterCity (IC).



Project Gutenberg gets underway in the US. More than 70,000 book titles are available online here – 10,000 in Germany.

Everything flows

When Holger was born in 1971, the British magazine The Economist proclaimed: "Many senior executives now regard their computer systems as the worst investment." Get rid of them. It was the year when the dollar was separated from the gold standard. Get rid of it! The central banks lost control of monetary policy. And so everything suddenly changed. While businesses were desperate to exit the computer age, banks were suddenly investing in these systems like mad. They were intended to help guide the financial institutions through the wild waters of the financial markets.

The financial world overtook the government. These days, billions of dollars are being moved around on the markets across all borders on a daily basis. Everything has flowed ever since. Managed by this financial world, which blazed the trail, with the IT world now taking the lead. The crucial factor is not the ownership of resources, but the opportunity to use them – for instance, in the cloud.

»I find that all over the world,
the computer generation understands reality
in a different way from the generation
that was brought up with books."«

Henry Kissinger (1923 – 2023), US politician of German descent who set a new course in 1971 as Nixon's National Security Advisor

Going into banking had been a good decision for many young people since the seventies. So it was for Holger Sampel, who grew up in Swabia and had mapped out his career that way. A sound, structured person, level-headed, likable, and empathetic, fairly reserved, and highly conscientious. He was cut from the cloth that good bankers in Germany were made from. As a boy, he enjoyed reading books and listened to the radio rather than watching TV. His first experience with computers came late, too. He still reads a print edition of his newspaper over breakfast each day. He seems like a throwback to another era – the post-war years that his parents' and grandparents' generations seemed to long for. Yet that era was over in 1971. Once and for all.

So at first glance, Holger may seem like an anachronism. But don't be fooled! Holger is entirely the child of a time in which technology moved at breakneck speed – and good, smart management was needed more than ever. That is the very essence of this man, who studied business administration and has been working for USU for more than ten years now. In sales.

Project business, digital consulting, is his domain. Everyone who is familiar with this business knows how turbulent it can be. In dealing with customers, employees, and partners, with budgets and schedules, technology trends, and changing jargon. Holger is a professional. Through and through. He wants to manage things, not create them. He's the kind of manager needed by every company that works in a creative field.

In the past, he changed jobs every five or six years, gaining experience and seeing that in this business, the team is the star. For his part, he sees himself more as a coach who knows that the strategies don't emerge in an ivory tower: they grow from below. Through intensive listening.

In fact, he's the kind of person whom you'd expect to see in a senior role at a large corporation. A fixed star in tumultuous times. He sometimes has sleepless nights when he has to ensure that customers never see their IT as a bad investment, as they did when he was born. And finding a good solution is a matter of pride. Just as it is throughout USU. It defines it.

To him, this software company with its 800 employees operates like "a professional large enterprise." And it has to when has customers in the world of big business. At the same time, he describes USU as "really informal." This combination pleases him, gives him pleasure, he says, while others would talk of fun. Power struggles don't interest him at all.

He embodies stability in times when technology is changing so much, and his enthusiasm remains undimmed. "I'm no alpha type," he says, with a smile so charming that you wonder how it's possible to be so selfless and so confident at the same time. His reply: "That's my job."

IBM and the seven dwarfs, as the saying went at the time. But then an eighth arrived: Siemens.

The first sperm bank opens in New York.

Erich Honecker succeeds Walter Ulbricht as General Secretary of the Socialist Unity Party of Germany.

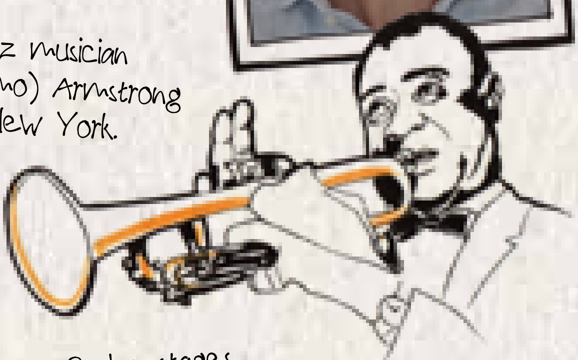
You find solutions by concentrating. But creative ideas cant be steered into being. You either have them or you dont.

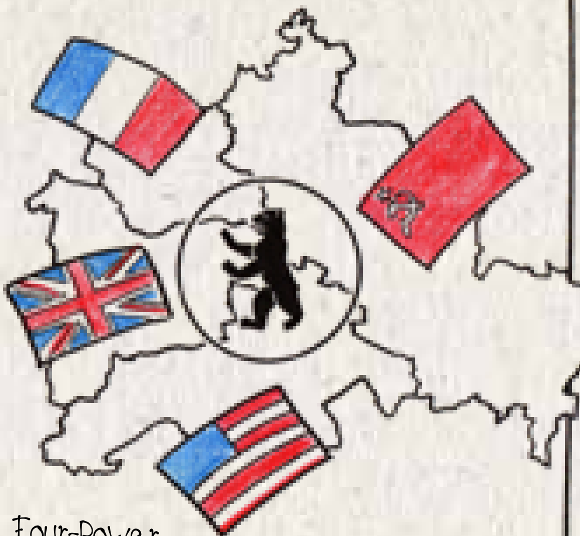
The German childrens TV show, Die Sendung mit der Maus, is first shown.

Holger Sampel,
born in 1971,
Managing Director
at USU.

No more gold against the dollar – US President Nixon decides that the dollar will float freely. The end of Bretton Woods.

The jazz musician Louis (Satchmo) Armstrong dies in New York.

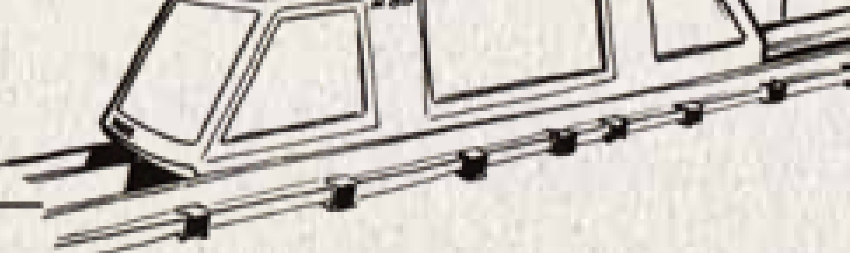




Signing of the Four-Power Agreement on Berlin.

Kunsthalle Baden-Baden stages its first major exhibition of Salvador Dalis works.

Testing of the worlds first monorail system (Transrapid) in Munich.



Heaven and nerd

When Bernd was born 1969, humankind had just pulled off its biggest and most spectacular project – the moon landing. And back on earth, it started the internet, which is now breaking down barriers between people. It triggered so many enduring innovations that people could not fail to be enthused by technology. It was the time when the term "nerd" started to catch on in the English-speaking world.

"I was the first nerd in my nursery school," says Bernd Hellinger, Director in Product Consulting at USU, with a straight face. "Given the flood of innovations in the year of my birth, it was clear that I would end up in the IT industry." And so Bernd became – drum roll, please – a machine fitter.

Bernd loves self-deprecation. He's a Franconian, and maintains that "the Swabians never robbed me of my dialect," from his arrival at USU in 2000, just after the IPO, to the present day. The Franconians are the Bavarian elite, he says dryly, claiming that all the topics we work on today were covered in great depth when he was in nursery school. In short, his humor is a core part of who he is.

»Men will become neighbors.
Whether they like it or not.«

1959: Arthur C. Clarke (1917–2008),
British physicist and science-fiction author

But he has a point. After all, the machine fitter was soon turning his hand as a professional soldier to the digitalization of the engine control system of the Tornado, he studied aerospace engineering, he learned NC and CNC programming, and he ended up in business administration – in the immaterial world. He worked on client-server models and, in 1999, he prepared for the short step from a large enterprise to USU.

Somehow, his career encapsulates all the diversity of the year of his birth, in which he regards the moon landing as the least momentous, "most unexciting" thing. He's much more fascinated by the fact that it was the era that spawned the software industry. Under pressure from the US government, IBM stopped treating software as a part of the hardware "with no extra charge" in June 1969. This give rise to the software industry. Software cost money. And there was Unix, an operating system that Bernd believes is "more relevant than ever." However, "nearly our whole life is now based on the Internet."

At USU (which he once left briefly – well, for eleven years, but willingly returned in 2016), he has ensured that product consulting also has a higher profile. He knows that he has very good colleagues – damned good, as he observed in his eleven years working for a competitor. One thing was for certain then: In product consulting, the most important thing is not the product, however good it may be, but the communication between the team players. No AI can come close to this, despite all the progress that the future will bring.

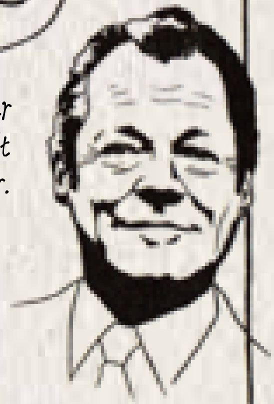
There is consensus on this.

Or maybe not? One day, "the AI of the customer, the AI of the partner companies, and the AI of USU will be brought together to hold consultations with each other. We will sit back and watch – and then decide," predicts a grinning Bernd. By the way, if he had known that this cross-company communication had formed the basis for the successful moon landing, he would probably not find it so "unexciting," and more momentous. It's how modern project management came about.

During a similar round of consultations in April 1961, US President John F. Kennedy gave the green light to the moon project. It's incredible that it then took eight years to come to fruition. Astonishing. In such a short time – from nothing to the moon. These days, we struggle to think in three-year periods…

Concorde: First supersonic flight, possibly the most elegant passenger aircraft in the world.

1969

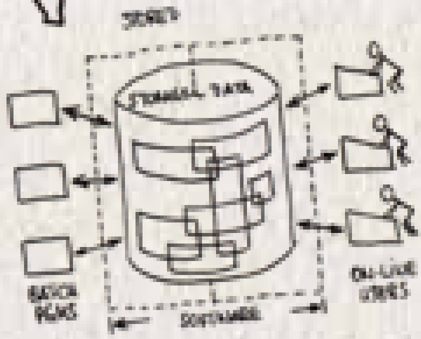


Change of power in Bonn - Willy Brandt becomes Chancellor.

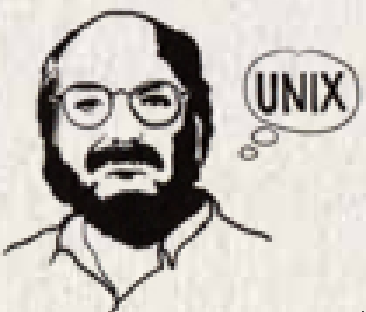
BOEING 747

Boeing 747: The jumbo jet takes off on its maiden flight.

We are small enough, we are smart enough, we have the management to achieve every transformation.



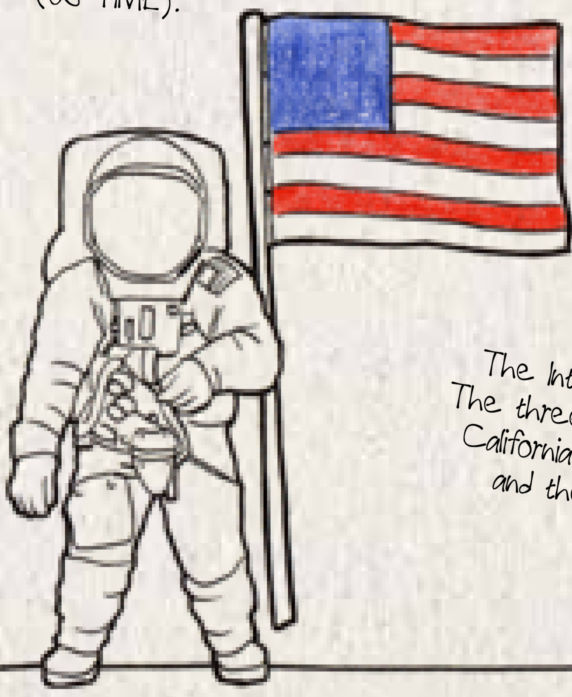
Dr. Edgar Ted Codd (IBM) invents the relational model. It remains the basis for all relational databases and spreadsheets.

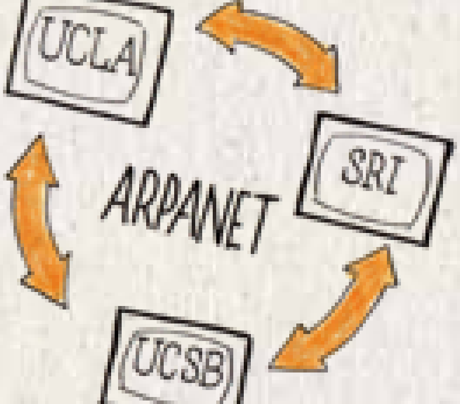


The UNIX operating system is developed at Bell Labs by Ken Thompson, AT&T.

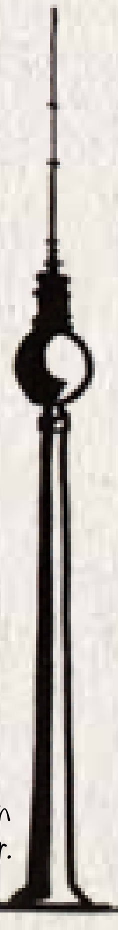
Bernd Hellinger,
born in 1969,
Director for Product Consulting at USU.

For mankind:
moon landing on July 20 (US TIME).





The Internet is launched - as ARPAnet. The three computers of the University of California Los Angeles and Santa Barbara and the Stanford Research Institute are linked together.



Opening of the Berlin TV Tower.

At the end of the day

Bernd was born in 1968, one of the most turbulent years of the post-war era. There were the student revolts. There were the assassinations of Martin Luther King and Robert Kennedy. There was the end of the Prague Spring. And. And. And. But there‘s one event we‘re keen to forget. It was the year when the software crisis was declared at a NATO conference in Garmisch-Partenkirchen. Experts from all over the Western world had come together to discuss what is now known as software engineering.

The most important element is brainwork. One person who was very much involved in the sixties was the American Frederick P. Brooks. A software genius. He delivered a superproject for IBM – and later declared that a machine, artificial intelligence, can produce 100% of the software code, 100% of the documentation, 100% of the tests, and 100% of the entire distribution – yet this would only increase productivity by 30%. Because the bulk of the work, 70%, is done in the mind.

»Well over half of the time you spend working on a project (in the order of 70 percent) is spent thinking, and no tool, no matter how advanced, can think for you.«

Frederick P. Brooks (1931 – 2022), American IT expert who wrote The Mythical Man Month, the classic of software tutorials, in 1975.

Bernd Richter takes up the theme: “Artificial intelligence can certainly handle quite a lot of the technical stuff.” He joined USU in 2000, and took to knowledge management from the outset. He is another who believes that humans are essential to the thinking aspect. At any rate, he wishes to add that, in particular, this brainwork doesn’t mean sitting alone in an office, but talking with each other.

And Brooks, who died in 2022, would surely have agreed with him on this. Indeed, he would have backed up Bernd with an indisputable example.

He would have recalled the Tower of Babel, the biggest project debacle recorded in the Bible at the time. The people back then had everything they needed, but “They were unable to talk with each other; hence, they could not coordinate,” Brooks wrote in 1975.

Communication is “everything at the end of the day,” to “actually” quote an expression often used on the IT scene (and by Bernd) – so often that it shows just how much the eggheads talk to each other. They use the same jargon.

They are one USU.

Bernd is a business IT expert. In actual fact, this man who hails from the Swabian Jura didn‘t want anything to do with computers at first. He wanted to be a carpenter, another wonderful, creative job where – assuming all precision tools are in place – thinking is crucial, although communication maybe matters less.

But computing crept up on him anyway. He discovered the world of software. “I‘m not a programmer,” he says, although he obviously learned that skill, too. And he does help out with it. However, communication and coordination come first for him. He is a project animal through and through: “The mood in the project must be right.” He regards himself as more of a motivator than a manager “who defines strategies.” “It‘s all about fun,” he says. “That’s the driving force.” Ensuring that others enjoy their brainwork is one thing. The other is the question: What happens to it?

Yet after all these decades, the lesser-known key event of 1968 seems to have stuck with him: the software crisis that every major project has to go through at some point, to a greater or lesser extent. “When difficult situations need sorting out, that’s where I come in,” he says. That’s a challenge he relishes.

But it doesn’t mean that he’s already waiting for the next software crisis. “At the end of the day,” it “actually” creeps up on him…

Of course not!

1968

Martin Luther King
is shot dead on the
balcony of the
Lorraine Motel
on April 4.

Protests in spring 1968, ssassination
attempt on activist Rudi Dutschke.

People
wont replace
themselves.

Bernd Richter,
born in 1968,
digital consultant at USU,
who would also have liked
to be a craftsman.

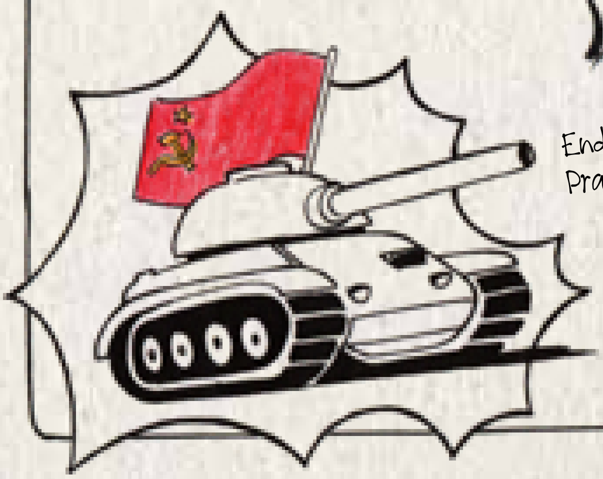
Assassination of
Robert F. Kennedy.

The bestseller Falsch
programmiert (Badly
Programmed), by Karl
Steinbuch, is published.
Steinbuch coined the
term informatics. He
was a professor in
Karlsruhe and
a founder of IT.

Richard Nixon
is elected as the
46th US President.

Value-added tax
is introduced.

The Bundestag passes
emergency legislation.



End of the
Prague Spring.

Magic matchmaking

When Alexander was born in 1967, the Americans were starting to experiment with computer dating. Magic matchmaking. Machines were bringing people together. And then? Good question! "When you're dealing with people, there's no blueprint," says Alexander Betti, a director at USU. He's been working here since 1996 – and hasn't regretted it "for a single day." Magic matchmaking.

He joined USU after a chance conversation with a USU manager at a party. Alexander, who studied media and communication sciences, was working for a prestigious publishing firm that had a vast fleet of expensive Macs and had tasked him with establishing and documenting the situation with the computers in terms of software licenses and other equipment. At the time, this was called IT controlling. It was precisely USU's line of business. With its own products. Magic matchmaking.

A new career was born.

Is the end close at hand in this age when issues, such as artificial intelligence, hold full sway, and the cloud sweeps along, bearing a torrent of data? "What lies ahead is hugely disruptive," he says. A new and different world. The world of knowledge management. The world of the cloud. It's inhabited by a new generation of people, the digital natives, who were "actually" (one of his favorite filler words, too) born into this world of new media. He sees it in his two sons who hooked up their smartphones with ChatGPT in the blink of an eye without saying a word. Magic matchmaking.

Alexander started his career when "agenda-setting" and its ilk were in their infancy. Media firms were trying to make their voices heard in order to turn consumers into customers. It was an intoxicating time when media folk seemed able to prevail over all reality. These voices are now long-established – and you have no choice but to "conform to trends ever more quickly," he states. He speaks with the wisdom and confidence of one who has constantly had to put this skill to the test. In "sleepless nights," he has searched for solutions to issues that were not always his own, but had been put on his agenda by others. And at some point, "all the pieces fell into place." It's always been like that. And it always will be. Magic matchmaking.

»Becoming human is an art.«

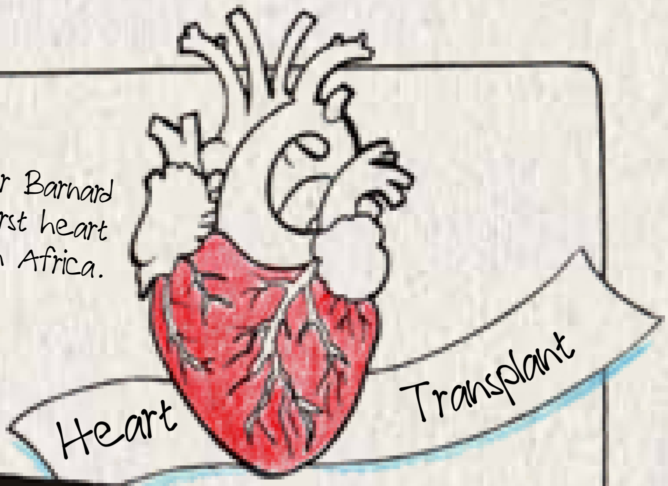
Novalis (1772 – 1801), German poet

Overcoming all the constraints by sheer force of personality is the key to success here. It is "inspiration" (Betti) that holds everything together while paving the way for innovations. "Nobody knows where the new ideas suddenly come from," he states. That's not entirely true. In the past, when founder Udo Strehl was still responsible for agenda-setting, his visits to the sauna were greatly feared. In the solitude of his sweat session he hatched many an idea, which he then presented to his people on monday. "That's when we knew we had to get out of our comfort zone." Now it's getting uncomfortable. A new round of "matchmaking."

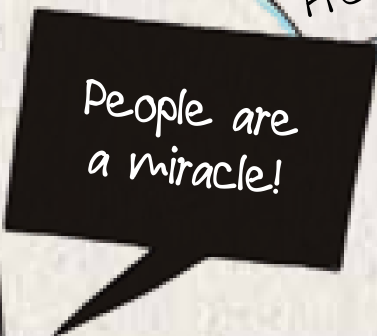
Well, innovations aren't the worst agenda …

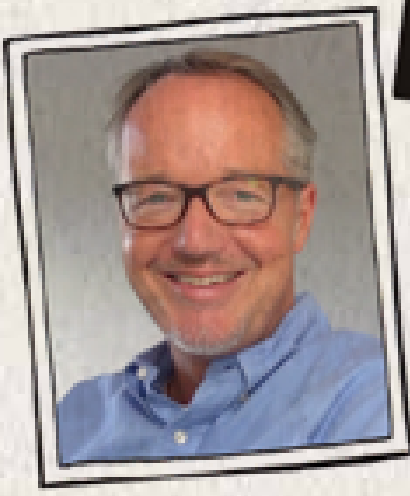
1967

Professor Barnard performs the first heart transplant in South Africa.

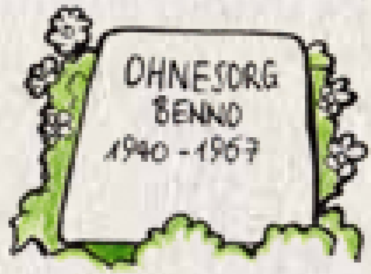


Che Guevara is executed in Bolivia on October 9, 1967.

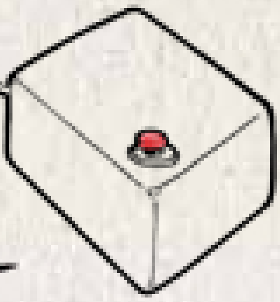




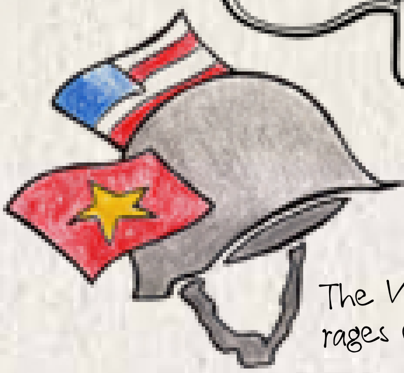
Alexander Betti,
born in 1967,
director at USU.



Berlin:
There are protests against the visit of the Shah, and Benno Ohnesorg is shot dead on June 2, 1967.



The computer mouse, invented by Douglas Engelbart, is patented.

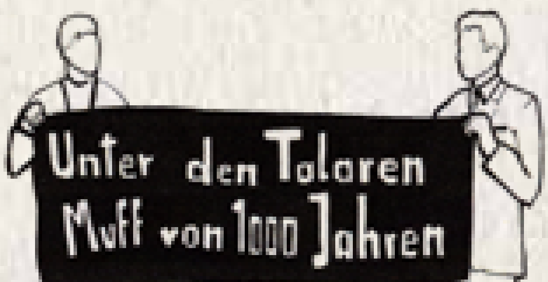


Konrad Adenauer dies on April 19, 1967 aged 91.

The Vietnam War rages on.

The Mercedes 300 was also named "Adenauer".

Flower power in the US.



The high point of the student movement for higher-education reform.

The talent for talents

When Uli was born in 1967, the German magazine Der Spiegel reported that engineers had managed to teach a Zuse Z23 computer to produce poetry. To do this, they entered the vocabulary of wordsmiths such as Goethe, Droste-Hülshoff, Claudius, and Tagore, underlaid with terms from the engineering, legal, and medical fields. Then they left all this to the free association of the computer. The outcome was formally impeccable poetry that even ChatGPT would struggle to interpret. What did the artist, the computer, want to say to us? The answer: nothing.

It doesn‘t work like that. You can't just chuck the work of outstanding talents into a machine, however smart it may be, and expect it to produce outstanding poetry. It may look great, but it isn't. There's something missing despite all the progress.

That leaves a job for us, for people like Ulrich Rannacher.

He joined USU 25 years ago, in 1999. At the time, he had left the university without completing an IT degree, worked for SMEs, some of them more successful than others, and was happy with his lot. Then, at a party, he met USU director Klaus Bader, who invited him to apply for a job at Möglingen. Uli wasn't quite sure where Möglingen was. He himself came from the university city of Tübingen, birthplace of the poet and philosopher Friedrich Hölderlin.

In the interview, Klaus wanted to know whether he could cope with IT jargon, so mercilessly confronted him with the abbreviation overload that prevails in the industry. And as he got enough of them right, he got the job: managing freelance programmers.

He does that to this day. It's really his thing. Hölderlin in his tower would have felt at home with him, and may even have gone to one of the legendary Christmas parties.

What started as a dozen freelancers in 1999 has now swelled to a group of around a hundred.

And with these people, who obviously include USU employees, Uli delivers large-scale projects for even larger customers, such as public-sector bodies.

He is proud that he and his freelancers can constantly keep up with USU's in-house software consultants. He knows the talents and qualities of his freelancers. Most of all, though, he is the sort of person whom self-employed folk are happy to work for. He also knows that he represents the nucleus of USU. In its early days, USU was the showcase for freelancers.

Nowadays, freelancers are different. Much more individualist, sometimes prima donnas, little Goethes in their field. They don't like being told what to do, and that isn't Uli's way of doing things either. Rather, he tries to gather them in and bring them together through the corporate culture of USU.

»It takes as much cleverness and sensitivity to lead one person as it does to lead ten.«

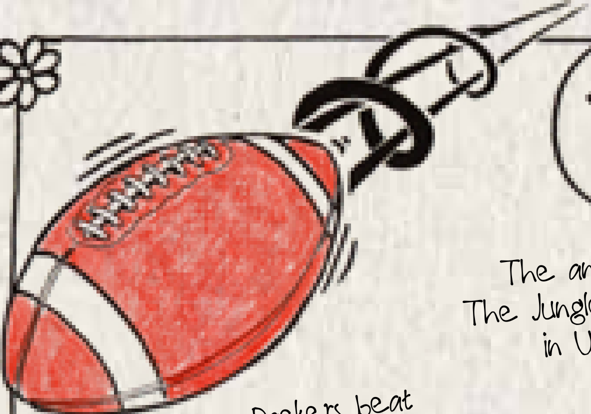
Honoré de Balzac (1799 – 1850), French author

He gives the lone wolves some of the team spirit that so typifies USU – while never compromising the integrity of these freelancers.

Uli has a distinct talent for talents. And this talent is possibly a piece of the future that a company like USU needs. After all, Uli senses that generations to come will focus much more on their preferences and unique personal characteristics . It may even be that it is primarily nonconformists who will survive the competition with the machines that they themselves are hoping to perfect. And that‘s why they are precisely the people he's looking for. Their egos must be teased out.

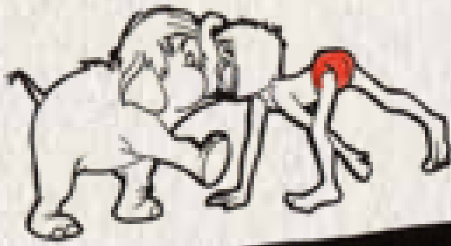
It is still humans who add meaning to everything associated with artificial and artistic intelligence. Uli firmly believes this. And Konrad Zuse, the German who invented the computer a quarter of a century before Uli was born, would agree with him.

1967



The Green Bay Packers beat the Kansas City Chiefs 35-10 to win the first-ever Super Bowl.

The animated movie The Jungle Book is released in US theaters.



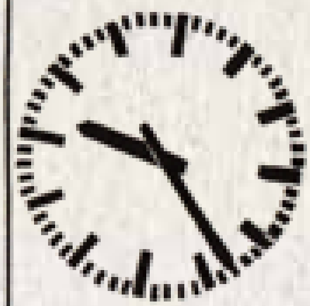
The US Freedom of Information Act comes into force, granting everyone the right to receive information on documents held by public authorities.

Sweden switches to driving on the right.

The first ATM is opened by Barclays in Enfield, London, UK.

I'm not a corporate type.

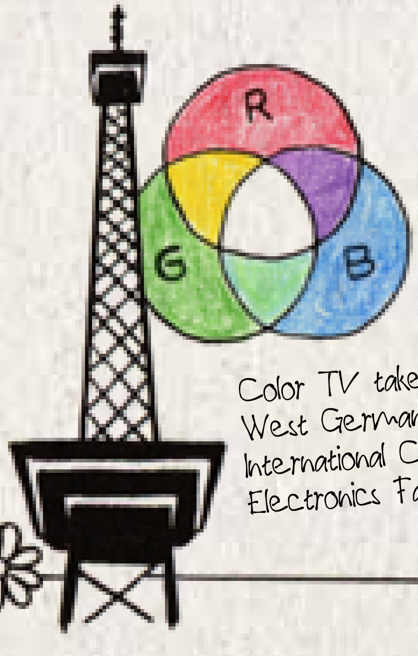
Ulrich Rannacher, born in 1967, Managing Director at USU.



Wolfgang Hilberg invents digitally coded transmission of time for radio-controlled clocks.

The oil tanker "Torrey Canyon" runs aground off southern England, causing the first oil spill.

The Monterey Pop Festival in California becomes one of the biggest concerts in the history of rock music.



Color TV takes a bow in West Germany at the International Consumer Electronics Fair in Berlin.

The prototype of the standard bus for local and intercity buses is unveiled.

The real and the ideal

Stefanie was born in 1966, a tumultuous year. China was in the grip of the Cultural Revolution, in which all opponents and counter-opponents could refer to Mao's Little Red Book without restraint. Everyone was right. Chaos reigned. Ideal conditions for dictatorship. It came, it saw, it conquered. Germany attempted to fend off economic crisis with a Grand Coalition – giving a huge boost to Right-wing populists in the process. France withdrew from NATO, and West Germany's soccer players had to learn accept a goal that they thought didn't count. The real had finally broken ranks with the ideal.

Stefanie Wagner, who has a degree in business mathematics, is a trainer at USU, where she has worked since 1999. She is a great example of the fact that the ideal can be seen in the real, and vice versa. She is sensible and rational, yet her whole manner is ideally impulsive and emotional. She takes people with her. She is well aware that knowledge has to be lived out and experienced. Knowledge needs emotion in order to have a lasting effect. She embodies this. She has scaled the heights.

Having grown up in the Catholic region of Upper Swabia, when she moved to the largely Protestant Stuttgart area, she discovered that the real world where she wanted to work was completely different from the ideal world from which she came. Although she was unaccustomed to this pietism, it didn't take away her happiness. On the contrary: these days, the Swabian native has the kind of impulsiveness typical of the Rhineland. It is an intrinsic part of Swabians. That's why she's a perfect fit for USU. Indeed, this ultra-Swabian company is founded on this very contradiction.

»Those who can work in the real world and live in the ideal world have scaled the heights.«

Ludwig Börne (1786 – 1837), German author

Here, in the deadpan, dry land of reality, analysis, project work and programming is carried out in order to shape the efficiently run worlds of business and public administration. Professionally. Soberly. Objectively. You could say in a Protestant way. But totally without detriment to happiness, pure zest for life.

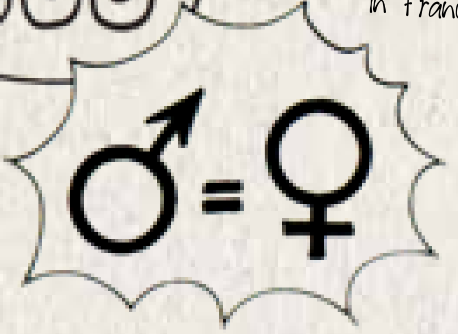
"Of course, we must yield to technology in many areas if we want to enjoy the benefits," states Stefanie. But there cannot be a purely rational world. And artificial intelligence won't bring it about either. Humans and the software world itself are living proof of this. "However rational you might think software code is, it's nothing of the sort," she says. Because the people who develop it are brimming with emotions. Fortunately. Yes, she states, even AI could make software write itself, "everything truly new comes from us humans." We are the source of progress. We need ourselves, we need our ego, "otherwise, we'll go mad."

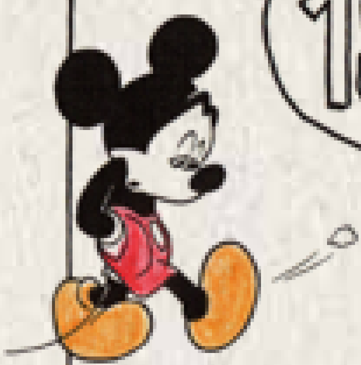
If this lady who loves to laugh were forced to spend all day talking with a machine, the smile would probably fade away – the machine's, that is, not Stefanie's. She knows this from experience. "That's unprintable." But she is also well aware how intensively she uses these electronic media interactively. Not just at work, but in her spare time. It's the real world in which we can also live in an ideal way.

And somehow, USU is built just like that. Somehow, it's just different.

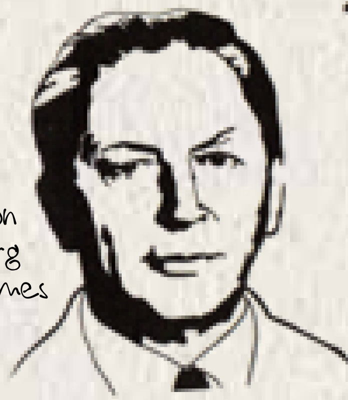
1966

A law on full equal rights for women comes into force in France.

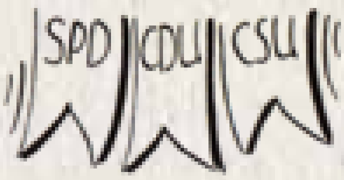




Walt Disney dies at age 65.

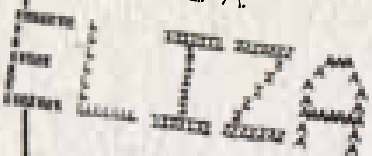


The first Grand Coalition in Germany. Kurt Georg Kiesinger (CDU) becomes Chancellor.



End of the economic miracle. Germany slides into its first post-war recession.

Joseph Weizenbaum unveils the first chatbot, named ELIZA.

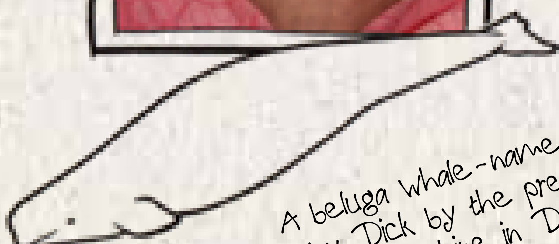


The future of people is people.

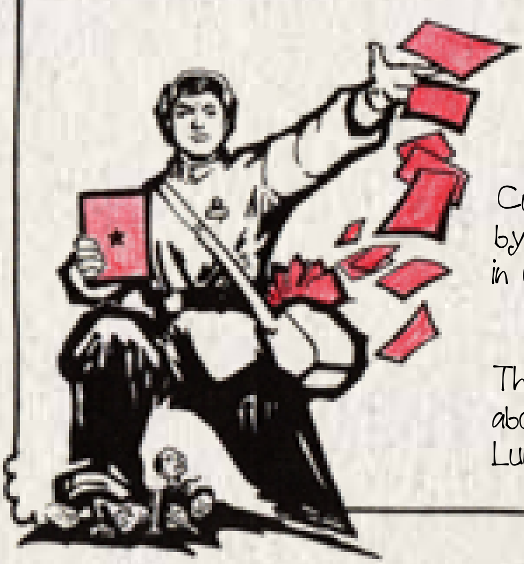
Stefanie Wagner, born in 1966, trainer at USU.

France announces a military withdrawal from NATO but retains a presence in West Germany.

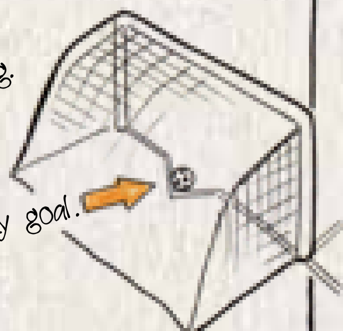
World premiere of the musical Cabaret in New York City.



A beluga whale-named Moby Dick by the press-swims up the Rhine in Duisburg.



Cultural Revolution by the Red Guards in China.



The Wembley goal.

The first picture of the earth rising above the moon-taken by the probe Lunar Orbiter 1.

Start at 360 degrees

When Jochen was born in 1964, a superproject was coming to an end, while also heralding a totally new future. A revolutionary, all-new range of computers was produced, with development costs of a magnitude that no company in the world would be able to afford these days. This breakthrough was a complete surprise, yet 80% of all computers were soon to operate in line with the principles of this system. The range was called IBM 360. And so there was an era 360 and an era after it.

Jochen Strobel was to bypass this epoch – and hop straight into the next one.

1991 saw him join USU, whose origins are closely entwined with the history of these mainframes. And at the time, this computer species, which has been able to assert itself again and again with many groundbreaking innovations and has had the most loyal customers all over the world, was undergoing an existential crisis of legitimacy. Decried as a "dinosaur," its demise seemed inevitable. And USU, having fostered an extremely close relationship with IBM from day one, was caught up in the crisis, which affected the entire industry. However, people like Jochen were there to see USU through it all – professionally, with no messianic fervor. Calmly and quietly.

Looking back at those days, when USU actually had to "apply for short-time work" on occasion, Jochen knows that the company had to show its mettle back then in the heat of battle. It persevered. Calmly and quietly. It won. Thanks to confident, responsible leadership.

Jochen is a consultant through and through. And if there is anything that brings stability to this industry in an ever-evolving business climate, it is prudent advice, project business. Because the human mind holds sole sway here. It is The Soul of a New Machine, to quote the title of a Pulitzer Prize-winning book from the eighties.

After the announcement of the 360, itself a product of pure "thought matter," this human mind created an applications world that now has a fair value at acquisition estimated at USD 15 trillion. The riskiest investment by a single company was behind this. A sum like that has never been staked since.

»The computer's mind originates
from the human mind.«

*Michael Stürmer (*1938), German historian*

When Jochen joined USU, the human mind was in the process of triggering an investment that could no longer be borne by a single company, but required the backing of a whole industry: the Internet in all its forms. It is now backed by a global market of USD five trillion. Per year. To put it bluntly, the global market can now do in three years what the mainframe scene managed in 60.

Jochen studied communications and electrical engineering in Munich. He was born in Ulm and raised in Neu-Ulm. "I come from Bavaria," he says, so it's obvious which soccer team he supports. The big one. Usually number one. So why did he join little USU in 1991, a company that is still not one of the giants a generation on? "You can get things done there." That's just as true as it was then. "No stifling processes," and he wants things to stay that way.

Perhaps that's what makes people constantly open to the future, which may be just about to take off again…

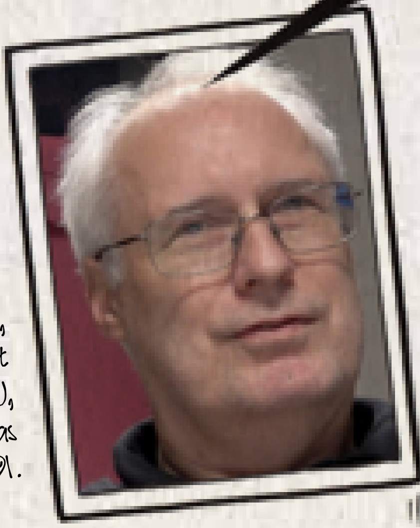
1964

New road traffic regulations in West Germany: pedestrians have priority over vehicles at zebra crossings.

The US officially enters the Vietnam War under President Lyndon B. Johnson.

Khrushchev is ousted – Brezhnev is his successor.

Persistence is a trait that is particularly needed and valued in this fast-moving industry.



Jochen Strobel, born in 1964, is a project manager at USU, where he has worked since 1991.

/360

Announcement of the IBM /360 mainframe computer range: USD five billion for one computer.

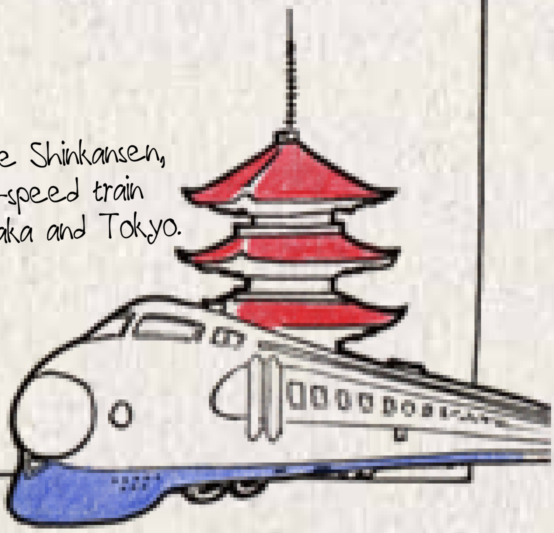
Germanys baby boom reaches its peak with over 1.3 million babies.

FC Cologne become the first-ever Bundesliga champions.

1964 World champions: Marika Kilius and Hans-Jürgen Bäumler.

The Beatles take the top five places in the US singles charts – an unprecedented feat.

Launch of the Shinkansen, the first high-speed train between Osaka and Tokyo.



President Johnson signs the Civil Rights Act, abolishing racial segregation.

Eighty-eighth Congress of the United States of America

OK, boomer!

When Claus was born in 1963, the number of births in West Germany had risen to 1.3 million – almost as twice as many as in 2023 in reunified Germany. Claus is a classic baby boomer. He hails from an age when there were so many children that they practically had to educate themselves. Teachers were in very short supply. Village schools were abolished. Everything became more professional, pedagogical, manipulative – a term that took the seventies by storm.

Claus Mohoric is now Managing Director of USU Solutions, the division that emerged from LeuTek GmbH in Leinfelden-Echterdingen as part of the unification of the software company into one USU. Well, that was put in the lofty jargon that Claus neither likes nor speaks. He is not the kind of manager or person for long, artificially inflated titles. Nor is he fond of the big stage. He doesn't identify with any of that.

OK, boomer. So who are you?

"I'm a colleague," he says, a colleague of 80 employees whom he is personally responsible for and backs 100%, although he prefers to see them as self-reliant. Just like him, then. To use an expression from his childhood years, you would describe him as a comrade, even though he's a boss.

He trained as a lathe operator and a milling cutter, what would now be called a mechatronics engineer. He studied precision engineering, and then IT – you can sense his thirst for technical knowledge that is sound and reliable. Like the products and solutions that USU Solutions provides to ensure that customers are in control of their IT operations at all times.

He joined LeuTek on January 1, 1990, as their first salaried employee. It was a bold move, although he certainly doesn't think so. He experienced how this company kept its informal air throughout its ongoing evolution – and when LeuTek became USU.

"I suppose you could call us the underdogs," he states. In a sense, they come from the engine room of USU, from the industrial age of West Germany. Reliability, perfection, restraint, prudence – he embodies the very essence of "made in Germany." The fact that people help each other as a matter of course is important to him, perhaps even the most important thing of all.

»There is much coldness among men because we do not dare to be as cordial as we really are.«

Albert Schweitzer (1875 – 1965), German-French "forest doctor", philosopher, and Nobel Peace Prize laureate

OK, boomer. Does that also apply to a future in which AI will be the helping hand?

Whatever achievements artificial intelligence may yet produce, he sees the decisive virtue in precisely this human willingness to help. During the coronavirus pandemic, he took up cycling and the simple life on the road. On his trips abroad, he found people so warm, so helpful, that he wondered whether he would be ready to act in the same way so naturally.

OK, boomer. It's a question of humanity.

1963

Philips invents the cassette recorder and compact cassette.

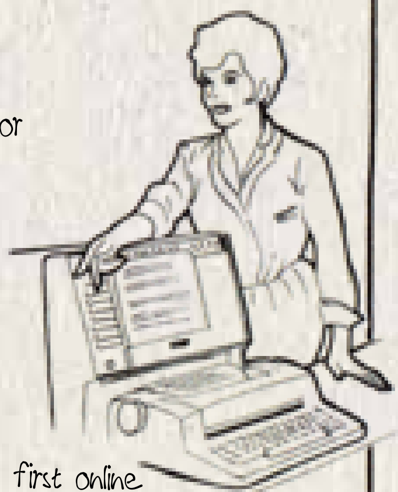
Berlin: Kennedy wows the Germans.

Leadership is about trust above all.

Claus Mohoric, born in 1963, Managing Director at USU Solutions.

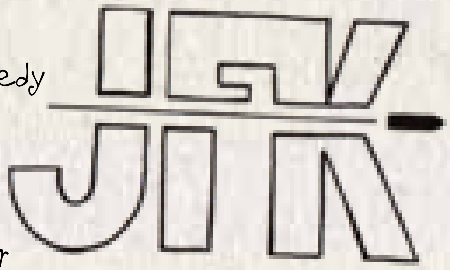
The TV station ZDF takes to the air.

Adenauer and de Gaulle sign the Franco-German friendship treaty (Élysée Treaty).

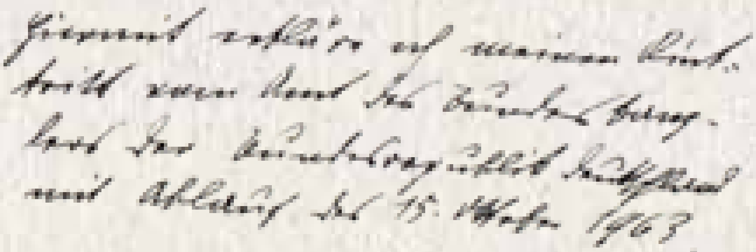


SABRE, the first online flight reservation system, is launched by American Airlines.

Dallas: John F. Kennedy is assassinated.

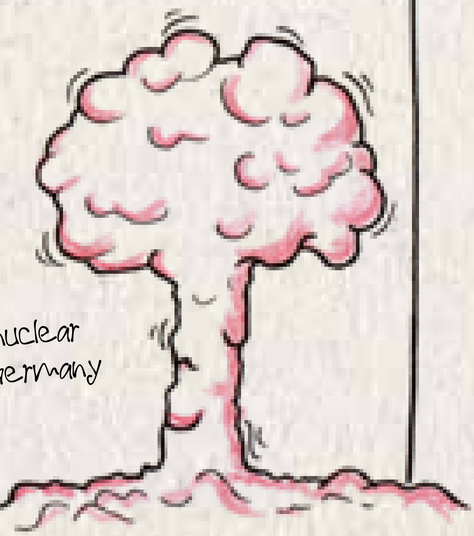


West German Chancellor Konrad Adenauer submits his letter of resignation.



Lake Constance freezes over.

The first CAD system, "Sketchpad", is invented by Ivan Sutherland.



The US, the USSR, and the UK sign a nuclear test ban treaty – Germany signs later.

The game of knowledge

Wolfgang was born in 1963, the year when a professor at the elite university MIT in Cambridge (US) began teaching and researching, going on develop the first chatbot in 1966. His AI was so smart that students at MIT used it for therapy. The inventor was Berlin-born Joseph Weizenbaum, who would have been a hundred years old in 2023. Some time later, he recalled how much he enjoyed developing this system. However, he was dismayed by the blind faith that his students placed in computers.

Wolfgang Müller has worked for USU since 1989. It is his one and only employer. He comes from Saarland, spent six happy years studying IT and business administration, and would have gladly done another semester had he not stumbled upon an ad for the Swabian software company. "Just different," the company proclaimed. That impressed him, especially as it proved to be true. So he quickly finished his degree and moved to Möglingen – and has never regretted it. Through his work at USU, he has gotten to know more companies than he would ever have been able to in another career with multiple employers – certainly not on such a deep level.

Wolfgang, who is now 60, has got what the industry first set out to discover and nurture: crystalline knowledge. That is more than experience. It's proficiency and confidence. In many cases, Wolfgang is more familiar with his customers' structures than young employees are. By contrast, these employees have things that diminish with age: fluid knowledge, quick perception, and thinking along processes.

Both types of knowledge complement each other perfectly. It's the same as with Joseph Weizenbaum's chatbot. His Eliza, this amazing artificial intelligence, had an answer to everything. She appeared to possess crystalline knowledge, yet it was merely simulated. It was fluid knowledge, based on a sophisticated language model. And all the students fell for it. Eliza toyed with people.

Now it has resulted in one great big game – between us and computers. Software knows everything – it just doesn't know our questions.

»The answer is yes,
but what was the question? «

Woody Allen (born in 1935), American filmmaker and author

Wolfgang had a similar situation at the start of his career at USU. He was put in charge of cost allocation, a topic that he still works on and continues to fascinate him. Back then, he had no idea what the software was meant to be able to do, even after a highly regarded strategy consultant from the company had explained it to him in a three-hour meeting. Wolfgang didn't understand anything. So he began to teach himself – from scratch. By asking question after question.

It has long been an open secret in the IT industry that all efforts ultimately result in software, crystalline knowledge. It's just that those efforts are endless. Software is the answer to questions before they are asked and those that are constantly arising with every change in an organization. This particularly applies to cost allocation. The purpose of this activity is to allocate the costs of services performed by a jointly used system to the individual users.

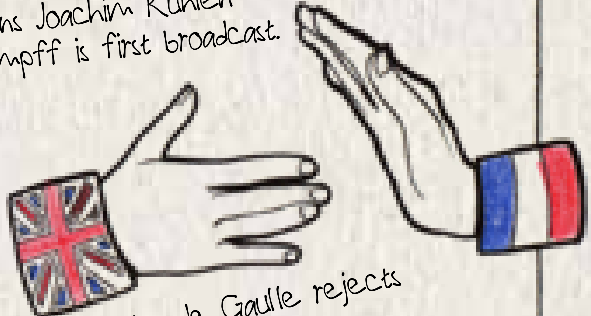
All this could be covered with a single standard. It's just that this doesn't meet the demands of the customers who constantly come to USU with new requirements. And so crystalline knowledge is continuously changing, too. Wolfgang calls this progress, real progress.

In short, software is getting ever smarter. Isn't it? The answer is yes …

1963

Nelson Mandela is arrested, along with many leading members of the African National Congress.

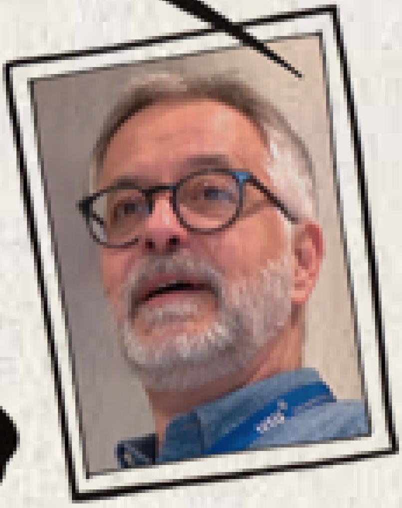
The German game show, "Einer wird gewinnen", with Hans Joachim Kuhlenkampff is first broadcast.



Charles de Gaulle rejects the UKs application to join the EEC.

New buzzwords alone are nothing like progress.

Ludwig Erhard becomes West Germany's second Chancellor.



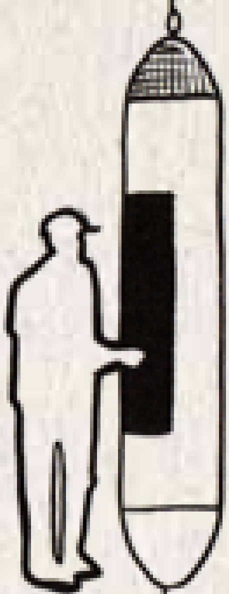
Wolfgang Müller, born in 1963, software consultant at USU.

Alfred Hitchcocks film The Birds is released in the US.

Édith Piaf – the Little Sparrow – dies.

The sketch "Dinner for One" is recorded in Hamburg.

Singapore gains independence from the UK.



Mining disaster in Lengede
The rescue of eleven trapped miners after 14 days via a Dahlbusch bomb goes down in history as the miracle of Lengede.

GBP 2.6 million is stolen in the Great Train Robbery in the English county of Buckinghamshire.

The TV magazine show "Das aktuelle Sportstudio" is aired for the first time.

From person to person

When Hans-Dieter was born in 1962, the world was staring into an abyss. Missile bases on Cuba, the US versus the USSR, Kennedy versus Khrushchev, a naval blockade, warships, the threat of nuclear war – the Cold War at its peak. Ultimately, the Soviet Union backed down, and Kennedy promised to spare Cuba. Back from the brink.

If you're born into a world like this, you're happy when common sense eventually wins out. Hans-Dieter Reimann, who has been a consultant at USU since 1997, knows how danger can become the norm. He grew up between Bonanza and Star Trek – and has vivid memories of the moon landing in 1969 and Apollo 11. He loved model kits of anything that represented huge technical achievements.

During his time in the German Air Force, bombs and missiles regularly in his hands. The soldiers practiced the handling maneuvers – first on dummies, then on the actual weapons. However, the oppressive specter remained – subliminal, subconscious, at best suppressed by a fascination with technology itself.

When he traveled to Eisenach in East Germany with his brass band as a young man, it was a different story. He sensed the suspicion of an overbearing system there that clearly had little respect for people. "I noticed how I shrank," he recalls.

People make people small. It's not technology that does that – as if it had an inner sense of size. Can this experience be transferred to artificial intelligence – to a technology that currently represents the pinnacle of all developments?

»Man is the best computer.«

John F. Kennedy (1917 – 1963), US President

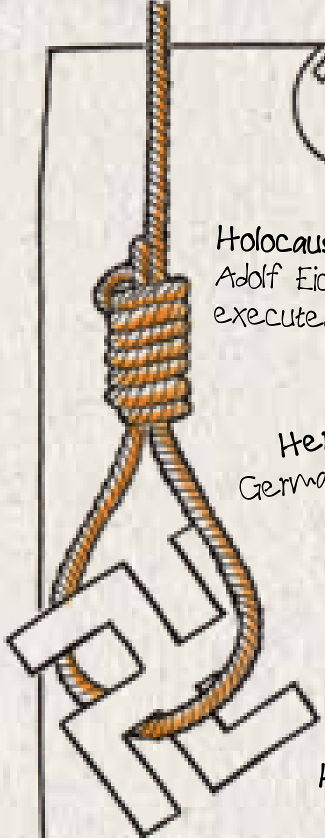
In 2023, Hans-Dieter learned that we are actually gaining a new quality here. He and a colleague were exploring the boundaries and possibilities of AI. They were astounded by the ease and perfection with which the machine churned out program code – in a logic that seemed vastly superior to that of humans. "Another level was reached," he says – "a higher command," as the German author Hans Magnus Enzensberger (1929–2022) put it with such foresight in 2001.

It's a level way above that of the late eighties when Hans-Dieter, who studied mechanical engineering and IT in Stuttgart, was still a scientific employee at the university. At a very early stage, he came into contact with the cutting-edge technologies of IT – such as a Cray-2, very much the supercomputer of its day. He is familiar with the technology that has long been vastly superior to humans. But now, we have clearly reached the point where we need to be able to rely first and foremost on ourselves once more. On we human beings. On the people at USU and their customers.

Hans-Dieter knows that, in his nearly thirty years at USU, this company has always had this phenomenal "feel-good factor." From person to person.

It takes people to make people big again. That's what we all hope for.

1962



Holocaust –
Adolf Eichmann is executed in Israel.

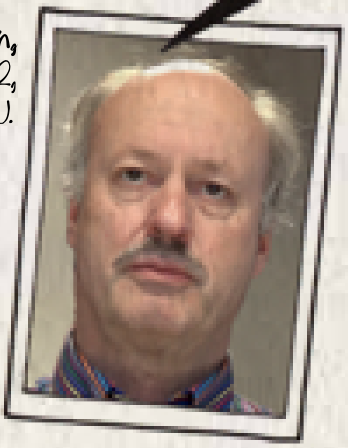
Hermann Hesse –
German winner of the 1946 Nobel Prize in Literature, dies in Montagnola (Switzerland).

DER SPIEGEL

The Spiegel affair – The current affairs magazine claims that the German Armed Forces are only partially ready to defend. Publisher Rudolf Augstein is arrested for treason.

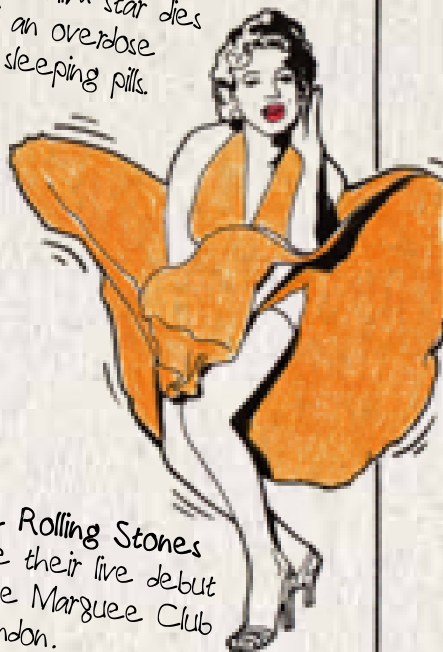
Cuba crisis – The world stands on the brink of nuclear war. The Soviet Union ultimately backs down.

Everything we do at USU is complex to some extent.



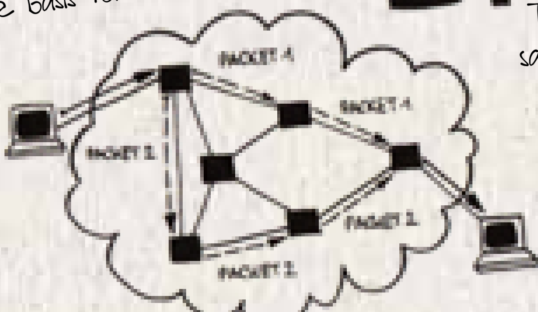
Hans-Dieter Reimann,
born in 1962,
consultant at USU.

Second Vatican Council – Pope John XXIII opens the council with 2500 participants.



Marilyn Monroe –
The film star dies of an overdose of sleeping pills.

Packet switching –
Paul Baran creates what remains the basis for the Internet.

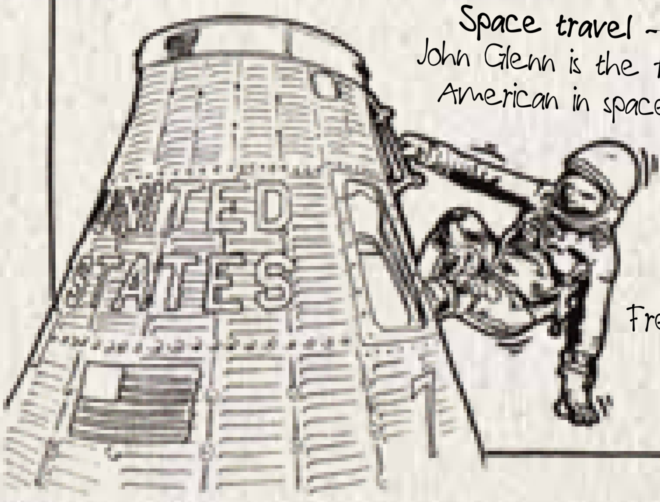


pardon

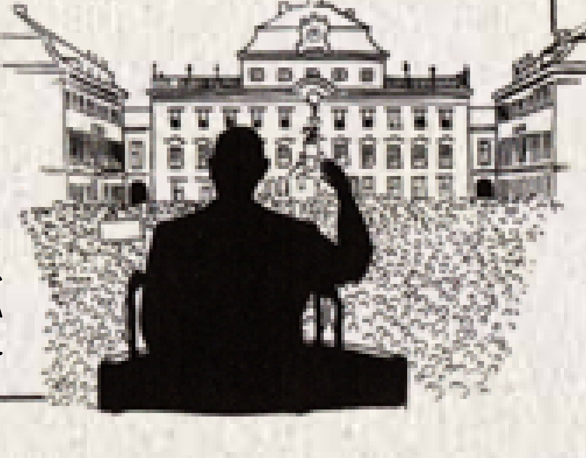
The German-language satirical magazine, pardon, is first published.

The Rolling Stones
make their live debut at the Marguee Club in London.

Space travel –
John Glenn is the first American in space.



Charles de Gaulle,
French President, receives a rapturous reception in West Germany.



Klaus – just different

Klaus was born in 1957 amid a year full of big decisions and events. The West German Armed Forces were formed with 10,000 men, the Bundesbank was created, and the dynamic pension was introduced. Chancellor Adenauer won an absolute majority, antitrust legislation is enacted, and the Treaty of Rome is signed. And. And. And. All big points. But the biggest event is barely mentioned. We only ever hear about its outcome: the launch of Sputnik. It came as a shock to the Americans, yet it was the work of a joint initiative of 67 states. East and West had decided to join forces to survey the environment. They wanted to know how Mother Earth was doing. It was the International Geophysical Year. A global project that started on July 1, 1957 – fourteen days after the birth of Klaus, who hails from Tübingen.

It was in the midst of the Cold War, that period of major tension between East and West.

Klaus Bader joined USU in 1987, 30 years after Sputnik, although he had been freelancing for them since 1982. In actual fact, he had wanted to move to IBM, the global company that the IT graduate particularly admired. However, a freeze on recruitment was in place at IBM at the time. Its business partner at the German branch was a man named Joachim Langmack, who was to help his employer build up cooperation with software companies.

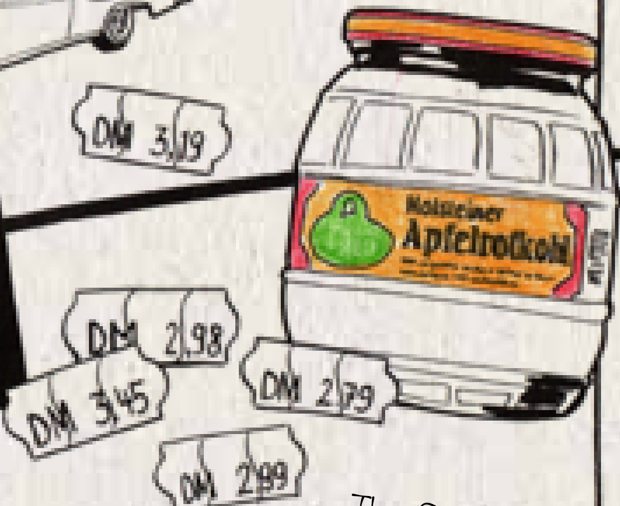
Joachim was impressed with the young man. So he advised him to work for an IBM partner on a temporary basis. When the freeze on recruitment was lifted, he could still start out at IBM. That was the plan. He recommended three partner companies to him.

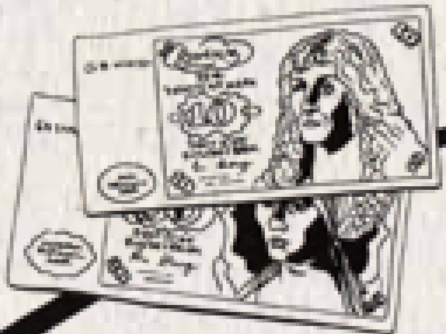
The first candidate didn't make the cut. No, this was not an employer for him. The second was USU, Udo Strehl. And Klaus was so fascinated by the young entrepreneur, who asked him to sit down on his sofa and discussed everything with him freely and openly over a cup of coffee, that Klaus didn't bother with any further interviews. "When can you start?" It started there and then.

The introduction of the dynamic pension wins Adenauer an absolute majority in the Bundestag elections.

Ford introduces the new Edsel brand, which has become a legendary flop and is discontinued in 1960.

The Democratic Governor of Arkansas, Orval Faubus, prevents nine black students from entering the local high school in Little Rock.





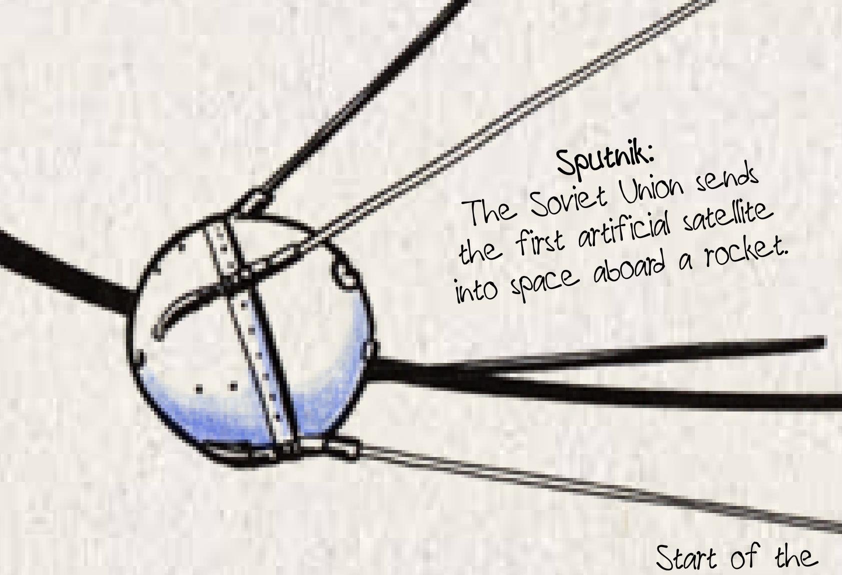
When can you start?

Creation of the German Bundesbank.

The German Antitrust Act is passed. Price-fixing and other anticompetitive agreements between companies are banned.

The closing question asked in job interviews by **Klaus Bader**, born in 1957, who retired in 2023 after 40 years in charge of USUs project business.

Leonard Bernsteins musical, West Side Story, has its premiere on Broadway.



Sputnik:
The Soviet Union sends the first artificial satellite into space aboard a rocket.

Start of the German Armed Forces and drafting of the first conscripts.

Five years earlier, in 1977, Udo had himself been promoted by Joachim. Klaus came and stayed. IBM was forgotten. When Udo subsequently decided to turn his manpower shop into a genuine software company, Klaus seized the opportunity. Instead of being an IBMer, he became a USUer. A stalwart – right through to his departure in 2023.

Over the decades, he conducted hundreds of job interviews at USU – with freelancers and permanent employees. He headed up the project business, the nucleus of USU. He is proud to have gotten to know so many people in his career – people who, like him, were passionate about their tasks and their projects. One of his oldest contacts, of course, is Joachim Langmack, who is now Chair of the USU Software AG Advisory Board.

During the many interviews on which this part of the annual report is based, the conversation often turned to Klaus. Many of the people concerned still remembered their job interviews with him. While most other employers pompously announce after the first interview that the candidate will be notified of the outcome in due course, Klaus didn't beat around the bush. After a conversation of one or two hours that could also include a good-natured chat about handball or football, he would close with: "When can you start?"

»Genius is a kind of health,
a superior style, a good mood –
but at the peak of inner turmoil.«

Albert Camus (1913-1960), French author, philosopher,
and winner of the 1957 Nobel Prize in Literature

Klaus knew what and who is good for the company, who suits its style, but also challenges the enterprise – and its customers alike. He could count on the unconditional trust and the backing of the founder and the Management Board. That is important in project business, where conflict is not uncommon. He always had total freedom, an absolute necessity in this business.

Incidentally, the International Geophysical Year 1957 came about because a couple of scientists had met during an unconventional coffee break – resulting in a global superproject that, despite being long neglected by the history books, continues to have much more of a lasting impact than Sputnik.

As at USU, many things in this world are "just different." We simply have to admit that the future still begins with humans and less with technical objects, however high-flying they are. Genius is a human quality.

CASE STUDY

AKBANK

Budget control and license compliance

Akbank, one of Turkey's leading banks, faced the challenge of managing its extensive portfolio of software licenses efficiently. With over 8,500 Windows and Unix servers, a detailed overview of its software estate and license use was essential, especially with regard to software audits and precise budgeting. After thorough market analysis, Akbank opted for USU Software Asset Management, a system that impressed by virtue of its scalability, adaptability, and cost efficiency. Implementation was carried out in cooperation with MOS Academy with the use of Raynet's scanning technology, enabling the bank to gather and normalize the license data of all servers precisely.

One key aspect of the project was the development of a specific method of detecting manufacturers' licenses, specifically geared towards Akbank's requirements. This enabled precise license management and efficient preparation of compliance reports. With USU Software Asset Management, the IT team can now perform regular budget controls and prepare compliance reports in just a few clicks, with the added benefit of integration with other bank applications.

This project has made management of Akbank's software portfolio much more efficient. As well as saving time, the bank has also significantly improved the quality and accuracy of its data right across its IT infrastructure. With the new solution, Akbank can now observe changes in license use almost in real time and determine demand for new purchases accurately – for more precise budget calculation. Compliance risks and audit expenses are minimized, making Akbank's position as a leading bank even stronger.

"It was crucial for us to work with a solution that provided flexible execution based on end-user demand. Thanks to the USU Software Asset Management solution, we can now operate regular budget control and compliance reports in just a few clicks. On top of that, our IT team can take advantage of easy integration with other applications within the bank."

Rabia Duduhacioglu,
Infrastructure Technologies Department,
Akbank.

CASE STUDY

BayernLB

Cloud services meet strict bank regulations

Bayerische Landesbank (BayernLB) faced the challenge of optimizing its IT service processes via a central complete solution for IT service management (ITSM). The aim was to harmonize and optimally support the internal service processes on the basis of the de-facto standard ITIL®. A holistic ITSM solution was used in order to attain rigorous digitalization and automation of the various IT processes and deliver significant increases in efficiency as well as greater customer satisfaction. Part of this involved outsourcing service operations and enhancement to the cloud. This would allow BayernLB to focus on its core capabilities as a financial service provider. However, the "prudential requirements for IT" were commensurately high.

The solution chosen for this project was USU IT Service Management, which is both powerful and compliant with the strict banking rules and security regulations. The project covered implementation of various ITSM disciplines such as incident, problem, change, asset, service request, and knowledge management. Other key factors were new interfaces for efficient data transfer within the complex infrastructure of BayernLB and with its IT service providers.

The outcome is a significant increase in the efficiency of BayernLB's IT service processes. Via the central USU solution, the IT service processes were rigorously digitalized and automated, enabling effective and audit-compliant implementation of IT changes, for instance. BayernLB's IT team can now focus on the management and strategic enhancement of IT services, assisted by flexible and operational cloud services.

"In the sensitive field of banking services, the highest security standards must be met when outsourcing IT services. As a solution partner, we were confident that USU would carry out the cloud project in line with our objectives despite the complexity involved."

Bernd Köhrer, project manager,
IT Service Operations & User Support,
Bayerische Landesbank

CASE STUDY

SAP license management on a new level

Inter Mutuelles Assistance (IMA) is one of France's largest reinsurers. It has used SAP solutions (ERP ECC, SAP CRM, etc.) to assist with its business activities since 2013. Due to its high and constantly rising software costs, IMA looked for options to optimize the use of its extensive SAP portfolio. There were a range of challenges, particularly the seasonal turnover of staff. Between June and September, the number of consultants rose by up to 40%, making flexible adjustment of SAP licenses a necessity. However, IT managers did not have a full overview of all SAP licenses and their use or access to precise consumption data. This prompted the introduction of a professional software asset management (SAM) tool. IMA opted for USU as its technology and expert partner on account of its performance and expertise in dealing with large software manufacturers.

In tandem with Raynet's scanning technology, USU Software Asset Management enabled efficient gathering and processing of license data for up to 4,000 SAP users. The main aim was to safeguard the company's interests in the annual SAP audits while optimizing license management. Here, the focus was on managing the name-defined user licenses and preparing for the forthcoming S/4HANA migration.

Overall, this resulted in substantial increases in efficiency. Automated software inventories saved time and improved data quality in the IT infrastructure. The SAM team can now monitor license use in real time, allocate SAP licenses as required, and plan new purchases more effectively. In particular, compliance risks in software audits can also be minimized.

"The SAM project covers the full extent of our software – around 150 applications. Most of all, though, the SAP licenses got the SAM process up and running. With USU's help, we are now particularly able to optimize our SAP licenses, monitor expenditures, and pre-empt the renewal of agreements."

Benjamin Bobo,
Head of IT Management & Performance,
IMA

CASE STUDY

IT established as a service organization

Liechtensteinische Landesbank (LLB) is the most long-established universal bank in Liechtenstein. As part of its digitalization strategy, LLB was looking for a professional complete solution for holistic management of its IT services and central monitoring of its IT infrastructure. The existing systems no longer met the high requirements of internal customers or the new regulatory requirements.

The aim of the project was to harmonize the internal service processes on the basis of the de-facto standard ITIL® in order to further improve their quality and efficiency. High availability of IT systems was also intended to help achieve this. USU impressed the LLB managers with the most powerful all-around solution.

In the course of the project, the key ITSM disciplines of incident, problem, change, CMDB, and service request management were gradually implemented, and an event management platform was constructed. A host of new interfaces ensured the smooth transfer of data within the complex infrastructure of LLB.

Key elements of the IT managers' vision of creating a service-oriented organization have already become a reality. The transformation has resulted in automated, standardized IT service management and IT monitoring. Processes now run efficiently and to a high level of quality on the basis of a uniform CMDB. The USU monitoring solution monitors the LLB infrastructure effectively. Word of all this has gotten around the organization, with the result that the first internal service departments are now using IT's expertise and systems to digitalize their services.

"For IT service management, we had a vision of where we wanted to go. This was a long way off to begin with, but now large parts of it are a reality. For instance, service trees are displayed graphically, and can instantly see on a monitor with the IT master plan if our core banking system is likely to suffer a server breakdown. Service management and service monitoring are converging here on the basis of uniform data storage, providing opportunities for further application scenarios."

Martin Grabher,
Head of IT Risk & Service Management,
Liechtensteinische Landesbank

NESPRESSO

Knowledge transfer in customer service

Nespresso is the global benchmark in the portioned coffee segment. Outstanding customer service has always been instrumental here. However, the existing Sharepoint-based document storage did not meet the increasing requirements for up-to-date, high-quality service information available across many channels. Consequently, the managers at Nespresso Germany opted for a modern, central knowledge database that provides all service content in a proactive, requirements-based, and process-oriented way as a "single source of truth." After extensive market evaluation, USU prevailed with the most powerful option.

Experienced Nespresso employees assisted with the configuration and introduction of USU Knowledge Management. The careful selection and migration of around 700 important knowledge documents was a crucial factor here. For fast, requirement-oriented provision of knowledge across the processes, the project team structured the user interface in such a way that it mapped the real service cases thoroughly.

Nespresso particularly implemented the way in which knowledge is processed, transferred, and used for active customer communication. The specialist in coffee pleasure received the USU Knowledge Award for this. Service KPIs improved significantly. For instance, the first contact resolution rate rose sharply, and the customer satisfaction rate increased by 20%. There were very also positive effects in the training of existing services and the onboarding of new ones. For instance, the induction period was reduced from 3–4 weeks to 3 days. One particularly helpful feature is the new chatbot on the Nespresso website, which also accesses the content of the knowledge database.

"With the assistance of our strategic technology partner USU, we have gradually optimized the way in which knowledge is enhanced and processed. We have rigorously synchronized complex service knowledge and our processes here. Everyone now benefits from this: the service teams in the boutiques and the call center as well as the local service technicians, and especially our customers."

Patrizia Ledermann-Gerosa,
Enterprise Support Specialist
at Nespresso Germany

Systematic disposal

“Helps. Cares. Protects.” – that is the brand commitment of Paul Hartmann AG. The company is one of the leading European providers of system solutions in the medical and care sectors. The parent company of the Hartmann Group, headquartered in Heidenheim, was established in 1818 and is the oldest German dressing material factory.

As Paul Hartmann prides itself on the quality of his products and selects and tests the materials used with great care, disposal of unneeded or out-of-date materials was also to be given proper digital support in line with high standards. The complexity of the process, which involves various departments with different legal structures, required a professional disposal management solution.

The IT managers decided to implement the project on the basis of the Pega platform. Paul Hartmann hired USU as its expert partner. Using Pega’s smart development and integration tools, USU‘s experts developed the new disposal management solution in line with Paul Hartmann’s within just 3 months.

The entire disposal process is now digitally supported by the Pega-based solution. Its user-friendly interface guides users through the processes, ensures adherence to rules and deadlines, and significantly reduces the amount of time and effort required. Process steps can be quickly adapted at any time thanks to the application’s low code base.

After the successful introduction of the disposal management application, the managers opted to migrate this and other Pega applications into the Pega cloud. USU helped the company with the migration and updating of the applications.

“The disposal management application was a successful start to our collaboration with USU. This encouraged us to transfer this and other Pega applications from an on-premises installation to the Pega cloud in a second step. We also completed this project successfully in tandem with USU as an expert partner.”

Oliver Eckerle,
Vice President Business Application Management,
Paul Hartmann AG

CASE STUDY

Green is good

Stadtwerke München (SWM) is one of the largest German municipal utility and service providers. To provide its wide range of municipal public services, it needs its IT to work properly. SWM faced the challenge of monitoring its extensive IT infrastructure with approx. 3,300 server systems and 7,500 client systems efficiently. Its existing monitoring solution no longer met the increased requirements. In particular, there was no overriding professional monitoring solution that integrated all relevant source systems and enabled a cross-system, 360-degree overview.

USU prevailed in a tendering process with the most technically impressive and cost-effective overall bid. Processes were gradually standardized, an event management platform was constructed, and various monitoring tools were connected. A host of new interfaces ensured the smooth transfer of data within the complex infrastructure of SWM. A modernized alert concept and integration of on-call service planning in the USU tool delivered further efficiency enhancements.

USU IT Monitoring enabled the establishment of a practical concept for extensive monitoring of the technical infrastructure. The USU solution is used here as a central data hub for all source systems and further monitoring tools. Numerous dashboards and reports make it easier to gain an overview. In the event of a fault, the integrated alert functions ensure fast troubleshooting via various channels, such as the alarm app.

Since the solution went live, positive effects have been apparent in two areas in particular: operating and system support costs are down, and the risk of system failures and compliance breaches has been minimized.

„In tandem with our technology partner USU, we have achieved our goal of central, across-the-board event management. With extended alarm management, we now have a continuous, automated monitoring chain. We can therefore ensure that Munich's utilities are constantly supplied securely and reliably."

Nina Michalakelis,
system administrator,
Stadtwerke München

Advisory board of USU Group

Positive, trust-based collaboration with customers is a crucial factor in the sustainable business success of USU Software AG and its subsidiaries. Within the context of a long-term business relationship based on cooperation, this primarily means offering customers a high level of service and demonstrable added value.

Accordingly, with its range of products and services, USU Software AG Group pursues the universal goal of improving service for its customers substantially while also creating huge savings potential so that investment in the USU Group's software solutions pays off quickly, resulting in a win-win situation between USU and its customers. Consequently, more than 1,200 companies from all areas of business now make up the international customer base of the USU Group.

All efforts here are based on the rigorous customer focus that the USU Group has been pursuing as the overarching principle of its business strategy for over 46 years. USU Software AG is supported here by an Advisory Board whose members advise the entire USU Group with their high degree of professional expertise and many years of management experience. The Advisory Board is composed of business figures with in-depth experience and expertise in the area of information technology. A large number of the Advisory Board members are direct customers of USU Software AG and its Group subsidiaries.

At the regular meetings of the Advisory Board with the USU Management Board and management, current topics and strategic developments on the market and in the USU Group are discussed, along with future trends. At all times, the main goal is to consistently meet customers' needs while strengthening and fostering customer relationships on the basis of a partnership infused by trust. To ensure continuity, the members of the Advisory Board of the USU Group are appointed for a period of two years and may be reappointed upon expiry of a period in office.

The list of members of the USU Group Advisory Board when the 2023 Annual Report went to press was as follows:

Andreas Dümmler
Managing Director,
ADDAserv GmbH

Michael Krebbers
Member of the Management Board,
Stuttgarter Versicherungsgruppe

Joachim Langmack
Management Consultant

Stefan Leser
Board of Directors,
Hotelplan Group

Marcus Loskant
Member of the Management Board IT
of LVM-Versicherung

Uwe Neumeier
Managing Director,
LANCOM Systems GmbH

Heike Niederau-Buck
Chief Information Officer,
Voith Digital Solutions GmbH

Dr. Hans-Joachim Popp
Principal,
BwConsulting

Dr. Dieter Pütz
Business Lead Connected Services,
Atruvia AG

Ralf Stankat
Former General Representative,
Basler Insurance

Daniel Thomas
Member of the Management Board,
HUK-Coburg

The Management Board would like to thank all of the members of the USU Advisory Board for their dedicated support, their advice, and their detailed suggestions for the further successful development of the USU Group and looks forward to continuing this trust-based partnership in the current 2024 fiscal year.

Dear Shareholders,

Despite the negative state of the economy as a whole, USU Software AG again succeeded in achieving positive results and setting the course for an ongoing, successful business performance in fiscal 2023. Thanks to a significant increase in SaaS sales, USU Software AG's consolidated sales rose by more than 4% in the 2023 reporting year. However, owing to the shift away from one-time license business and towards SaaS, there was a decline in license revenue that reduced profitability at Group level. Nevertheless, the adjusted EBITDA margin remained in the double digits at 10.1% in 2023. Together with the 800 employees throughout the Group, the Management Board also actively moved forward with the "One USU" strategy.

As a standalone company, USU Software AG generated a profit of EUR 10.4 million in 2023. This marks a decline of 17.5% as against the previous year and, despite the relatively strong earnings growth of 42.7% in the previous year, was not in line with the Company's expectations or planning. Taking into account the profit carryforward from the previous year of EUR 17.8 million, the Company generated net retained profits of EUR 28.2 million, a significant increase of 21.1% on the figure for the previous year. In line with the dividend policy, the Company's shareholders will again participate in the positive business performance of USU Software AG in the form of a stable profit distribution. Accordingly, the Supervisory Board concurs with the Management Board's proposal for the appropriation of net profit for fiscal 2023, which provides for a dividend payment at the same level as in the previous year. The Management Board and Supervisory Board of USU Software AG will therefore propose a dividend distribution of EUR 0.55 per share to the Annual General Meeting of the Company on July 2, 2024. Given the positive experience in the previous year and the positive response from shareholders and shareholder associations, we are planning to hold this year's Annual General Meeting in person again.

Performance of Supervisory Board duties

In fiscal 2023, the Supervisory Board performed all the tasks and duties prescribed by law, the Articles of Association, the Rules of Procedure and the German Corporate Governance Code, conscientiously and with due diligence. It focused closely on the monitoring and control of the Management Board and advised it on the management of the Company. The Management Board regularly, promptly and comprehensively informed the Supervisory Board of the development and position of USU Software AG and the USU Group as a whole, corporate strategy and planning, risk management and compliance as well as key business transactions and projects, such as the progress of the SaaS transformation or the "One USU" strategy. The Supervisory Board itself continuously monitored the business performance of USU Software AG and the Group. The Supervisory Board maintained close contact with the Management Board in fiscal 2023 and was directly involved in decisions of major importance to the Company at an early stage. Also, outside the Supervisory Board meetings, the Chairman of the Supervisory Board maintained regular contact with the Chairman of the Management Board. There was also a regular dialog between the Chairwoman of the Audit Committee and managers in the Company's Finance and Compliance departments. The Supervisory Board was comprehensively informed in advance of, and carefully examined and unanimously approved, all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board or the Supervisory Board in fiscal 2023. As the Supervisory Board comprises three members, no committees were set up in fiscal 2023, with the exception of the Audit Committee established in the previous year. Independently of this, the Supervisory Board of the Company jointly assumes the tasks of these committees.

Meetings of the Supervisory Board and main points of discussion

Six ordinary Supervisory Board meetings were held in fiscal 2023. Other than the meeting in February, all of these were held in person. All members of the Supervisory Board were present at the Supervisory Board meetings, meaning that the average participation rate of Supervisory Board members in the meetings was 100%.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Management Board, focused on the business performance, the net assets, financial position, results of operations and further planning of USU Software AG and the Group. The Supervisory Board received information on an ongoing basis on the current status of business at USU Software AG and its subsidiaries, on the Group's investments in Germany and abroad and on potential acquisition targets. The Management Board of the Company reported at the Supervisory Board meetings on sales, earnings, investment and profitability, including the effects of the economic downturn, the war in Ukraine, the Middle East situation, the "One USU" strategy project, including progress in the development of the new product platform, and developments in the liquidity of the Company and the Group. In addition, the Supervisory Board, together with the Management Board, discussed risk management at USU Software AG and the Group as a whole and defined in detail the existing risks and opportunities, as well as the planned strategies and measures to control and manage risk. Furthermore, the Management Board addressed the medium-term corporate planning for USU Software AG and the Group and presented the key elements of its financial, investment and human resources planning.

At the first meeting of the Supervisory Board in fiscal 2023 on February 13, 2023, which was held online, the Chairman of the Management Board, Bernhard Oberschmidt, presented USU SAS's convergence planning for 2023 to 2029 and explained the parameters of the extended planning. Following a detailed discussion of the convergence planning with the Management Board, the Supervisory Board unanimously approved this planning.

At the accounts meeting of the Supervisory Board on March 20, 2023, the auditor reported on the key findings of the audit of the financial statements, the single-entity and consolidated financial statements and the management report and Group management report for fiscal 2022 were approved following in-depth discussion with the Management Board and the auditor, and the single-entity financial statements were adopted. The Supervisory Board approved the recommendation of the Management Board to propose to the Company's Annual General Meeting a dividend of EUR 0.55 per share, 10% higher than in the previous year. Furthermore, the Supervisory Board discussed the sustainability report and the compensation report for 2022. Another item at this meeting of the Supervisory Board was the status report of the Management Board, including the sales downturn on international markets, in particular the US, and the renewal of Dr. Benjamin Strehl's contract to December 31, 2028.

The Supervisory Board meeting on May 9, 2023 prepared and discussed the agenda for the 2023 Annual General Meeting, which was then adopted unanimously in the meeting.

The Supervisory Board meeting on June 19, 2023, the day before the Annual General Meeting, focused on the preparations for the Annual General Meeting, which was to be held in person again following the end of the COVID pandemic, and discussed the challenges stemming from the recession as well as possible implications for the USU Group and suitable strategies and measures. In this context, the challenges in international business were discussed with the Management Board and the Senior Vice President & Managing Director of Global Sales in particular.

In conjunction with the Management Board's report on the business performance of USU Software AG and the Group as a whole and its further planning, the Supervisory Board meeting on September 14, 2023 addressed the effects of inflation on the business performance of the USU Group, the Management Board's counterstrategies and the projections for 2023 as a whole. Furthermore, the Management Board and the Supervisory Board discussed the status of and progress in the development of the new product platform.

Reporting by the Management Board and top management on current business performance and the projections for 2023 as a whole was a key topic at the Supervisory Board meeting on December 13, 2023. Management Board planning for fiscal 2024 was also presented at the Supervisory Board meeting. Potential measures to increase USU's internationalization and profile were discussed in this context as well. The Supervisory Board discussed these plans with the Management Board and unanimously approved the planning for fiscal 2024. This Supervisory Board meeting also dealt with the implementation of the provisions of the German Corporate Governance Code. The Supervisory Board adopted the declaration of compliance with the German Corporate Governance Code in this context. The Supervisory Board also received information on the USU Group's risk management from the Management Board and discussed this with it in detail. Finally, the Supervisory Board conducted an efficiency audit on the basis of an extensive questionnaire at its final meeting of 2023, which led to a positive conclusion in 2023 as well.

Work of the Audit Committee

The Audit Committee, which was established at the end of 2022 and is chaired by the member of the Supervisory Board Gabriele Walker-Rudolf, held six meetings in total in 2023, each of which was held in conjunction with the regular meetings of the Supervisory Board. All members of the Supervisory Board had 100% attendance at these meetings as well, and the first meeting of 2023 was also held online. These meetings typically addressed the business performance and planning of the USU Group, risk management, corporate governance matters and audit issues, including in particular the audit of the annual and consolidated financial statements of USU Software AG. In particular, the Audit Committee discussed the selection and independence of the auditor, the additional services performed by the auditor and ultimately the engagement of the auditor for the audit of the annual and consolidated financial statements. Furthermore, the Audit Committee addressed the monitoring of financial reporting and the financial reporting process, the internal control and risk management system, Internal Audit and compliance. Another key issue for the Audit Committee was the current and future reporting on sustainability at USU Software AG.

Corporate governance and declaration of conformity

Responsible management and control of USU Software AG and the Group with the aim of sustained value creation are, and will remain in the future, the focus of the activities of the Management Board and Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On December 12, 2023, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code as amended April 28, 2022 and effective since June 27, 2022. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it permanently available on the Company's website. This declaration of conformity is included in the combined management report in this annual report as part of the corporate governance declaration of USU Software AG in accordance with section 289a HGB under VII.1 Declaration of conformity with the German Corporate Governance Code. In addition, the Supervisory Board refers to the compensation report, which is available on the Company's website at https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/ and contains the individual compensation of the members of the Management Board and the Supervisory Board for fiscal 2023.

Audit of the single-entity and consolidated financial statements

Based on a resolution by the Annual General Meeting on June 20, 2023, the Audit Committee of the Supervisory Board engaged Ebner Stolz GmbH & Co. KG (now: RSM Ebner Stolz GmbH & Co. KG), Stuttgart, as the auditor of the financial statements and agreed the key audit matters for fiscal 2023. The subject of the audit was the accounting, the 2023 financial statements prepared in accordance with HGB, the 2023 consolidated financial statements prepared under section 315a HGB in accordance with the provisions of the International Financial Reporting Standards (IFRS), as applicable within the European Union and the additional requirements of German law under section 315a(1) HGB, as well as the accompanying combined management report for fiscal 2023. The Supervisory Board also examined the non-financial Group declaration by USU Software AG, which is part of the combined management report.

The financial statements of USU Software AG, the consolidated financial statements and the combined management report for fiscal 2023 were each issued with an unqualified audit opinion. Each member of the Supervisory Board/Audit Committee was provided with the above year-end closing documents, including the Management Board's proposal on the appropriation of net profit and the auditor's reports, for examination in a timely manner. The auditor reported to the Audit Committee on the key findings of the audit at the accounts meeting on March 26, 2024. Following its own examination and an extensive discussion with the Management Board and the auditor, the Supervisory Board concurred unanimously with the findings of the audit and raised no objections. The Supervisory Board approved the financial statements and consolidated financial statements presented to it by the Management Board as well as the combined management report for fiscal 2023. The annual financial statements have therefore been adopted.

At the same time, the Audit Committee of the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, under which the HGB unappropriated surplus of USU Software AG of EUR 28,209 thousand as of December 31, 2023 will be appropriated as follows:

- payment of a dividend of EUR 0.55 per share for 10,036,184 shares, amounting to a total of EUR 5,520 thousand;

- carryforward to new account of the remaining unappropriated surplus of EUR 22,689 thousand.

The Audit Committee of the Supervisory Board also addressed the mandatory disclosures in accordance with section 289f and section 315D HGB as well as the associated reports. Further information can be found in the disclosures and explanations in the combined management report for fiscal 2023. The Audit Committee of the Supervisory Board has examined the reports and the disclosures and explanations contained therein and is satisfied that these are complete and correct in terms of their content. The Audit Committee of the Supervisory Board has thus adopted the reports. The Audit Committee of the Supervisory Board therefore agrees with and raises no objections to the non-financial declaration and the disclosures on the internal control and risk management system.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with section 312 AktG for the fiscal year from January 1, 2023 to December 31, 2023 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

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

RSM Ebner Stolz GmbH & Co. KG, Stuttgart, examined the report on related parties and issued the following audit opinion:

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

1. the factual statements made in the report are correct, and
2. the companies' 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 auditor were both made available to the Audit Committee of the Supervisory Board. The examination by the Audit Committee of the Supervisory

Board in accordance with section 314 AktG did not give rise to any objections to the closing statement by the Management Board.

There were no conflicts of interest for any of the Supervisory Board members that needed to be addressed.

At its meeting on March 26, 2024, the Audit Committee of the Supervisory Board also discussed and approved, together with the Management Board, the joint compensation report for the Management Board and the Supervisory Board in accordance with section 162 AktG.

Concluding remarks and thanks

Even in times of global crisis, the business performance of the USU Group is founded on the hard work of every employee of USU Software AG and its Group subsidiaries. On behalf of the whole Supervisory Board, I would therefore like to expressly thank all the employees of the USU Group for their strong commitment and their loyalty. I would also like to thank the entire management of the subsidiaries for their great personal dedication and extraordinary achievements. My special thanks also go to the Management Board team for implementing the positive further development of USU Software AG and the entire USU Group with passion and an entrepreneurial spirit, under the banner of the “One USU” strategy.

Möglingen, March 26, 2024

For the Supervisory Board

Udo Strehl
Chairman of the Supervisory Board of USU Software AG

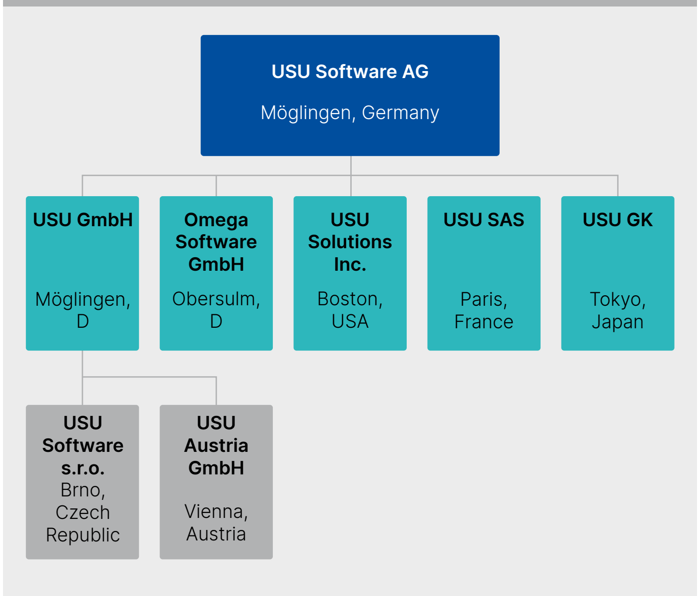
Note on gender-specific language: We practice diversity. Therefore, any pronouns or personal descriptors used throughout our communications are always inclusive of all people (male, female, other). We use the generic male form with no discrimination in mind and exclusively for the purpose of improving reada-bility.

I. BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

As the parent company of the Group, USU Software AG, Möglingen, Germany, has direct or indirect holdings in the following operational companies: USU GmbH, Möglingen, Germany; USU Software s.r.o., Brno, Czechia; USU Austria GmbH, Vienna, Austria; Omega Software GmbH, Obersulm, Germany; USU Solutions Inc., Boston, USA; USU SAS, Paris, France and USU GK, Tokyo, Japan. In addition, USU Software AG has a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.

At the start of the second quarter of 2023, USU Technologies GmbH and USU Solutions GmbH were merged into USU GmbH as part of the "One USU" strategy. The mergers combined the three legally independent entities USU GmbH, USU Solutions GmbH and USU Technologies GmbH within the USU Group as part of the continuing USU GmbH.

USU Software AG and its subsidiaries



I. 1 Business model, objectives, strategies and controlling system

As a leading provider of software and service solutions for IT and customer service management, USU Software AG and its subsidiaries (hereinafter also referred to as the "USU Group" or "USU") sets standards for better service quality. With USU, companies are responding to the changed customer and employee needs in a digital world. Well-known companies use USU solutions to create transparency, become more agile, cut costs and reduce their risk – by means of smarter services, simpler workflows and better collaboration.

In addition to software asset management, IT service management and IT service monitoring, the USU service portfolio also covers the areas of knowledge management, self-service management, digital service solutions and AI services. More than 1,200 USU customers from all sectors of the global economy benefit from USU solutions. They include Allianz, Atruvia, Bechtle, BITBW, BMW, Deutsche Bahn, Deutsche Telekom, Swiss Post, Jungheinrich, LinkedIn, Novartis, Otto, VW and W&W. USU Software AG has made it its goal to achieve growth in consolidated sales above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group's international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy.

The key performance indicators for USU Software AG and the Group are sales and adjusted EBITDA. Due to the higher share of extraordinary one-time special items, USU has reported "adjusted EBITDA" since 2023. This figure is adjusted for extraordinary effects arising from share-based compensation, restructuring, or acquisitions. In 2023, an employee share purchase program was launched for the first time, leading to the recognition of expenses of EUR 329 thousand in the period under review. A profit participation is also planned for the management staff. The guidance for 2024 and the medium-term planning are thus based on adjusted EBITDA. Accordingly, adjusted consolidated EBITDA serves as a key planning and control parameter for USU Software AG and the Group alongside consolidated sales. According to the current guidance, the Management Board expects sales growth to between EUR 143 million and EUR 146 million and adjusted EBITDA of between EUR 14 million and EUR 16 million in fiscal 2024 thanks to the targeted further expansion of SaaS business.

Thanks to the success of the SaaS transformation, the associated high level of orders on hand and the consistently strong consulting business, the Management Board is confirming the current medium-term planning, which includes average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the adjusted EBITDA margin to between 17% and 19% by 2026.

I. 2 Research and development

In a rapidly changing technological world, continuous innovation and investment are crucial to long-term success. New software products and regular version updates allow USU to address customers' dynamic needs and expectations, and to offer improved, more efficient solutions, which enhances customer satisfaction and loyalty. Technological innovations also offer the opportunity to cultivate new markets and stand out from the competition.

Accordingly, research and development (R&D) play an extremely important role at USU. R&D expenditure amounted to EUR 20,925 thousand in 2023 (2022: EUR 18,072 thousand), corresponding to 15.8% (2022: 14.3%) of consolidated sales. The number of employees in this area was 230 as of December 31, 2023 (December 31, 2022: 225). Beyond its own extensive research activities, the intensive dialog with customers, partners, universities and institutes is key to R&D at USU.

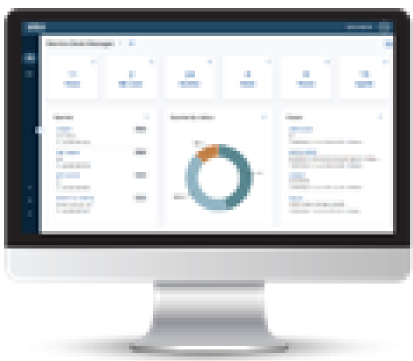
The Group-wide R&D strategy centers on gradually creating a holistic SaaS-based platform, which in the medium term will integrate the entire USU portfolio for IT asset management, service management and IT operations management. In the future, customers will benefit from integrated solutions, optimal user-friendliness, accessibility, AI-based functions, flexible customization and expansion options thanks to no-code and low-code technologies. The individual modular solutions will be available as apps. In 2023, the competent R&D team worked on the basis for the App Studio (modular system in which apps are created) and the Generic App Engine (on which the apps are installed and run). The goal is to offer the first apps by the end of 2024. At the same time, the existing portfolio of the individual divisions was and continues to be continuously enhanced and expanded to include new innovations as it has been in recent years.

In USU Service Management, the R&D team mainly expanded the functions of the self-service portal. This made it possible to configure message display and create tickets using the chatbot. Moreover, a high-performance search for shop products has been implemented and functions for multilingual products have been integrated in the USU shop. Improvements to the interface and user-friendliness were made in all modules. A new version of the service desk app featuring improved identification of the person in question was also completed. Moreover, the AI capabilities of various modules have also been expanded, e.g. for change management. There were improvements to the model for technology business management (TBM) as well. TBM refers to the totality of measures and methods that allow a holistic view of the value added by IT.

Smartphone interface of the new service shop module

Developers published several new versions for the USU IT monitoring solution in 2023. These feature extensive interfaces for the easy integration of third-party systems, extensions in service level monitoring and trend analysis for measurement data. Basic work on improving UX resulted in the development of a server monitoring app that makes it simple to create and manage server monitoring. Moreover, an app is currently being developed that allows users to simply and conveniently create rules for an event correlation. When such an event occurs and matches one of the rules created, the app can automatically trigger actions, such as an alarm.

In 2023 as well, development work focused on the modernization of USU software asset management for the new USU platform. In addition to ergonomic improvements in the user interface, this includes the ability to run it on the open source system Kubernetes, for example. This not only saves on resources for software installation and



Dashboard of the new service desk manager app

IT monitoring on various devices

updates, but also improves competitive capability in this area. Functional enhancements include, for example, automated invoice recognition and AI-supported management and interpretation of license agreements. Improvements in SAP license management allow customers, for instance, to update the license information of their SAP clients using the USU application. On top of this, there are more detailed analyses and processing options for technical use. In Cloud Management, a service package was created that assists users with transparency and optimization for cloud investments.

Dashboard for optimizing SAP licenses

The development team in the USU Knowledge Management business area released a new version of the KnowledgeCenter solution in spring 2023. One highlight is the new “active editor”, which allowing knowledge to be managed in individual, combinable modules or blocks, as opposed to in documents. This is an essential requirement for linking AI and a knowledge database. In fact, generative AI was central to a variety of R&D activities. As the core product, the active knowledge database was enhanced with an AI-based assistant that provides support for users in many situations. The functions of this smart assistant are being continuously refined on the basis of initial customer projects, such as very large chatbot project throughout Germany. Self Service saw an increasing number of use cases with generative AI as well.

Intelligent use of generative AI for customer service

The R&D activities of the AI division focus on providing technology modules based on artificial intelligence (AI) for the existing USU portfolio. For instance, AI-based ticket routing for service management was further improved in 2023. Moreover, a new AI module was created for change management to provide automated support for changes in the IT infrastructure and its services. In addition, extensive research is currently in progress to enable USU to operate and train large language models (LLMs) internally too in the future.

A new cloud cost management service has been available in the field of USU cloud management since October 2023. This provides customer organizations with user-friendly cost reporting for complex multi-cloud environments from Amazon Web Services, Google Cloud Platform and Azure. Regular reports and a detailed interpretation of the results help companies to achieve transparency and minimize financial risks.

Overview of cloud budgets and costs

USU has its own research division, through which it participates in a number of publicly subsidized IT projects as a technology partner in order to develop and trial innovations with a focus on artificial intelligence. Two long-term research projects were successfully completed in the first half of 2023: For the joint “Service-Meister” project, the USU team and its partner Open Grid Europe presented the use case “cathodic corrosion protection”, which focused on avoiding false alarms in nationwide gas networks. In conjunction with the FabOS research project, which has also ended, USU developed the new Data science wizard, a tool to automate the creation of data-driven services. Specialist departments can use this to develop successful AI models without the help of data scientists.

There are currently two active projects: AutoQML and KISS. The new AI-based Wizard is used in both projects. Its practical suitability is currently being tested in several use cases, for example at KEB, a manufacturer of industrial drives and solutions for process automation. In KISS, work is also continuing on chatbot solutions to make critical infrastructures more resilient in crisis situations, e.g. pandemics. This is currently focusing on generative AI in the self-service area.

II. ECONOMIC REPORT

II. 1 Summary

Thanks to a significant increase in SaaS sales, USU Software AG continued to grow in the 2023 reporting year and its consolidated sales rose by 4.4% to EUR 132,083 thousand (2022: EUR 126,522 thousand). SaaS sales thus increased by almost 20% year-on-year to EUR 17,017 thousand in 2023 (2022: EUR 14,224 thousand).

USU benefited from new customer business in particular. Approximately half of USU's new customers already opted for an SaaS project in 2023. As maintenance revenue also increased by 3.0% year-on-year to EUR 25,905 thousand (2022: EUR 25,146 thousand), total recurring revenue (recurring revenue = maintenance revenue plus SaaS revenue) rose by 9.0% to EUR 42,922 thousand (2022: EUR 39,370 thousand), meaning that the share of total sales attributable to recurring revenue climbed to 32.5% (2022: 31.1%). This recurring revenue is one of the central pillars of USU's growth and allows the Company to significantly improve the predictability of its business compared to one-time license revenue.

Regardless of the strong rise in SaaS sales, operating profitability declined in 2023 as a result of modest license business, leading to a year-on-year decrease in USU's EBITDA of 26.2% to EUR 12,429 thousand (2022: EUR 16,836 thousand). Adjusted for the one-time expenses from share-based compensation of EUR 329 thousand (2022: EUR 0 thousand) and restructuring costs for severance payments of EUR 567 thousand (2022: EUR 0 thousand), adjusted EBITDA amounted to EUR 13,325 thousand (2022: EUR 16,836 thousand). The adjusted EBITDA margin declined accordingly from 13.3% in the previous year to 10.1% in 2023. Adjusting for depreciation and amortization of EUR 4,805 thousand (2022: EUR 5,035 thousand), USU generated EBIT of EUR 7,624 thousand in 2023 (2022: EUR 11,802 thousand). This corresponds to a year-on-year decline in EBIT of 35.4%. Net finance costs amounted to EUR -91 thousand in 2023 (2022: EUR 164 thousand), while income taxes decreased to EUR 2,251 thousand (2022: EUR 4,384 thousand) as a result of the year-on-year decline in earnings. In total, USU's consolidated earnings fell by 30.3% year-on-year to EUR 5,282 thousand in fiscal 2023 (2022: EUR 7,582 thousand). With 10,009,046 shares outstanding on average (2022: 10,392,828), this corresponds to diluted earnings per share of EUR 0.50 (2022: EUR 0.72).

The net income (calculated in accordance with the of the Handelsgesetzbuch (HGB – German Commercial Code)) of USU Software AG as a standalone company amounted to EUR 10,416 thousand in fiscal 2023 (2022: EUR 12,624 thousand). This translates to a reduction of 17.5% compared to the previous year, which was not consistent with the Company's forecasts or planning, despite the relatively strong increase in earnings of 42.7% in the previous year. Including the profit carryforward from the previous year of EUR 17,793 thousand (2022: EUR 10,669 thousand), the Company generated an unappropriated surplus of EUR 28,209 thousand (2022: EUR 23,293 thousand), which was significantly higher than the prior-year figure by 21.1%. As in previous years, this is to be used in particular to pay a dividend to the shareholders of USU Software AG. In accordance with the Company's communicated dividend policy, whereby the dividend should never be less than in the previous year and should amount to roughly half the profit generated, the Management Board is proposing, subject to the approval of the Supervisory Board, a dividend distribution equal to the previous year's level of EUR 0.55 (2022: EUR 0.55) per share for fiscal 2023.

As a standalone company, USU Software AG thus achieved the "additional year-on-year increase in sales in the low single-digit percentage range" planned for 2023, but not the "additional year-on-year increase in earnings in the low single-digit percentage range". For the current year of 2024, the Management Board is forecasting sales at the previous year's level, while net income should increase slightly year-on-year by a low single-digit percentage range in 2024 following the dip in earnings in the period under review.

Thanks to the success of the SaaS transformation, the associated high level of orders on hand and the consistently strong consulting business, the Management Board anticipates a positive overall business performance in the Group for 2024 and is forecasting sales growth to between EUR 143 million and EUR 146 million for 2024 as a whole, which will be made possible by the further significant increase in SaaS revenue in particular. At the same time, adjusted EBITDA is to grow to between EUR 14 million and EUR 16 million as a result of the ongoing strategic expansion of high-margin SaaS business. The Management Board is also reiterating the current medium-term planning, which forecasts average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the adjusted EBITDA margin to between 17% and 19% by 2026.

Strategic planning focuses on the three established growth pillars of the USU Group: increased internationalization, the development and launch of new product innovations and growth through acquisitions.

II. 2 Overall economic development

According to initial calculations by the German Federal Statistical Office (Destatis)[1], gross domestic product (GDP) adjusted for inflation was 0.3% lower in 2023 than in the previous year. Adjusted for calendar effects, economic output contracted by 0.1%. "Overall economic development faltered in Germany in 2023 in an environment that continues to be marked by multiple crises," said Dr. Ruth Brand, President of the Federal Statistical Office. "Despite recent declines, high

[1] *cf. Destatis press release 19 of January 15, 2024 and Destatis press release 38 of January 30, 2024, published at http://www.destatis.de/*

prices at all stages of the economic process have taken a toll on economic growth. Unfavorable financing conditions due to rising interest rates and weaker domestic and foreign demand have also played a part. The German economy's recovery from the severe slump in the COVID year of 2020 was thus unable to continue," concluded Brand. GDP in 2023 was 0.7% higher than in 2019, the year before the outbreak of the COVID pandemic.

According to an initial estimate of the annual growth rate by the Statistical Office of the European Union (Eurostat)[2], the euro area experienced year-on-year GDP growth of 0.5% in 2023 compared to growth of 3.4% in 2022.

II. 3 Sector development

Despite the difficult economic environment, the German high-tech market proved crisis-proof in 2023 and, according to forecasts by the German Federal Association for Information Technology, Telecommunications and New Media (Bitkom)[3], expanded slightly thanks to high IT investment by companies in particular. According to the latest Bitkom projection, the market for IT, telecommunications and consumer electronics thus grew by 2.0% (2022: 6.8%) to EUR 215.0 billion in the reporting period (2022: EUR 210.7 billion), thanks to the key growth driver of software business in particular. According to Bitkom, software sales in Germany climbed by 9.6% as against the previous year in 2023 to EUR 41.5 billion (2022: by 15.0% to EUR 37.9 billion). At the same time, sales from IT services in Germany rose by 5.1% year-on-year to EUR 49.4 billion (2022: by 8.5% to EUR 47.0 billion). Accordingly, the German IT market as a whole expanded by 2.2% to EUR 142.9 billion in 2023, per Bitkom (2022: by 8.7% to EUR 139.8 billion). Globally, IT spending increased by 3.3% year-on-year to USD 4,679 billion in 2023 (2022: by 2.9% to USD 4,533.4 billion) according to calculations by the US market research company Gartner[4], largely on account of the strong growth in the enterprise software market, which expanded by 12.9% to USD 916.2 billion (2022: by 10.7% to USD 811.3 billion). At the same time, however, the global IT services market grew by 7.3% to EUR 1,401.0 billion (2022: by 7.5% to EUR 1,305.7 billion).

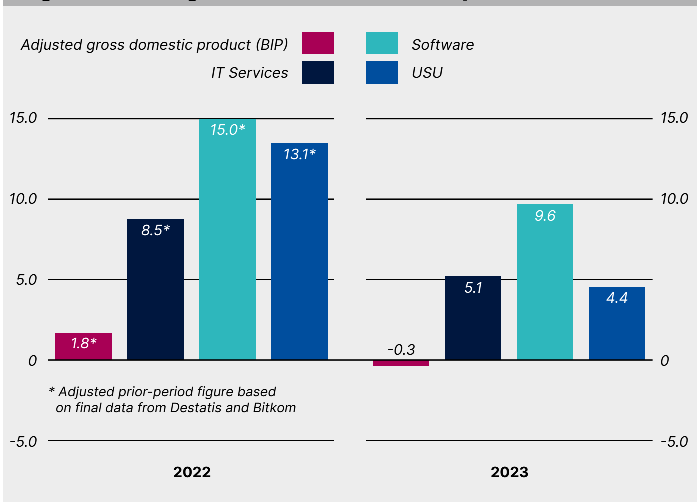
II. 4 Business performance

Thanks to a significant increase in SaaS sales, USU Software AG's consolidated sales rose by 4.4% to EUR 132,083 thousand in fiscal 2023 (2022: EUR 126,522 thousand). SaaS sales thus increased by almost 20% year-on-year to EUR 17,017 thousand in 2023 (2022: EUR 14,224 thousand).

USU benefited from new customer business in particular. Approximately half of USU's new customers already opted for an SaaS project in 2023. As maintenance revenue also increased by 3.0% year-on-year to EUR 25,905 thousand (2022: EUR 25,146 thousand), total recurring revenue (recurring revenue = maintenance revenue plus SaaS revenue) rose by 9.0% to EUR 42,922 thousand (2022: EUR 39,370 thousand), meaning that the share of total sales attributable to recurring revenue climbed to 32.5% (2022: 31.1%). This recurring revenue is one of the central pillars of USU's growth and allows the Company to significantly improve the predictability of its business compared to one-time license revenue.

As license revenue virtually halved year-on-year to EUR 7,155 thousand (2022: EUR 14,224 thousand) in connection with the transition to SaaS and the postponement of investments by companies on account of the state of the economy, EBIT fell by 35.4% to EUR 7,624 thousand (2022: EUR 11,802 thousand) despite the strong growth in SaaS sales. Adjusting for depreciation and amortization of EUR 4,805 thousand (2022: EUR 5,035 thousand), USU's EBITDA declined by 26.2% as against the previous year to EUR 12,429 thousand (2022: EUR 16,836 thousand). Adjusted for the one-time expenses from share-based compensation of EUR 329 thousand (2022: EUR 0 thousand) and restructuring costs for severance payments of EUR 567 thousand (2022: EUR 0 thousand), adjusted EBITDA amounted to EUR 13,325 thousand (2022: EUR 16,836 thousand). The adjusted EBITDA margin declined accordingly from 13.3% in the previous year to 10.1%.

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



Despite the positive overall business performance in the reporting period, USU fell short of its original planning for sales growth to between EUR 134 and EUR 139 million, with a significantly higher share of SaaS business with new customers, strong growth of more than 25% in SaaS sales and a declining trend in license revenue. However, it was in line with its revised guidance published with the half-year figures for 2023 of sales growth to between EUR 132 and EUR 139 million with a strategic, ongoing significant expansion of SaaS business and adjusted EBITDA of between EUR 13 and EUR 15 million.

[2] cf. Eurostat press release 15/2024 dated January 30, 2024, published at http://ec.europa.eu/eurostat
[3] BITKOM press release of January 10, 2024 and ICT market figures (as of January 2024), published at www.bitkom.org
[4] cf. Gartner press releases of October 18, 2023 and January 17, 2024, published at www.gartner.com

II. 5 Development of sales and costs

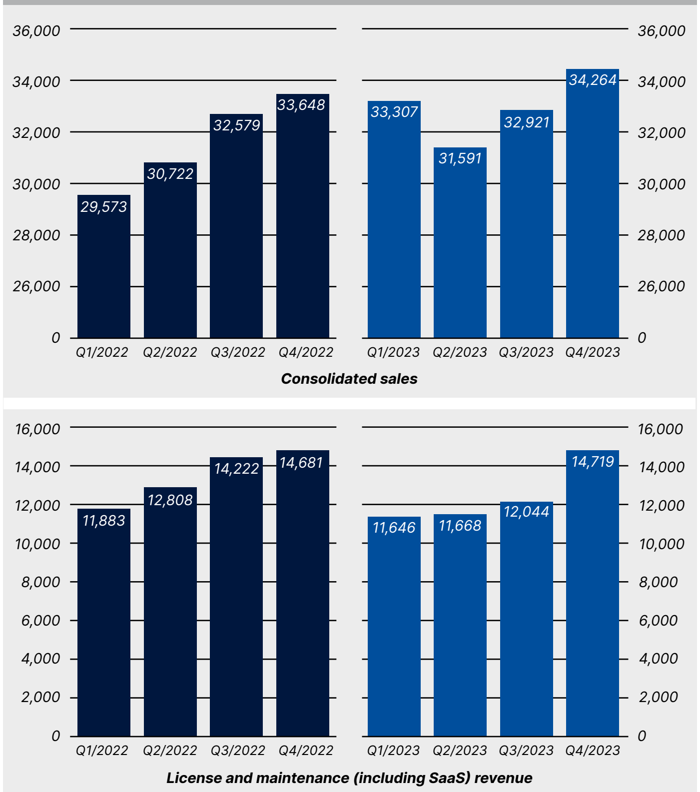
Consolidated sales

Thanks to strong domestic business and significant growth in SaaS sales, consolidated sales for USU Software AG and its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) increased by 4.4% to EUR 132,083 thousand in 2023 (2022: EUR 126,522 thousand) despite the weak state of the economy as a whole and the associated postponement of orders. Domestic sales rose by 8.2% year-on-year to EUR 104,020 thousand (2022: EUR 96,114 thousand). Following the significant increase in the previous year, revenue generated outside Germany fell by 7.7% year-on-year in the reporting year to EUR 28,063 thousand (2022: EUR 30,408 thousand). Accordingly, the share of international business in consolidated sales declined from 24.0% in the previous year to 21.2% in 2023.

Broken down by sales type, the USU Group once again generated the highest growth with SaaS solutions. USU thus expanded its SaaS sales by 19.6% year-on-year to EUR 17,017 thousand in the 2023 reporting year (2022: EUR 14,224 thousand) and surpassed SaaS sales of EUR 17 million for the first time. USU built up high recurring SaaS orders on hand in past years as a result of the shift from one-time license business to SaaS business and these will continue to grow significantly in the future as SaaS makes up an increasing share of new business. At the same time, this shift towards SaaS meant that license revenue virtually halved to EUR 7,155 thousand (2022: EUR 14,224 thousand). Moreover, USU benefited from license business in previous years and related maintenance business. Maintenance sales rose by 3.0% year-on-year to EUR 25,905 thousand (2022: EUR 25,145 thousand). Thanks to strong SaaS business, total recurring revenue (recurring revenue = maintenance revenue plus SaaS revenue) rose by 9.0% to EUR 42,922 thousand (2022: EUR 39,370 thousand), meaning that the share of total sales attributable to recurring revenue climbed to 32.5% (2022: 31.1%).

USU’s consulting sales increased by 12.7% year-on-year to EUR 80,975 thousand in total at the same time thanks to the ongoing digitalization trend (2022: EUR 71,838 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 1,031 thousand (2022: EUR 1,090 thousand).

Sales development of the USU Group by quarter in EUR thousand



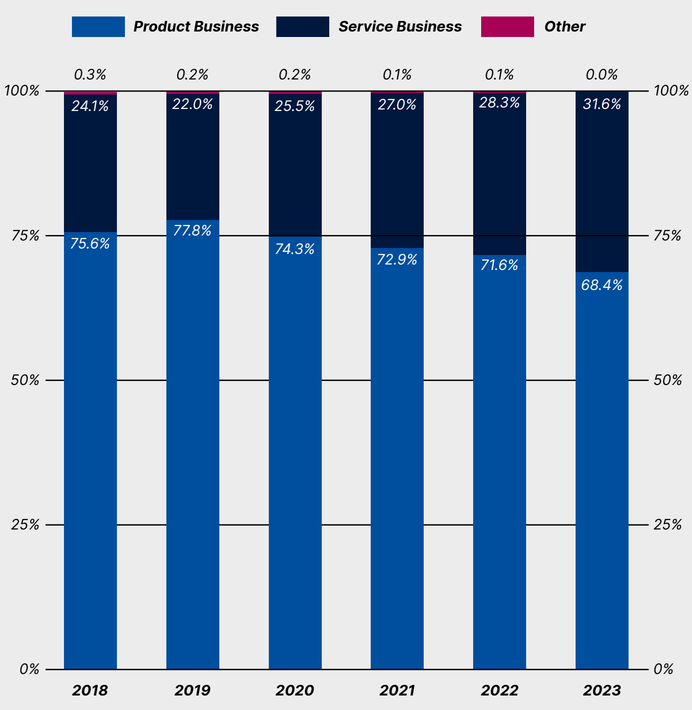
Sales by segment

The product range of the Product Business segment includes all activities relating to USU’s product portfolio in the market for IT management solutions, the knowledge management market and USU AI Services, the division for big data analytics that emerged from the research department. The Service Business segment comprises consulting services for IT projects, individual application development and digital strategy consulting, service and UX design and web portals, apps and intranets.

The Product Business segment contributed sales of EUR 90,334 thousand in 2023 (2022: EUR 90,592 thousand), down slightly by 0.3% on the previous year. In the same period, USU increased its consulting sales in the Service Business segment by 16.6% year-on-year to EUR 41,750 thousand (2022: EUR 35,794 thousand). USU benefited in particular from the sustained demand trend for digitalization solutions, while the shift from one-time license business towards SaaS solutions continued to curb growth in product business in the year under review. Sales not allocated to the segments amounted to EUR 0 thousand in 2023 (2022: EUR 137 thousand).

Owing to the very strong performance of the service segment and the weak performance of the product segment caused by the shift towards SaaS, the product segment's share of consolidated sales fell from 71.6% in 2022 to 68.4% in the year under review.

Sales development of the USU Group by segment in %



Operating costs

The USU Group's operating cost base rose by 8.5% year-on-year in total to EUR 125,522 thousand (2022: EUR 115,707 thousand). On the one hand, this increase reflects the increased use of newly hired consultants, freelancers and partners in conjunction with business expansion and the associated cost increase. However, on the other, it also includes pay increases for staff as a result of inflation, the special staff costs associated with the employee share purchase program (share-based compensation), USU's greater participation in trade fairs and conferences following the end of the COVID pandemic and higher R&D investment in artificial intelligence, the market for cloud management and the new central product platform.

In particular, the cost of sales reflect business growth in consulting in 2023 and rose by 6.6% year-on-year to EUR 67,521 thousand (2022: EUR 63,311 thousand) as a result of higher fees paid to the additional freelancers employed and increased staff costs due to expanding the consultant team, as well as the share-based compensation. Accordingly, the cost of sales as a percentage of consolidated sales increased from 50.0% in the previous year to 51.1% at the reporting date. At the same time, gross income rose from EUR 63,211 thousand in 2022 to EUR 64,562 thousand, an increase of 2.1%. The gross margin was 48.9% in the 2023 reporting period (2022: 50.0%).

Marketing and selling expenses increased by 16.0% year-on-year to EUR 26,240 thousand in 2023 (2022: EUR 22,616 thousand). Among other things, this reflects the USU Group's increased return to trade fairs, conferences and other sales events after the pandemic, wage and salary increases for staff on account of inflation and the extraordinary staff costs associated with the employee share purchase program (share-based compensation). As a result, marketing and selling expenses as a share of sales rose from 17.9% in 2022 to 19.9%.

Despite the share-based compensation, general and administrative expenses were down 7.5% year-on-year at EUR 10,836 thousand in the reporting period (2022: EUR 11,708 thousand) thanks to lower non-staff operating costs and the more accurate allocation of depreciation and amortization. Accordingly, the ratio of administrative expenses to consolidated sales decreased to 8.2% in the reporting period (2022: 9.3%).

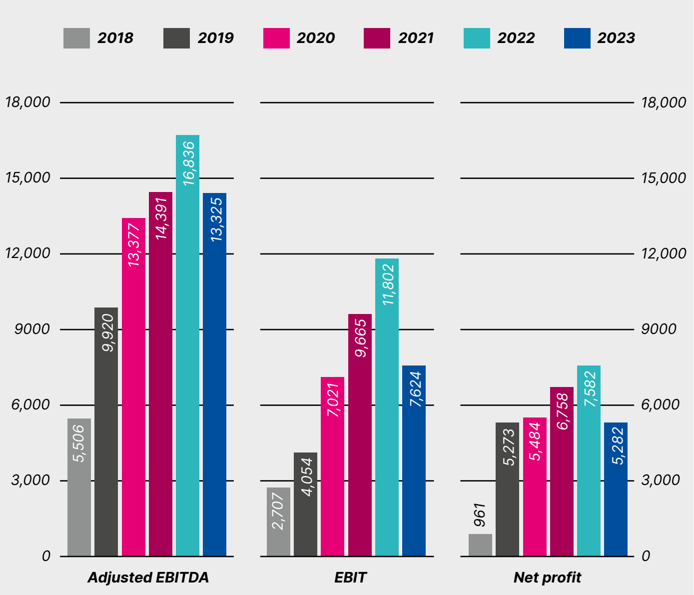
Research and development expenses also rose by 15.8% year-on-year to EUR 20,925 thousand in fiscal 2023 (2022: EUR 18,072 thousand) as a result of the expansion of the team of developers to accelerate the application development relating to artificial intelligence, cloud management and a central Group product platform as part of the "One USU" strategy and higher staff costs as a result of this, as well as wage and salary increases required for R&D staff on account of inflation and the extraordinary staff costs associated with the employee share purchase program (share-based compensation). The ratio of research and development expenses to consolidated sales therefore increased from 14.3% in the previous year to currently 15.8%. USU is constantly investing in the development of its product portfolio and is always working on innovative, market-driven software solutions. In the medium term, USU is planning to increase its R&D expenditure in absolute terms while further reducing the ratio of research and development expenses to consolidated sales on account of strong sales growth.

Net other operating income and expenses totaled EUR 1,062 thousand in fiscal 2023 (2022: EUR 987 thousand) and included income from currency translation differences.

II. 6 Results of operations

Regardless of the strong rise in SaaS sales, operating profitability declined in 2023 as a result of modest license business, leading to a year-on-year decrease in USU's EBITDA of 26.2% to EUR 12,429 thousand (2022: EUR 16,836 thousand). Adjusted for the one-time expenses from share-based compensation of EUR 329 thousand (2022: EUR 0 thousand) and restructuring costs for severance payments of EUR 567 thousand (2022: EUR 0 thousand), adjusted EBITDA amounted to EUR 13,325 thousand (2022: EUR 16,836 thousand). The adjusted EBITDA margin declined accordingly from 13.3% in the previous year to 10.1% in 2023. Adjusting for depreciation and amortization of EUR 4,805 thousand (2022: EUR 5,035 thousand), USU generated EBIT of EUR 7,624 thousand in 2023 (2022: EUR 11,802 thousand). This corresponds to a year-on-year decline in EBIT of 35.4%. Net finance costs amounted to EUR -91 thousand in 2023 (2022: EUR 164 thousand), while income taxes decreased to EUR 2,251 thousand (2022: EUR 4,385 thousand) as a result of the year-on-year decline in earnings. In total, USU's consolidated earnings fell by 30.3% year-on-year to EUR 5,282 thousand in fiscal 2023 (2022: EUR 7,582 thousand). With 10,009,046 shares outstanding on average (2022: 10,392,828), this corresponds to diluted earnings per share of EUR 0.50 (2022: EUR 0.72).

Earnings development of the USU Group in EUR thousand



II. 7 Net assets and financial position

On the assets side of the statement of financial position, the USU Group's non-current assets were down slightly as against December 31, 2022 at EUR 62,796 thousand as of December 31, 2023 (EUR 64,791 thousand). This was primarily as a result of the reduction in deferred tax assets from EUR 2,416 thousand as of December 31, 2022 to EUR 921 thousand as of December 31, 2023. Meanwhile, current assets declined from EUR 48,188 thousand as of December 31, 2022 to EUR 45,267 thousand. This reduction was partly as a result of the decline caused by the dividend in Group liquidity, which amounted to EUR 13,494 thousand as of December 31, 2023 (December 31, 2022: EUR 15,525 thousand). On June 20, 2023, the Annual General Meeting had resolved to distribute a dividend of EUR 0.55 per entitled share (total of EUR 5,500 thousand), which is reflected in the lower cash funds as of December 31, 2023. There were also changes in USU's working capital as of the reporting date. Trade receivables increased from EUR 22,274 thousand as of December 31, 2022 to EUR 24,379 thousand as of December 31, 2023, while services not yet invoiced declined from EUR 6,013 thousand as of the end of 2022 to EUR 3,208 thousand as of December 31, 2023.

On the equity and liabilities side of the statement of financial position, the USU Group's equity rose from EUR 56,954 thousand as of December 31, 2022 to EUR 57,215 thousand as of December 31, 2023 thanks to the earnings generated and in spite of the dividend distribution to USU shareholders. At the same time, debt in the form of the USU Group's current and non-current liabilities declined to EUR 50,848 thousand as of December 31, 2023 (December 31, 2022: EUR 56,025 thousand). This is essentially as a result of a reduction in staff and social security liabilities to EUR 7,909 thousand (December 31, 2022: EUR 10,070 thousand) and a drop in liabilities from advances received as of the end of the reporting period, which amounted to EUR 1,354 thousand as of December 31, 2023 (December 31, 2022: EUR 3,941 thousand).

Based on total assets of EUR 108,063 thousand (December 31, 2022: EUR 112,979 thousand), the equity ratio improved to 53.0% as of December 31, 2023 (December 31, 2022: 50.4%). With this equity ratio, the liquidity available to the Group and no liabilities to banks, the USU Group still has extremely sound and secure financing.

II. 8 Cash flows and capital expenditure

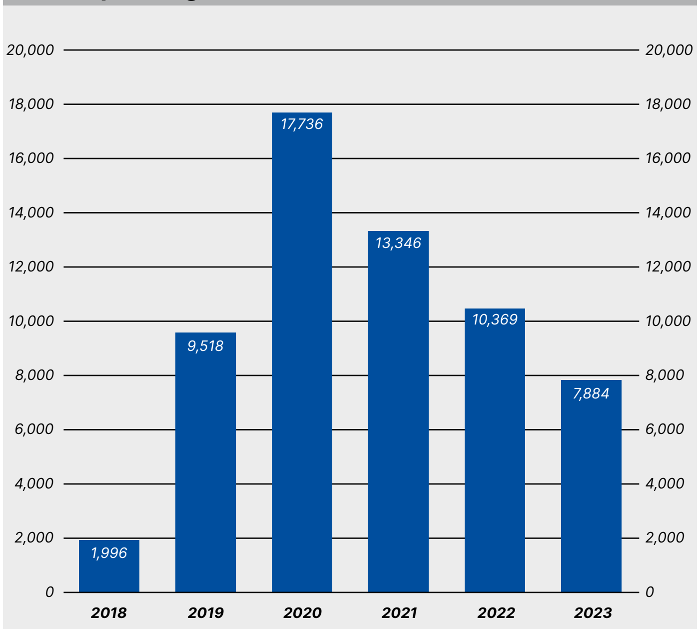
The USU Group had cash funds of EUR 13,494 thousand as of December 31, 2023 (2022: EUR 15,525 thousand). This represents a year-on-year reduction of EUR 2,031 thousand or 13.1%, essentially on account of the dividend payment of EUR 5,500 thousand (2022: EUR 5,262 thousand) in the year under review.

At the same time, USU's cash flow from operating activities was down on the previous year at EUR 7,884 thousand due to working capital effects as of the reporting date (2022: EUR 10,369 thousand).

Net cash used in investing activities of EUR -1,594 thousand (2022: EUR -1,275 thousand) essentially includes investments in property, plant and equipment and intangible assets.

The cash flow from financing activities of EUR -8,241 thousand (2022: EUR -17,985 thousand) results from the dividend payment to USU's shareholders, which was up by 4.5% year-on-year at EUR -5,500 thousand (2021: EUR -5,262 thousand) and payments for lease liabilities of EUR -3,049 thousand (2022: EUR -2,902 thousand), countered by proceeds of EUR 308 thousand (2022: EUR 0 thousand) from issuing employee shares in 2023. The prior-year figure had also included a payment for the buyback of shares of EUR -9,821 thousand (2023: EUR 0 thousand).

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



II. 9 Current situation of the Group

The USU Group is still in the process of shifting from onetime license business towards software-as-a-service (SaaS) and is also being negatively affected by the downturn of the economy as a whole. Thanks to the large number of SaaS contracts agreed and the associated further expansion of SaaS orders on hand, USU is currently well positioned to achieve the planned sales and earnings growth in 2024 despite the investment restraint on the part of many companies. This is demonstrated in particular by the USU Group's high level of orders on hand, which have risen to a new record of more than EUR 84 million as of the end of fiscal 2023. USU has therefore already secured orders for more than half of its consolidated sales target for 2024. Thanks to ongoing demand for digitalization solutions and on the basis of the Bitkom forecast for 2024, the Management Board expects to land several major new contracts in the current fiscal year as well. Thanks to the recalibration of distribution operations at US subsidiary USU Solutions Inc., the US market and thus international business as a whole has the highest growth potential.

Overall, despite the current economic doldrums, the USU Group's economic situation is currently excellent and it anticipates high growth and earnings potential for the short, medium and long-term future. In particular, the growth pillars of internationalization and innovation are expected to result in average organic sales growth of around 10% over the coming years, while the expected strong development of SaaS sales should lead to continuous growth in EBITDA margins to between 17% and 19% by 2026 at the latest. Furthermore, USU has sufficient Group liquidity and treasury shares that could serve as consideration for potential company acquisitions or equity investments, allowing it to invest in further acquisition-based growth in line with its growth strategy.

II. 10 Development and situation of USU Software AG

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

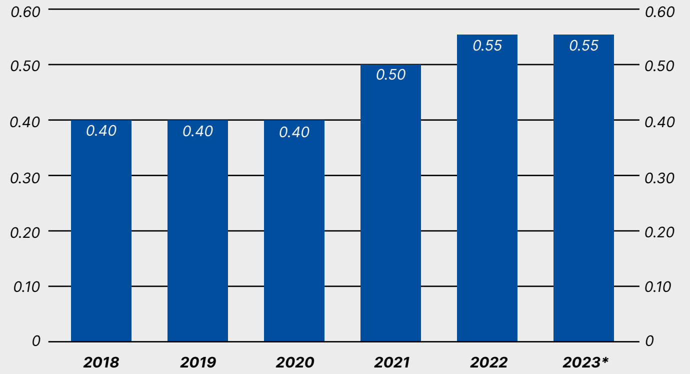
USU Software AG essentially focuses on acquiring and holding equity investments in other companies and in the USU AI Services division, which emerged from the research division and develops and markets solutions for big data and artificial intelligence at the Karlsruhe location. USU Software AG's main earnings derive from its operating subsidiaries. These include the Group subsidiaries Omega Software GmbH and USU GmbH, with which the Company has profit transfer agreements, plus the French subsidiary USU SAS, the US subsidiary USU Solutions Inc. and the Japanese subsidiary USU GK.

In 2023, USU Software AG generated sales of EUR 13,179 thousand (2022: EUR 11,178 thousand) that, as in the previous year, predominantly resulted from intragroup services and the USU AI Services division. In addition, USU generated investment income of EUR 16,087 thousand (2022: EUR 20,213 thousand) from profit transfer agreements with its Group subsidiaries and costs of loss absorption of EUR 94 thousand (2022: EUR 1 thousand). The decline in this item essentially results from the drop in profits at the Group subsidiary USU GmbH. In the fiscal year, income arose from the reversal of write-downs on financial assets of EUR 618 thousand (2022: EUR 0 thousand) as the reasons for impairment losses at USU SAS no longer applied.

The Company's other operating income of EUR 3,202 thousand (2022: EUR 3,475 thousand) mainly derives from the settlement of intragroup services and grants received in connection with research projects in USU's AI Services division. Other operating expenses totaling EUR 7,909 thousand (2022: EUR 8,131 thousand) essentially include event, advertising and marketing costs, fees for external services, IT/data center costs, rental and related expenses, legal and advisory costs and costs for insurance. The cost of materials increased to EUR 3,080 thousand in fiscal 2023 (2022: EUR 2,514 thousand) due to the increased use of freelance employees and external resources. At the same time, staff costs rose from EUR 8,937 thousand in the previous year to EUR 9,347 thousand in 2023 as a result of higher salaries due to inflation and the expansion of the Company's workforce to an average of 117 (2022: 106). Amortization of intangible assets and depreciation of tangible assets totaled EUR 644 thousand in 2023 (2022: EUR 433 thousand). At the same time, the Company generated income from the reversal of write-downs on financial assets of EUR 618 thousand (2023: EUR 0 thousand). This results from the reversal of write-downs at the French subsidiary USU SAS as it achieved a positive earnings performance in 2023. USU Software AG's net interest expense was stable year-on-year at EUR -443 thousand (2022: EUR -432 thousand), which essentially consists of interest payments to subsidiaries.

Income taxes were down on the previous year at EUR -1,098 thousand (2022: EUR -1,558 thousand) owing to the decline in earnings. After taxes, USU Software AG as a standalone company reported net income for the year of EUR 10,416 thousand in fiscal 2023 (2022: EUR 12,624 thousand). This translates to a reduction of 17.5% compared to the previ-ous year, which was not consistent with the Company's forecasts or planning, despite the relatively strong increase in earnings of 42.7% in the previous year. Including the profit carryforward from the previous year of EUR 17,793 thousand (2022: EUR 10,669 thousand), the Company generated an unappropriated surplus of EUR 28,209 thousand (2022: EUR 23,293 thousand), which was significantly higher than the prior-year figure by 21.1%. As in previous years, these net retained profits are to be used in particular to pay a dividend to the shareholders of USU Software AG. In accordance with the Company's communicated dividend policy, whereby the dividend should never be less than in the previous year and should amount to roughly half the profit generated, the Management Board is proposing, subject to the approval of the Supervisory Board, a dividend distribution equal to the previous year's level of EUR 0.55 (2022: EUR 0.55) per share for fiscal 2023.

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



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

As a standalone company, USU Software AG thus achieved the "additional year-on-year increase in sales in the low single-digit percentage range" planned for 2023, but not the "addi-tional year-on-year increase in earnings in the low single-digit percentage range". In particular, this was as a result of the lower earnings contribution by the Group subsidiary USU GmbH due to significantly lower license revenue caused by the shift towards SaaS, which affects USU Software AG through the profit transfer agreement. For the current year of 2024, the Management Board is forecasting sales at the previous year's level, while net income should increase slightly year-on-year by a low single-digit percentage range in 2024 following the dip in earnings in the period under review.

On the assets side of the statement of financial position, USU Software AG's non-current assets increased to EUR 50,486 thousand (2022: EUR 49,432) at the end of fiscal 2023. This was due in particular to the additional software and hardware purchased in response to the workforce expansion and the associated increased demand. The reversal of write-downs of EUR 618 thousand (2022: EUR 0 thousand) on the book value of the interest in the French subsidiary USU SAS also contributed to this increase. Current assets declined to EUR 23,458 thousand as of December 31, 2023 (2022: EUR 27,341 thousand). This is essentially as a result of the reduction in receivables from affiliated companies, which declined sig-nificantly to EUR 21,576 thousand as of December 31, 2023 (2022: EUR 26,077 thousand). Under equity and liabilities, equity increased to EUR 42,865 thousand (2022: EUR 37,641 thousand) as a result of the profit generated by the Company and despite the dividend distribution in the reporting year. At the same time, total liabilities fell from EUR 40,510 thousand as of December 31, 2022 to currently EUR 32,872 thousand, due in part to lower liabilities to affiliated companies as a result of the repayment of loans to subsidiaries. With a slight year-on-year drop in total assets to EUR 75,736 thousand (2022: EUR 78,151 thousand), the equity ratio of USU Software AG climbed to 56.6% as of the end of fiscal 2023 (2022: 48.2%).

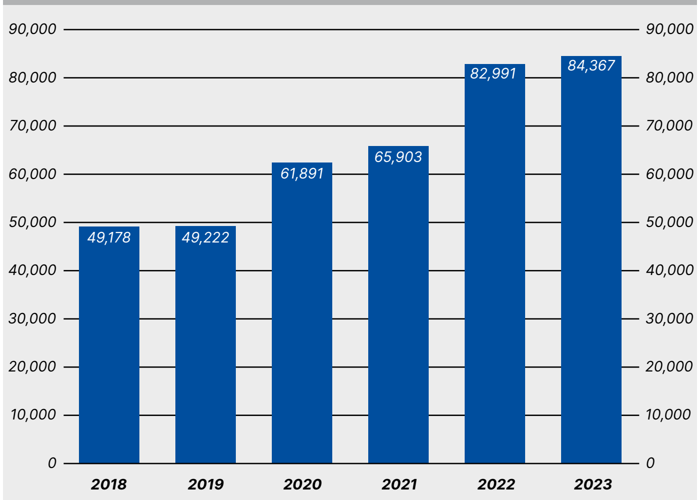
USU Software AG's focus on investment business means that the Company will remain highly dependent on the performance of its subsidiaries in future years, while USU GmbH will also contribute significant investment income moving ahead. Information on the opportunities and risks of investment business can be found in the Group risk report in section IV. 2.

II. 11 Orders on hand

Thanks to several new and follow-up orders and despite the postponement of orders in product business in 2023, the USU Group increased its Group-wide orders on hand by EUR 1,376 thousand year-on-year to EUR 84,367 thousand as of December 31, 2023 (December 31, 2022: EUR 82,991 thousand). This corresponds to a year-on-year increase of 1.7% and is a new record as of the end of the fiscal year. The increase essentially resulted from the USU Group's higher SaaS, maintenance and consulting orders.

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

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

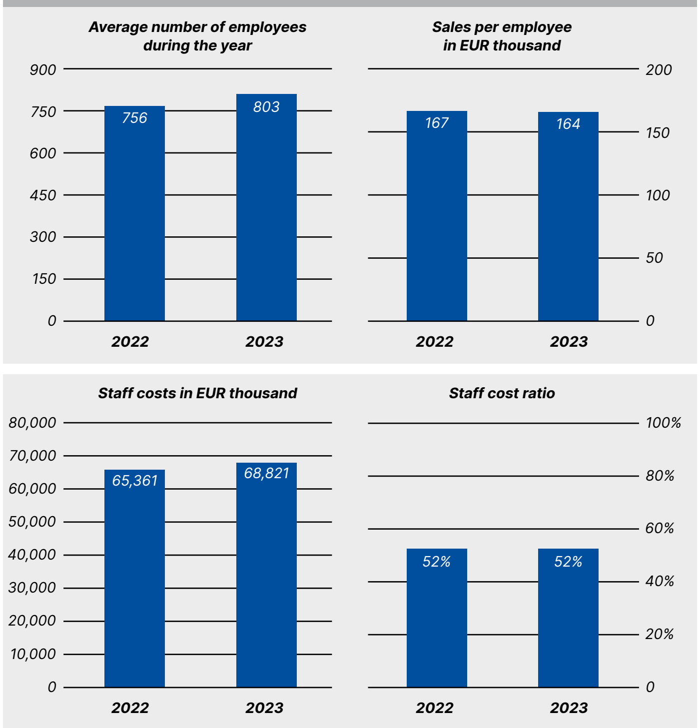


II. 12 Employees

The USU Group expanded its workforce by 3.1% or 24 employees year-on-year to 807 as of December 31, 2023 (December 31, 2022: 783), thus remaining above the 800 target as planned. Thus, despite the skills shortage in the IT sector, USU increased the Group's workforce again in 2023 as intended. Broken down by function, USU employed a total of 367 (2022: 331) people in consulting and services, 230 (2022: 225) in research and development, 116 (2022: 116) in sales and marketing and 94 (2022: 108) in administration as of December 31, 2023. Broken down by segment, USU had 581 (2022: 548) employees in the Product Business segment, 132 (2022: 125) in the Service Business segment and 94 (2022: 108) in central USU Group functions. The Group's headcount does not include the two (2022: two) members of the Management Board of USU Software AG, 306 (2022: 233) freelance staff who can be employed for project work as required, seven (2022: eight) temporary workers, 14 (2022: 19) trainees/dual study students or 21 (2022: 39) interns/student workers.

The average total workforce of the USU Group increased to 803 employees in fiscal 2023 (2022: 756). With consolidated sales of EUR 132,083 thousand (2022: EUR 126,522 thousand), the average sales contribution per employee declined from EUR 167.4 thousand in 2022 to EUR 164.5 thousand. Staff costs grew by 5.3% year-on-year to EUR 68,821 thousand (2022: EUR 65,361 thousand) as a result of recruitment and salary increases due to inflation in fiscal 2023. Staff costs as a percentage of consolidated sales therefore declined slightly from 51.7% in 2022 to 52.1% despite the increase in sales.

Key personnel figures of the USU Group



Following the successful increase in the Group's workforce to more than 800 in 2023, the Management Board is planning to implement its medium to long-term growth targets with the existing Group headcount moving ahead, and thus only compensate for any turnover. In addition to recruiting highly qualified specialists and management personnel, HR activities therefore focus on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the Company and the Group as a whole. In addition, the Group also offers an extensive and flexible employee company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of the "USU – U Step Up" career model. Through this program, USU offers its employees and managers personal development opportunities in the form of ongoing refresher and consolidation courses in addition to specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family-like working environment and a number of staff events round off the diverse range of measures aimed at developing and motivating the USU Group's workforce over the long term.

Surveys to determine potential improvements are also conducted at regular intervals. The USU Group obtains support from independent external service providers in some cases. This is further demonstrated by the results on the employer assessment platform kununu, where USU has received the "Top Company 2023" and "Most Wanted Employer 2022" hallmarks. From a positive working climate to the diversity of their work, USU's employees are satisfied or very satisfied with their company in almost all of the aspects evaluated. This means USU belongs to the exclusive group of best employers. USU's profile has hundreds of thousands of hits, thereby reflecting the relevance of the portal for many interested parties and potential applicants.

At the end of 2023, USU was again certified by Great Place to Work® as an "Attractive Employer". In bestowing this award, the Great Place to Work® Institute has again honored USU's special commitment to creating a trusting and beneficial workplace culture. The study includes independent, anonymous feedback from employees and an analysis of HR activities and programs. The participation rate among USU employees was a high 71% overall. 80% of them said that, taking all aspects into account, USU is a "great place to work". The "leadership culture" of direct managers was rated especially well. Employees gave top grades of between 93% and 97% ("applies in full", "mostly applies") to aspects such as trust, appreciation, handling of errors and reachability.

Once again, USU can declare itself an attractive employer. The latest study by Focus Business awarded USU the "Top SME Employer 2024" seal.

In 2022, the share of women in the workforce as a whole was 29.0% (2022: 27.1%) and the share of women in management positions was 10.9% (2022: 10.9%), which is the same as in the previous year but still below the Company's stated target. In 2023, as in the previous year, the Management Board consisted of two men while the Supervisory Board consisted of two men and one woman. The share of women on the Supervisory Board is thus 33.3%. To increase the share of women in the workforce and in management positions in particular, women with the same qualifications are favored for recruitment and promotion

III. EVENTS AFTER THE REPORTING DATE

Information on events after the reporting date can be found in the notes to the consolidated financial statements.

IV. FORECAST, REPORT ON RISKS AND OPPORTUNITIES

IV. 1 Forecast

General economy

According to the report by the Kiel Institute for the World Economy (IfW Kiel)[5] of December 12, 2023, the German economy is struggling with stagnation. While the Kiel Institute for the World Economy expects to see an improvement in economic output in 2024, major economic momentum is not anticipated. Above all, the reasonably strong growth in real disposable income will boost private consumer spending. However, the reversal of interest rates is still weighing on the construction industry and the global economy is still awaiting any significant stimulus. In addition, the imminent consolidation following the Federal Constitutional Court's ruling on the supplementary budget for 2021 will put the brakes on economic expansion. There is uncertainty as to the exact form that savings will take and their economic impact. According to its forecast, the additional savings will reduce the rate of growth in gross domestic product by more than 0.3 percentage points in 2024. The Kiel Institute for the World Economy now anticipates an increase in gross domestic product for 2024 of 0.9% overall.

According to its Economic Report, the Kiel Institute for the World Economy[6] expects economic momentum to remain at a low level for now. The global economy held up better than expected in the face of the inflation shock and the massive tightening of monetary policy in 2023, inflation is now falling swiftly and monetary policy is expected to start cutting interest rates in the first half of 2024. Nonetheless, there are currently scant signs that the global outlook will improve meaningfully in the near term. In the advanced economies, a high level of policy uncertainty is weighing on growth while fiscal policy stimuli are waning. In China, economic momentum remains subdued due to structural problems. Overall, the Kiel Institute expects global production – measured on the basis of purchasing power parity – to increase by 2.8% in 2024 after 3.1% in 2023.

[5] cf. Kiel Economic Reports, No. 110 (2023 | Q4) dated December 12, 2023, published at https://www.ifw-kiel.de
[6] cf. Kiel Economic Reports, No. 109 (2023 | Q4) dated December 13, 2023, published at https://www.ifw-kiel.de

Sector

According to the digital industry association Bitkom[7], Germany's digital economy is on track for growth. Despite a difficult economic environment, Bitkom expects IT and telecommunications (ICT) companies to achieve sales growth of 4.4% to EUR 224.3 billion in 2024 (2023: EUR 215 billion). The ICT sector would therefore grow three to four times faster than the economy as a whole. "Most companies in the Bitkom industry are looking crisis-proof. Even under tough economic conditions, characterized by geopolitical crisis and budget cuts, sales and employment are on the rise. Job growth in particular could even be significantly higher, but the skills shortage workers is proving to an obstacle," says Bitkom President Dr. Ralf Wintergerst. "Digitalization is the answer to the current challenges to the economy, society and the state. Our resolution for 2024 has to be more determination in digitalization and more freedom for innovation." According to Bitkom, the IT market will grow by 6.1% in 2024 to EUR 151.5 billion in 2024 (2023: by 2.2% to EUR 142.9 billion), again achieving the strongest growth. According to Bitkom, software sales could again climb the most, rising by 9.4% to EUR 45.4 billion (2023: by 9.6% to EUR 41.5 billion). Business with IT services, including IT consulting, should grow by a further 4.8% to EUR 51.7 billion (2023: by 5.1% to EUR 49.4 billion).

In terms of the global IT market, the IT Spending Forecast published by the market research company Gartner[8] on January 17, 2024, anticipates a year-on-year increase in IT expenditure of 6.8% (2023: 3.3%) to USD 4,998 billion in 2024 (2023: USD 4,679 billion). According to Gartner, the market segments of software and IT services are expected to achieve global growth rates of 12.7% (2023: 12.4%) to USD 1,029.4 billion (2023: USD 913.3 billion) and 8.7% (2023: 5.8%) to USD 1,501.4 billion (2023: USD 1,381.8 billion) respectively. While generative AI (GenAI) experienced huge hype in 2023, Gartner says that the growth in IT spending will not change significantly in the near future.

"While GenAI will change everything, it won't impact IT spending significantly, much like IoT, blockchain and other big trends we have experienced," said John-David Lovelock, Vice President at Gartner. "The year 2024 will be more about planning how to use GenAI. The major share of IT spending will continue to be driven by traditional forces such as labor and profitability. The spending will be negatively impacted by the continued wave of 'change fatigue'," said Lovelock.

Outlook

Thanks to the success of the SaaS transformation, the associated high level of orders on hand and consistently strong consulting business as a result of larger digitalization orders, from public sector companies in particular, yet also taking into account the negative situation on the economy as a whole, the Management Board anticipates a positive business performance on balance in fiscal 2024. Accordingly, the Management Board's guidance for 2024 as whole is for sales growth to between EUR 143 and EUR 146 million, which will be made possible by the further significant increase in SaaS revenue in particular. At the same time, adjusted EBITDA is to grow to between EUR 14 and 16 million as a result of the ongoing strategic expansion of high-margin SaaS business.

The Management Board is also reiterating the current medium-term planning, which forecasts average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the adjusted EBITDA margin to between 17% and 19% by 2026.

Strategic planning focuses on the three established growth pillars of the USU Group: increased internationalization, the development and launch of new product innovations and growth through acquisitions.

The Group's subsidiaries, in particular USU GmbH, will again be the main sales drivers in fiscal 2024. As a separate company, the Group's parent company USU Software AG will again focus on research projects, the development and implementation of AI technology in the USU Group's solutions and the performance of services for the Group companies as well as the acquisition and holding of equity investments in IT companies, and thus continue to participate in the business performance of the Company's subsidiaries.

Based on the above assumptions, the Management Board is planning to enable the shareholders of USU Software AG to participate significantly in the Company's operating success in fiscal 2024, as in previous years, and therefore to continue the shareholder-friendly dividend policy with the distribution of a dividend that is never lower than in the previous year and that amounts to around half of the profit generated.

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[7] *cf. BITKOM press release dated January 10, 2024, published at www.bitkom.org*
[8] *cf. Gartner press release dated January 17, 2024, published at www.gartner.com*

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

IV. 2 Risk report

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

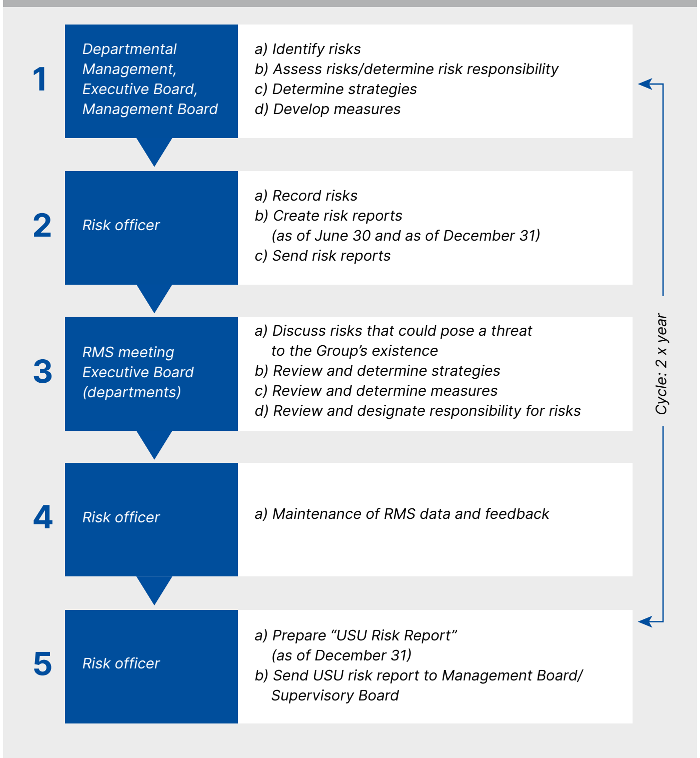
Risk management system

Dealing with risks in a responsible manner forms the basis for sustainable business success. The management of USU Software AG and its subsidiaries therefore operates a central risk management system that has been tried and tested over many years for the early identification, analysis, assessment, control and management of risks to the USU Group. The aim of this system is to ensure a Groupwide awareness of risk within USU's organizational structure and workflows. The Group uses the Governance, Risk & Compliance module of the internally developed USU Service Management software to map its risks on an individual basis.

Risk management process

The early identification of risks in the individual divisions is of central importance to the USU Group. Risk management and its process are geared towards achieving this through the permanent monitoring of risks by the management team, the departmental managers and the Management Board. The established risk management process of the USU Group, which has been tried and tested over many years, is based on the concept of a control loop. The individual steps take into account the key elements of risk identification, assessment and control through individual measures. The following diagram depicts the risk management process of the USU Group:

Risk management process of the USU Group



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

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

All activities are summarized in a risk report by the Risk Management Officer of the Company and the Group. On the basis of this report, the Management Board of USU Software

AG and the management of the subsidiaries monitor risks on an ongoing basis and regularly advise the Supervisory Board on major risks and changes in the risk situation.

Overview of risks

From the current risk report of USU Software AG and its subsidiaries, no risk has been identified that could pose a threat to the Company's existence as a going concern, either currently or in the foreseeable future.

However, several significant individual risks have been identified. As such, the Management Board of USU Software AG cannot rule out the possibility that multiple risks whose cumulative impact could pose a threat to the Company's existence might have an adverse effect on the net assets, financial position and results of operations of the Company. Taking into account the measures implemented, the risks that could have a material effect on the Company's net assets, financial position and results of operations due to the potential loss are listed below:

Potential loss

Term	Description	Potential loss
Low risk	Risk without a notable impact on net profit or enterprise value	Up to EUR 99 thousand
Medium risk	Risk with a notable impact on net profit	EUR 100 thousand to EUR 999 thousand
Significant risk	Risk with a significant impact on net profit or resulting in a notable reduction in enterprise value	EUR 1,000 thousand to EUR 4,999 thousand
Serious risk	Risk that could result in a net loss and a significant reduction in enterprise value	EUR 5,000 thousand to EUR 24,999 thousand
Existential risk	Risks with a considerable likelihood of posing a threat to the Company's existence as a going concern	EUR 25,000 and above

Probability of occurrence

Term	Description	Probability of occurrence (in %)
Unlikely	Risk has not occurred previously but cannot be ruled out	5
Low (rare)	Occurrence expected within the next eight years, empirical occurrence within the last 15 years	10
Medium (possible)	Occurrence expected within the next three years, empirical occurrence within the last eight years	35
high	Occurrence expected within the next twelve months, empirical occurrence within the last three years	60
Extremely high (likely)	Occurrence expected imminently, occurs several times a year	90

Market risk
Given the currently unstable condition of world economic performance, the analysis of the market and competitive situation continues to be of central importance within risk management for USU Software AG and its subsidiaries, above all with regard to ensuring capacity utilization, competitive pressure and the future acquisition of new major customers, and thereby ensuring the profitability of USU Software AG and its subsidiaries, including in particular the key international USU companies in France and the United States. A key area of this will be market diversification, primarily in order to expand existing markets and to reduce the dependency on Germany. For example, greater market penetration can be achieved in the US and France by adding further USU solutions besides software asset management and knowledge management to the portfolio of the Group's subsidiaries USU Solutions Inc. and USU SAS. The Management Board thus also sees a major opportunity in the further expansion of international business with regard to the future operating performance of the Company and of the Group as a whole. However, it cannot rule out the possibility that diminishing eco-nomic momentum in the regions where USU operates could have a negative impact on the IT sector and thus restrict the development of USU Software AG and its subsidiaries. For this reason, one key focal point in this area in 2024 and beyond will be a further increase in recurring sales from maintenance and SaaS in order to secure and increase the profitability of the subsidiaries outside Germany, particularly in the US and France. A permanent process of market observation and analysis also takes place, including a close dialog with market research and customer companies, in order to ensure that potential top competitors are identified at an early stage, changes at existing competitors are recognized and changes in the market are detected in good time. With the implementation of the One USU strategy, USU had also already undergone an organizational repositioning in the previous year, including the reorganization of sales and marketing and the creation of streamlined structures and uniform Groupwide reporting.

A total of 6 individual risks are allocated to market risk. After risk abatement measures, four market risks are considered to be "significant risks", one of which has a "medium (possible)" probability of occurrence and the other three a "low (rare)" probability of occurrence. The remaining two market risks are classified as "medium risk" after risk abatement measures, with the probability of occurrence classified as "medium (possible)" for one of these risks and "low (rare)" for the other risk.

Product risk
Among other things, the internally developed software sold by USU Software AG and its subsidiaries is offered as a software-as-a-service solution. This means the continuous availability of the SaaS platform plays a central role and there is a potential liability risk due to security vulnerabilities.

A potential attack on the SaaS platform or older product versions that are no longer supported could lead to disruptions in performance, which might result in claims for damages by the client or negative contribution margins for the project in question. In order to minimize such product risks, the USU Group applies extensive quality management and continuously checks the availability and security of its own product and SaaS portfolio, including with the involvement of the inhouse IT department.

Two risks are allocated to product risk. After risk abatement measures, both of these product risks are classified as "medium risk". The probability of occurrence is rated "medium (possible)" for one product risk and "unlikely" for the other.

Project risk
As with virtually any software, the software developed and marketed by USU Software AG and its subsidiaries may contain programming errors, which can occur despite thorough checks and careful testing. The resulting operational defects, outages or damage could lead to liability and warranty claims to the detriment of the USU Group. The Company's internally developed software is predominantly used in conjunction with 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 project delays, which may in turn lead to claims for damages by the client or losses on the respective project or rescission from a project. To minimize such project risks, the USU Group applies extensive quality management in its development activities. In addition, USU has an effective project monitoring system for identifying errors at an early stage and taking suitable countermeasures. The Group is also covered by a third-party liability insurance policy aimed at minimizing risk, which provides cover in particular against damage to data, data media and implementation losses and losses arising from material defects caused by the lack of agreed functionalities from EUR 100 thousand up to a maximum of EUR 10 million per claim. In addition, there is the risk that major customers could terminate or fail to extend master agreements, which would have a substantially negative impact on the Group's net assets, financial position and financial performance. To counteract these risks, USU has strengthened the area of sales and marketing in order to intensify the acquisition of new customers, as well as expanding and maintaining close contact with existing customers. It also offers a dedicated support center with 24-hour availability and provides its employees with targeted project management training.

A total of six individual risks are allocated to project risk. After risk abatement measures, one project risk is regarded as a "significant risk" and its probability of occurrence is classified as "low (rare)". Furthermore, four project risks are classified as "medium risk", with a probability of occurrence of "medium (possible)" for one project risk and "low (rare)" for the other three project risks. Only one project risk is rated as "low risk" with an "unlikely" probability of occurrence.

Legal risk

In their operations, USU Software AG and its subsidiaries are exposed to a large number of potential legal risks ranging from warranty and liability risks from existing contracts, such as a request for repayment by an insolvency administrator, to product liability and data protection risks, to investment risks and legal risks in connection with the fiscal entity for tax purposes or the stock exchange listing. In order to minimize such risks, the USU Group employs an inhouse legal department and regularly trains its employees on relevant legal issues, such as legally compliant processing of personal data in accordance with the GDPR.

A total of six individual risks are allocated to legal risk. After risk abatement measures, one legal risk is classified as a "significant risk" with a probability of occurrence of "medium (possible)". The other five legal risks are classified as "medium risk" in terms of their potential loss. Two of these legal risks have a probability of occurrence of "medium (possible)", two further project risks of "low (rare)" and "unlikely" for the remaining risk.

Service risk

Service risk mainly relates to the Company's forecast and projection reliability and the risk of damage to its image in the event of failing to achieve its projections. To counteract this, the Management Board performs regular forecast analyses and reviews and has implemented measures to improve forecasting methods, actively expanded its sales management, improved its product management, and introduced and established a Group CRM system and connected it to other internal software systems as part of the implementation of the One USU strategy.

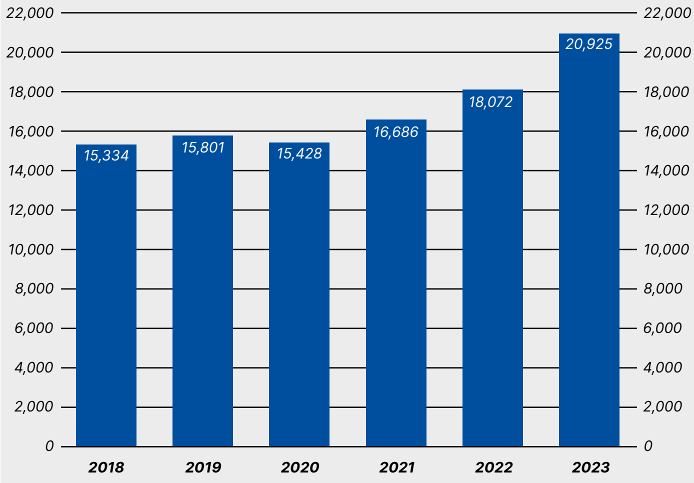
A total of two individual risks are allocated to service risk. After risk abatement measures, both service risks are considered to be "significant risks". One of the service risks has a "high" probability of occurrence, while the other service risk is classified as "medium (possible)".

Research and development risk

Intense competition and specific customer attitudes require extremely short development cycles for new product versions and releases. At the same time, demands are constantly increasing as a result of rapid technological change and potential hacker attacks. In order to take this development into account, the USU Group maintains its research and development activities at a consistently high level, using the resources of its own development company USU Software s.r.o. in Czechia in particular in addition to local resources. A total of 230 employees work on continuously refining the Group's internally developed software products to reflect market developments and the demands of product management. In addition, the development process is rounded off by tests and measures for quality management and IT security. Close contact with leading market analysts ensures that any technical changes can be addressed rapidly. As a technology pioneer, the USU Group also devises its own innovations with the aim of permanently improving and extending its product portfolio. Protecting the Group's own software products from potential hacker attacks is also of central importance.

One individual risk is allocated to research and development risk. It is considered to be a "medium risk" with a "medium (possible)" probability of occurrence.

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



Sustainability risk

Sustainability has long been a key issue for USU Software AG and its subsidiaries. The main priority is to safeguard and further increase employee satisfaction and retention by ensuring that the corporate culture is geared towards the needs of the workforce. Due to its central importance for USU Software AG and the Group as a whole, the subcategory of personnel risk is presented in a separate section and is not subsumed within sustainability risk. The majority of sustainability risks involve a failure to achieve defined sustainability targets, such as the planned carbon neutrality, the planned energy savings, or targets relating to the share of women in management positions or in the workforce as a whole, the sickness-related absence rate or the fluctuation rate.

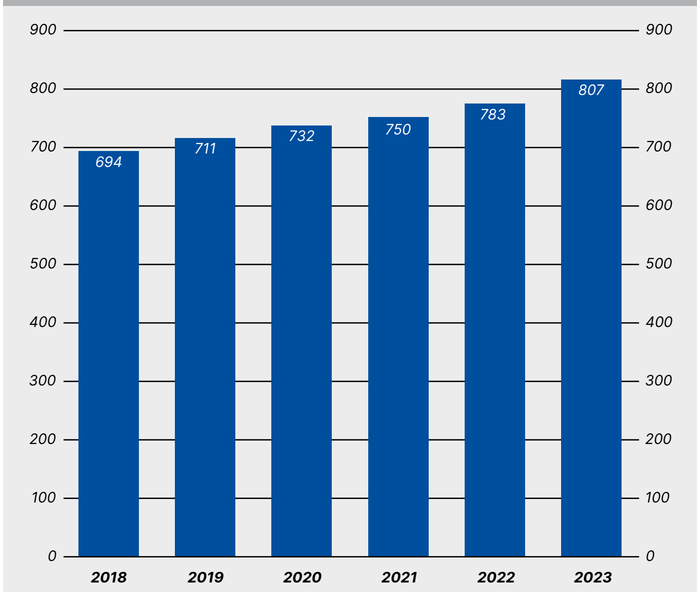
A total of five individual risks are allocated to sustainability risk. After risk abatement measures, all five sustainability risks are classified as "medium risks". Three of the sustainability risks have a probability of occurrence of "medium (possible)" while the other two sustainability risks have a probability of occurrence of "low (rare)".

Personnel risk

The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries are essentially dependent on the performance of its specialists and management. The Company is therefore particularly reliant on highly qualified personnel in order to satisfy future market demands and customer requirements. In times of crisis especially, the loss of management personnel or employees in key positions and their expertise 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, including inhouse training activities and management trainee models and the expansion of the recruitment team, to recruit additional highly qualified employees despite persistently strong competition on the employment market, to fill gaps in staffing as a result of turnover and, in particular, to retain existing staff at the USU Group and expand backup functions.

Furthermore, the needs-driven professional development of employees plays a central role within the Group as a whole. Specific training and development opportunities, an extensive talent development, career and progression model and numerous employee events help to improve the retention of professional staff and managers. A positive corporate culture also helps us to improve our success rate in attracting and retaining qualified employees on a long-term basis.

Development of the USU Group's workforce



A total of 11 individual risks are allocated to personnel risk. After risk abatement measures, three personnel risks are considered to be "significant risks", one with a probability of occurrence of "high", one "medium (possible)" and the third with a "low (rare)" probability of occurrence. The remaining eight personnel risks are classified as "medium risk" after risk abatement measures, with the probability of occurrence classified as "medium (possible)" for seven of these risks and "low (rare)" for the other risk.

Management risk

The successful management and further development of USU Software AG and its subsidiaries is the responsibility of the Management Board and the entire management team of the USU Group. The loss of managers, for example in accidents on shared journeys, could cause significant damage to the Company. For this reason, USU's management was expanded to include an Executive Board at an early stage, and shared journeys by USU management using the same means of transport are avoided wherever possible.

One individual risk is allocated to management risk. After risk abatement measures, this management risk is classified as a "medium risk" and its probability of occurrence is rated "unlikely".

IT risk

As software and IT companies, USU Software AG and its subsidiaries are dependent on the long-term functionality and security of their Groupwide data centers, networks and IT systems. Dependency on IT infrastructure is also increasing on account of the dynamically growing share of inhouse SaaS products.

A complete or partial failure of IT systems, whether due to operating error or sabotage, theft, virus attack, natural disaster, fire or water damage, could therefore have an adverse effect on the Group's business performance.

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. This is integrated into the Group's risk management system and is continuously expanded.

IT risks comprise nine individual risks. After risk abatement measures, eight of these IT risks are classified as "medium risks", with the probability of occurrence being classified as "high" for four of the risks, "medium (possible)" for a further two, "low (rare)" for one and "unlikely" for the other one. One IT risk is classified as "low risk" in terms of the potential loss with a probability of occurrence of "low (rare)".

Financial risk

With funds of more than EUR 13 million as of December 31, 2023, USU Software AG has extensive Groupwide financial resources for future investment, for potential acquisitions and to secure its operating business. These funds are predominantly deposited in short-term investments to generate interest income. The Group is therefore exposed to the risk of a partial or complete loss of one or more such investments. To limit the risk of financial loss, the Company therefore only invests in low risk investments with short terms to maturity. It does not invest in speculative securities or shares.

Financial risks also include goodwill risk, the risk of financial losses, default risk and exchange rate risk, US liability risk and the risk of payment fraud. Instead of being amortized, the goodwill reported in the consolidated statement of financial position is now subject to impairment testing at least once a year in accordance with IFRS 3. Impairment testing can result in either the confirmation of the reported goodwill or in a write-down that serves to reduce net profit for the period, which could have a negative impact on the net assets, financial position and results of operations of USU Software AG. The impairment test performed in fiscal 2023 did not identify any impairment requirements. In light of the expected positive operating business development of USU Software AG and the Group as a whole, the Management Board does not expect any impairment losses on goodwill with an adverse effect on net profit in the following year either.

Potential default risks relating to trade receivables are minimized by means of active receivables management irrespective of the fact that the USU Group's customer base predominantly consists of solvent companies from the upper midmarket and large corporations with strong market positions. The Company also recognizes sufficient loss allowances. Overall, therefore, default risk remains limited. In light of recent experience with potential negative effects of an economic and financial market crisis on companies considered fundamentally solvent to date, it cannot be ruled out – particularly in view of macroeconomic development – that the level of insolvency-driven default risk could increase in the future, even allowing for the fact that the typical customer structure of USU Software AG is characterized by companies with strong market positions.

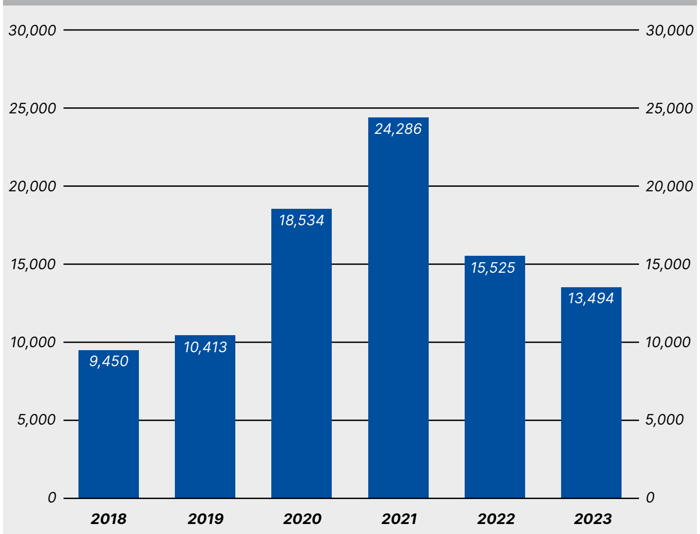
The Company performs a certain volume of foreign currency transactions and is therefore exposed to exchange rate fluctuations that can have a corresponding impact on the assets, expenses and income reported in euro. In particular, US dollar volumes are increasing as the Group expands its business in the US. Transaction risks also exist for financial assets denominated in foreign currencies, although these can also have a positive impact on the development of income.

As a result of its activities in the US, the USU Group is subject to a liability risk that is typically higher on the US market than in Europe. The Company has concluded corresponding insurance policies to reduce this risk.

There is also a risk of potential payment fraud, which is mitigated by the internal control system in conjunction with special training for employees.

Financial risks comprise eight individual risks. After risk abatement measures, two financial risks are considered to be "significant risks" with a probability of occurrence of "medium (possible)". After risk abatement measures, six of the financial risks are considered to be "medium risks", one of which with a "high" probability of occurrence, four "medium (possible)" and the remaining financial risk considered "unlikely".

Development of the USU Group's liquidity in EUR thousand



IV. 3 Report on opportunities

Among the extensive opportunities available to USU Software AG and the Group, and in addition to the above, the Management Board regards the following potential as particularly important:

With its innovative product portfolio geared towards high-growth segments of the IT market and with the customer-focused bundling of all activities under the "USU" umbrella brand and the "One USU" strategy, the USU Group has ideal conditions for continuing to significantly expand its business with both new and existing customers in the future. The main focus is on the expansion of high-margin SaaS business with internally developed software products, which will result in recurring revenue and hence more consistent business performance compared to one-time license business. The switch being pushed by the Company away from one-time license business and towards SaaS also offers the opportunity for a more stable and profitable business performance.

A key component of the customer-based growth strategy, besides the ongoing development of existing software solutions that have been established for years, is adding new product innovations to the portfolio. In addition to the core domestic market, excellent growth potential is offered in particular by the ongoing expansion of the USU Group's international presence. This includes the planned broadening of business activities in Europe, the US and Asia by extending the portfolio in these markets and raising international presence by cultivating new markets/countries and the ongoing expansion of the global USU partner network.

In order to leverage the growth potential that exists in full, it is of central importance to recruit additional specialists and management personnel and to ensure the retention of the current workforce. The USU Group's growth strategy also includes external growth through acquisitions or equity investments. In this context, USU has extensive Group liquidity to implement future takeovers flexibly and at short notice.

V. MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

USU Software AG's internal control system (ICS) and risk management system (RMS) are based on the internationally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for ensuring the functionality and efficiency of business processes, the reliability of operational information, the protection of assets and compliance with the laws and regulations that apply to USU.

The scope and design are at the discretion and within the overall responsibility of the Management Board, which consults the internal Legal department for assurance. The effectiveness of the ICS and RMS is monitored by the Supervisory Board. USU's ICS incorporates the significant business processes, meaning that its scope goes beyond the controls forming part of the accounting process.

A clearly defined management and corporate structure, including the corresponding allocation of tasks, was established and implemented at an early stage. A comprehensive, regularly updated set of guidelines, comprising rules of competence, reporting procedures, travel cost and project/time recording procedures and investment approvals, has been established. This also governs the dual control principle for all relevant business activities. Regular employee training is provided and monitored in order to ensure compliance with internal regulations.

As a number of the USU Group's business processes are digitalized, the IT systems used are regularly examined in terms of their security. They also form part of the specific risk prevention concept for the area of IT that has been in place for a number of years. This is integrated into the Group's risk management system and is continuously expanded. Further information can be found under IV. 2 Risk report.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

At USU Software AG, the accounting-related internal control system and the accounting-related internal risk management system have been largely implemented throughout the Group as a comprehensive system to ensure that the annual and consolidated financial statements comply with the relevant regulations.

The accounting-related internal control system comprises the principles, procedures and measures for ensuring the effectiveness, cost-effectiveness and regularity of the accounting system and compliance with the relevant provisions of law and the Articles of Association, while the accounting-related internal risk management system contains all the organizational provisions and measures aimed at identifying and managing risk in relation to the accounting process. USU's accounting-related internal control and risk management is set up in such a way as to ensure the level of security required for reliable financial reporting and the external publishing of single-entity and consolidated financial statements. This therefore requires a clearly defined management and corporate structure with clearly allocated roles. Key accounting functions are therefore managed centrally by USU Software AG with clearly allocated areas of responsibility. Among other things, the set of guidelines, which comprises rules of competence, reporting procedures, travel cost and project/time recording procedures and investment approvals, governs the dual control principle for accounting-related processes.

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

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

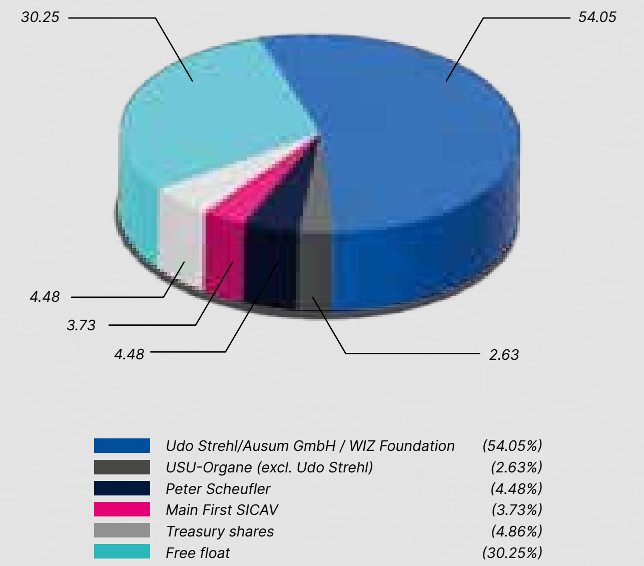
The regular training and upskilling of the employees involved in the accounting process and the timely investigation of new or amended accounting-related provisions serve to ensure that the preparation of the (consolidated) financial statements is up-to-date at all times.

VI. TAKEOVER DISCLOSURES

VI. 1 Issued capital, shares and shareholder structure

As of December 31, 2023, a total of 10,523,770 (2022: 10,523,770) no-par value bearer shares in USU Software AG had been issued, each with a notional interest in the share capital of EUR 1.00. As a result of the repurchase of 523,770 shares in 2022, 36,184 of which in total were transferred to employees under an employee share program in 2023, the Company now holds 487,586 treasury shares that thus do not bear voting rights. Accordingly, there are 10,036,184 voting rights as of December 31, 2023. A total of 5,425,000 (2022: 5,403,888) of these are held by the main shareholder and Chairman of the Supervisory Board of the Company, Udo Strehl, corresponding to 54.05% (2022: 54.03%) of the share capital. 5,000 (2022: 5,000) of these shares are held by him directly and a further 5,388,000 (2022: 5,366,888) shares are held by AUSUM GmbH, in which Udo Strehl is the majority shareholder. A further 32,000 (2022: 32,000) shares in USU Software AG are allocable to Udo Strehl via the “Wissen ist Zukunft” foundation (“WIZ foundation”), of which he is the sole managing director. 3.73% (2022: 4.82%) of the voting rights in USU Software AG are allocated to MainFirst SICAV, which notified the Company that it held a total of 374,250 shares in the Company as of December 31, 2023 (2022: 482,175). Another shareholder above the 3% threshold is Peter Scheufler (a former shareholder in USU Solutions GmbH, now merged with USU GmbH) who notified the Company that he held 449,629 shares in it in total as of December 31, 2023 (2022: 476,351), corresponding to a share in the voting rights of 4.48% (2022: 4.76%).

Shareholder structure of USU Software AG as of December 31, 2023



VI. 2 Management Board authorizations to issue and repurchase shares

The Annual General Meeting of July 1, 2022 authorized the Management Board, subject to the approval of the Supervisory Board, to increase the Company’s share capital by a nominal amount of up to EUR 2,630,942 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company’s share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until June 30, 2027 (“Authorized Capital 2022”).

By way of resolution of the Annual General Meeting on March 2, 2000, the share 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 way of resolution of the Annual General Meeting on July 15, 2004, Contingent Capital was reduced to EUR 378 thousand. The Contingent Capital increase can 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, 2023.

By way of resolution of the Annual General Meeting on June 26, 2020, the Company’s Management Board was also authorized to acquire treasury shares in one or more installments, subject to approval of the Supervisory Board, until June 25, 2025.

The acquired shares, together with any other shares that the Company can hold as a result of an earlier authorization to acquire treasury shares, must not exceed 10% of the Company’s share capital at the time the resolution on this authorization is adopted or – if this figure is lower – at the time the authorization of existing share capital is exercised.

As a result of the share buyback, USU Software AG holds 487,586 treasury shares in total as of December 31, 2023, corresponding to around 4.63% of the share capital. By way of resolution of the Annual General Meeting on June 26, 2020, the repurchased shares can be used for acquisitions, in conjunction with a participation program for USU employees or withdrawn.

Statutory provisions and Articles of Association of USU Software AG

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

VI. 3 USU SHARES (ISIN DE000A0BVU28)

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

VI. 4 Share price performance

The performance of the stock markets was relatively volatile in fiscal 2023, though they remained on an upward trajectory overall. Following a positive first half of the year, the stock markets again gave way under the pressures of fading hopes of interest rate cuts, persistently high inflation, the ongoing war in Ukraine and the generally poor economic outlook in the course of the third quarter. Despite these lingering negative factors, there was an extremely positive performance in the final quarter of 2023, which saw the DAX even surpass 17,000 points at times and thus achieve a new all-time high. Over the year as a whole, as of December 31, 2023, the DAX closed on the XETRA electronic trading platform up 20.3% at 16,751.64 points (December 31, 2022: 13,923.59 points), while the Technology All Share index rose by 0.6% to 3,696.97 points over the same period (December 31, 2022: 3,696.97 points). As a result of the clearly weak performance over the third quarter, USU's share price fell by 15.9% over the year (December 31, 2022: EUR 20.4).

The DAX still increased by a substantial 10.5% compared to the end of the previous year (December 31, 2022: 13,923.59 points), whereas the Technology All Share index lost 0.6% over the same period (December 31, 2022: 3,696.97 points). Owing to the necessary guidance adjustment following the publication of the half-year figures, USU's shares lost 15.9% of their value year-on-year in the 2023 reporting year (December 31, 2022: EUR 20.4). Despite the operational challenges that exist, the Management Board believes that the enormous price potential from the USU Group's recurring sales is far from being fully reflected in the current valuation of the USU share price. This is illustrated by the studies by financial analysts at GBC, LBBW and NuWays, where price targets are between EUR 23 and EUR 30. Similarly, the total fair values of the USU Product Business, USU Services and USU SAS cash-generating units already amount to EUR 263 million, as calculated for the impairment test as of September 30, 2023.

Share price performance of USU Software AG in 2023

VII. (GROUP) CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289F AND SECTION 315D HGB (UNAUDITED)

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

Corporate governance comprises the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the German Corporate Governance Code (hereinafter abbreviated to “the Code”) in the form of recommendations for implementation. The core objective of the Code is to promote the trust of investors, customers, employees and the general public in the management and supervision of listed German companies. The Code became effective in 2002 and was last updated in 2022.

In accordance with section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of compliance for 2022 on December 12, 2023, making it available on the Company’s website:

The Management Board and Supervisory Board of USU Software AG declare that the recommendations of the Government Commission for the German Corporate Governance Code, as amended April 28, 2022 and effective from June 27, 2022, have been complied with, barring the following recommendations:

Items B.1 and B.5 of the Code recommend that diversity should be observed in the composition of the Management Board and an age limit specified for its members. In addition, in conjunction with statutory standards, the Supervisory Board sets targets for the share of women in the Management Board in accordance with Principle 9 of the Code.

In determining the composition of the Management Board, the Supervisory Board of USU Software AG has based and will continue to base its decisions primarily on the professional and personal suitability of the persons in question, irrespective of their gender or age, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned figures in the composition of the Management Board. Accordingly, a general age limit for Management Board members of USU Software AG has not been and is not intended.

The Management Board of USU Software AG has consisted of two male members since January 1, 2020. At its meeting on December 13, 2022, the Supervisory Board resolved to renew the appointments of the members of the Management Board and thus extended their contracts until December 31, 2028. There are currently no plans to expand

the Management Board. At its meeting on December 16, 2020, the Supervisory Board already set a target of 25% for the share of women in the event of an expansion of the Management Board to more than three members.

In accordance with recommendation C.2, an age limit should be set for Supervisory Board members and should be disclosed in the declaration on corporate governance.

With regard to its composition, the Supervisory Board of USU Software AG bases its decisions on the professional and personal suitability of the persons in question, taking into account their knowledge, skills and professional experience required to properly fulfill their duties. A general age limit and a restriction on the length of membership for the Supervisory Board members of USU Software AG has not been and is not intended, as the Company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned figures in the composition of the Supervisory Board. In addition, a specification of this type would, in the Company's opinion, inappropriately limit the shareholders' right to vote at the Annual General Meeting.

In accordance with recommendation D.1 of the Code, the Supervisory Board should issue Rules of Procedure for itself and make these available on the Company's website.

The Supervisory Board issued Rules of Procedure for itself on March 9, 2009. However, these are not made available on the Company's website, as they only relate to the Supervisory Board's internal organization and the Supervisory Board consists of only three members.

Under Recommendation D.2 of the Code, depending on the specific circumstances of the enterprise and the number of Supervisory Board members, the Supervisory Board should form committees of members with relevant specialist expertise. The respective members and chairpersons of the committees should be named in the corporate governance declaration. In accordance with Recommendation D.4 of the Code, the Supervisory Board should form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting.

As the Supervisory Board of USU Software AG consists of only three members, there has been and remains no intention to establish a nomination committee. Independently of this, the Supervisory Board of the Company jointly assumes the tasks of this committee.

The Supervisory Board of the Company has also formed the Audit Committee since the new version of section 107(4) AktG became effective on August 12, 2021.

At its meeting on December 13, 2022, the Supervisory Board elected its member Ms. Gabriele Walker-Rudolf as the Chairwoman of the Audit Committee. There had not previously been a chairperson of the Audit Committee.

In accordance with recommendation F.2 of the Code, the interim reports should be made publicly accessible within 45 days of the end of the reporting period.

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

In accordance with recommendation G.1, the compensation system for the Management Board should particularly specify the share of short-term and long-term variable compensation components relative to the target total compensation, as well as the relevant financial and non-financial performance criteria for granting variable compensation components. In accordance with recommendation G.6, the share of variable compensation achieved as a result of reaching long-term targets should exceed the share from short-term targets, and in accordance with recommendation G.7 the performance criteria for variable compensation components should be geared mainly to strategic goals in addition to operating targets.

In accordance with recommendation G.10, the variable compensation components granted to Management Board members should predominantly be invested in company shares, taking the respective tax burden into consideration, or should be granted as share-based compensation. Granted long-term variable compensation components should be accessible to Management Board members only after a period of four years.

The annual variable compensation components for the Management Board are based on the USU Group's medium-term planning for fiscal years 2020 to 2023 that was adopted in December 2019, and exclusively consist of financial performance criteria in relation to the fiscal years of the medium-term planning (income target, sales growth and dividend).

For the fiscal years 2024 to 2028, the annual variable remuneration components for the Management Board are based on the USU Group's long-term planning for fiscal years 2024 to 2028 that was adopted in March 2023. The variable remuneration components are based exclusively on the financial performance criteria of long-term planning

for these fiscal years (sales, EBIT, growth and dividend targets). In addition, the members of the Management Board receive share-based payment as a long-term bonus in the form of stock options for a subscription period of three years from January 1, 2024 to December 31, 2026.

Item G.11 of the Code recommends that the Supervisory Board should have the possibility to account for extraordinary developments to an appropriate extent. In justified cases, it should be possible to retain or reclaim variable compensation. In accordance with recommendation G.13, payments to a Management Board member in the event of premature termination of their Management Board role should not exceed the value of their annual compensation for two years (severance cap) and should not compensate more than the remaining term of the employment agreement.

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

In accordance with recommendation G.17 of the Code, compensation for Supervisory Board membership should take appropriate account of the larger time commitment of the Chair and the Deputy Chair of the Supervisory Board as well as of the Chair and the members of committees.

Compensation was and is not envisaged for membership or chairmanship of a committee of the Supervisory Board. Based on the composition of the Supervisory Board with three experienced members who jointly perform the intended functions, the formation of further Supervisory Board committees, with the exception of the Audit Committee required by law, and the associated remuneration has been and will continue to be dispensed with in future.

In accordance with recommendation G.18, any performance-related compensation granted to the Supervisory Board members should be geared to the long-term development of the Company.

The variable compensation for members of the Supervisory Board as stipulated in Article 17(2) of the Company's Articles of Association is dependent on EBITDA, as reported in either the combined management report or the Group management report in the past fiscal year, in relation to the reported consolidated sales. There are currently no plans to change this regulation.

Möglingen, December 12, 2023

Signed

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

The current declaration of conformity and the declarations for previous years are permanently available at https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/.

VII. 2 SUMMARY ASSESSMENT OF THE INTERNAL CONTROL AND RISK MAN-AGEMENT SYSTEM

The disclosures required on the general internal control and risk management system are set out and explained in more detail under section V. "Material features of the internal control system and the risk management system" of this combined management report. For further information, please refer to section V. "Material features of the internal control system and the risk management system" of this combined management report.

As a summary assessment of the internal control and risk management system, the Management Board is not aware of any circumstances arising from the regular review of the internal control and risk management system up to the date of preparation of the combined management report that would speak against or call the adequacy and effectiveness of these systems into question.

VII. 3 DIVERSITY CONCEPT

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

As early as 2015, the Management Board of USU Software AG resolved that diversity must be taken into account when filling management positions at all levels below the Management Board of USU Software AG and its affiliated companies, and that appropriate consideration should be given to women in this regard. It has systematically pursued this goal since that time. As of December 31, 2023, the share of women in management positions at management level I was 12.5% and at management level II it was 10.8%, and therefore well below the target of 15% at both levels. There are various reasons why this happened: USU Software AG practices diversity, but acknowledges that its share of women, and in particular the number of women in management, are below its own targets. This is partially due to challenges specific to the industry such as stereotypes in role models and the lower presence of women in STEM areas.

In order to increase the share of women in management at USU, the Management Board has commissioned an action plan: HR will develop targeted recruitment strategies to find talented women in the tech sector and to support networks and platforms that promote women in tech careers. Internally, USU will establish mentoring programs and offer customized professional training opportunities to prepare women for management positions. The Company is committed to transparent career paths and will ensure that success by women is visible and acknowledged. Through these activities, USU will create an inclusive corporate culture that not only invites women to the Company, but that also actively supports them on their journey to management roles. Accordingly, the target of 15% for the share of women in management positions in levels I and II below the Management Board is to be achieved by December 31, 2026.

The Management Board of USU Software AG itself has consisted of two male members since January 1, 2020. There are currently no plans to increase the size of the Management Board, nor has this been intended in the past. At its meeting on December 16, 2020, the Supervisory Board had therefore set a target of 25% for the share of women in the event of an expansion of the Management Board to more than three members.

The Supervisory Board consists of two male members and one female member, who were elected for a further term of office in line with the Articles of Association at the Annual General Meeting on July 6, 2021. At its meeting on December 12, 2019, the Supervisory Board set a target of 33% for the share of women on the Supervisory Board, which is currently met, and confirmed the profile of skills and expertise for the Supervisory Board. This profile requires the members of the Supervisory Board to have the following skills in particular: (1) Several years of experience as an entrepreneur or a member of management at a medium-sized or large company and (2) several years of professional experience in national and international sales within the IT industry. These skills are fully covered by the existing Supervisory Board. The Supervisory Board believes that at least two of its three members should be independent shareholder representatives. This target is achieved with the independent members Gabriele Walker-Rudolf and Erwin Staudt.

VII. 4 Working practices of the Management Board and the Supervisory Board

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

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

The Supervisory Board of the Company consists of three members and elects a Chairman and a Deputy Chairman from its members. On account of its size, the Supervisory Board had previously refrained from establishing committees, as the functions were performed jointly by the Supervisory Board as a whole. On December 13, 2022, however, the Supervisory Board followed the respective provision of the German Corporate Governance Code by formally establishing an Audit Committee and appointing the Supervisory Board member Gabriele Walker-Rudolf as its Chair. The activities of the Supervisory Board are determined by the provisions of law, the German Corporate Governance Code, the Articles of Association and the Rules of Procedure for the Supervisory Board of USU Software AG. Among other things, these provide for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue Rules of Procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities.

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

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

A D&O insurance policy providing for a deductible has been agreed for the Management Board and the Supervisory Board.

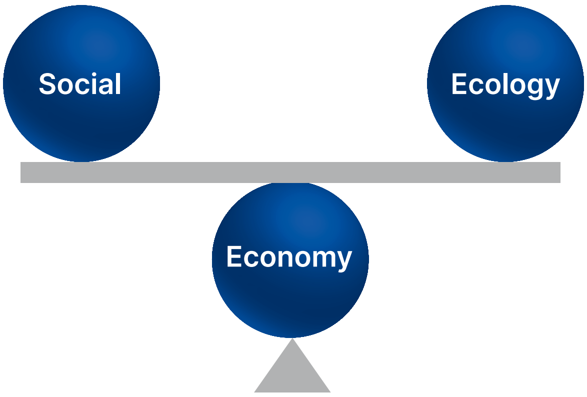
VII. 5 Compensation report

All the details regarding the compensation paid to the Management Board and Supervisory Board of USU Software AG can be found in the compensation report, which is available to view and download on USU's website at https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/. This web page includes the compensation report for 2023 as well as the disclosures required in accordance with section 289f HGB, such as the auditor's report in accordance with section 162 AktG, the current compensation system in accordance with section 87a(1) and (2) sentence 1 AktG, and the most recent resolution on compensation in accordance with section 113(3) AktG.

VIII. (CONSOLIDATED) NON-FINANCIAL STATEMENT (UNAUDITED)

The (consolidated) non-financial statement of USU Software AG for fiscal 2023 is based on the criteria of the German Sustainability Code, which was used as the framework.

The principles of sustainable action are a core element of USU's business activities. The description of USU's business model can be found under "I. 1 Business model, objectives, strategies and controlling system" in the management report.



The USU Group defines sustainable action as striking the right balance between the three dimensions of sustainability – economic, ecological and social – and incorporating the interests of stakeholders into its decision-making processes. USU is aware that this is a complex process and that interdependencies cannot always be fully assessed in advance. However, USU endeavors to continuously challenge itself and develop in order to ensure that its actions make a positive contribution to its stakeholders and society. USU designs value-adding and exchange processes based on the market, the environment and society. The Management Board and the Company's managers and employees accept their responsibility. Sustainability and socially and ethically aware actions have been implicitly practiced at the USU Group since its formation and are a fixed element of its corporate culture. For USU, this is a continuous improvement process that we can only achieve by maintaining a constant dialog with our stakeholders.

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

The USU Group has an identity-forming corporate philosophy that was developed by USU employees on the basis of many individual discussions, surveys and workshops with all stakeholders as part of the internal "More-U" project. In an intensive communication process, the Group's values as well as its mission and vision were devised, defined, validated and adopted together. The mission statement defines what USU stands for and what its driving factors are: We master digital challenges in IT and Customer Service with efficiency, passion, innovation and knowledge.

The USU vision emphasizes the direction and goal that USU is moving towards and highlights the goal for the use of services supported by USU all over the world: The whole world is touched by USU (em)powered services.

The USU Group's mission and vision

USU's economic success as a software company depends to a large extent on the performance and knowledge of its technical and management employees. The Company is reliant on highly qualified personnel in order to continue to satisfy market demands and individual customer requirements in the future. The shortage of technical and management employees within the industry makes it vital to remain an attractive employer. The loss of management staff or employees in key positions can be just as detrimental to the Company as the failure to attract new knowledge carriers. In order to counteract this risk, human resources activities focus on the recruitment of technical and management employees as well as the motivation and retention of existing staff. A variable component in the salaries of a substantial number of employees, which acts as an additional performance incentive to reward target attainment, should also be seen in this context. In addition, the Group offers an extensive and flexible company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of its career model. In addition to specialist training courses and the further development of soft skills, USU offers refresher and consolidation courses. Furthermore, in 2023 USU launched a 36-month loyalty program that will distribute a loyalty bonus in the spring of 2026. Similarly, a stock program was implemented to allow employees to buy discounted USU shares.

A common system of values, rapid information exchange, a family-like working environment and a number of staff events round off the diverse range of measures in this area. Although the USU Group considers the shortage of technical and management employees to be a significant human resources risk, the acquisition of additional qualified employees and the associated expansion of the Group's workforce represents a major opportunity to fully exploit the existing growth options in product and service business.

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

This includes:

- expanding dual training and promoting new talents in order to secure technical and management employees for the long term;
- pronounced social and cultural commitment, with a particular focus on regionality and relevance to the Company's environment;
- ergonomic office furniture for all employees;
- flexible working hours and part-time models;
- the services of a company doctor;
- flexible options for working from home;
- freshly cooked meals every day and free fruit depending on the respective location and free water dispensers in order to reduce resource consumption by using fewer disposable bottles;
- giving employees the opportunity to use bicycles and Pedelecs leased through the Company;
- special support for company cars with a good carbon efficiency class, especially electric vehicles;
- optimizing electricity consumption, e.g. by systematically switching to LED technology or virtualizing servers;
- ensuring a balanced carbon footprint for electricity and fuel consumption in Europe through energy-saving measures and the purchase of climate protection certificates.

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

The action areas identified in preparing this report are intended to help to increase awareness for key issues, record their status and document improvements.

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

For further information on sustainability at USU Software AG and its subsidiaries, please refer to our voluntary sustainability report for fiscal 2023, which is not a part of this (consolidated) non-financial statement and can be viewed and downloaded on the Company's website at https://www.usu.com/en-us/company/sustainability.

EU Taxonomy

In conjunction with the European Green Deal, the EU has moved the issue of sustainability to the center of its political agenda. The goal of climate neutrality is to be achieved by 2050. To achieve this goal, the European Commission passed its action plan for financing sustainable growth in 2018. At the heart of the action plan is the channeling of capital flows into sustainable investment. The EU Taxonomy Regulation (2020/852), which is a key component of the action plan, was adopted to classify sustainable activities.

The EU Taxonomy distinguishes between Taxonomy-eligible and Taxonomy-aligned activities. Taxonomy-eligible activities comprise such economic activities that are described in the supplementary delegated acts and for which there are technical screening criteria. A Taxonomy-aligned activity is an economic activity that makes a substantial contribution to one of six environmental objectives and that does no significant harm (DNSH) to one or more of the other environmental objectives. Furthermore, certain minimum safeguards must be upheld for an economic activity to classify as Taxonomy-aligned. The six environmental objectives of the EU Taxonomy are:

1. climate change mitigation;

2. climate change adaptation;

3. sustainable use and protection of water and marine resources;

4. transition to a circular economy;

5. pollution prevention and control;

6. protection and restoration of biodiversity and ecosystems.

Full reporting on the Taxonomy-eligible and Taxonomy-aligned economic activities under the environmental objectives 1. "Climate change mitigation" and 2. "Climate change adaptation" still has to be prepared for fiscal 2023. Furthermore, Taxonomy-eligible economic activities for the remaining four environmental objectives have to be reported for the first time. However, reporting in accordance with the EU Taxonomy Regulation is generally fraught with uncertainty at this time. Criteria and additions to the delegated acts already published and ongoing developments in the Taxonomy's regulations could affect the future assessment of Taxonomy-eligible and Taxonomy-aligned activities as well as the associated figures reported and the information presented below.

The previous year's analysis of whether economic activities of USU Software AG are Taxonomy-eligible has been updated and the environmental objectives three to six have been added. USU Software AG offers its customers a wide range of solutions for IT and customer service. Professional consulting by USU Software AG and the various performance modules allow customers to acquire a bespoke solution. Throughout its entire portfolio of products and services, USU Software AG is therefore responsible for the development, licensing (SaaS or on-premises), maintenance and data hosting of software solutions in various forms. Data hosting can be assigned to **activity 8.1 (Data processing, hosting and related activities)** in Annex I (climate change mitigation) and is therefore Taxonomy-eligible.

Also, the solutions developed and consulting provided by USU Software AG can be assigned to activity **8.2 (Computer programming, consultancy and related services)** in Annex II (climate change adaptation). However, the allocation of corresponding turnover would require the activity to enable other companies to be supported in their climate change adaptation. This is not provided for by the EU for activity 8.2, hence this activity is not classified as Taxonomy-eligible.

Furthermore, USU Software AG invests in the leasing of company cars, thereby steadily increasing the share of electric and hybrid vehicles in its fleet. According to the analysis performed, vehicle leasing can be assigned to **activity 6.5 (Transport by motorbikes, passenger cars and light commercial vehicles)** in Annex I (climate change mitigation) and is therefore Taxonomy-eligible.

USU Software AG is an international company that operates at more than 17 locations. In order to perform its extensive services and consulting, USU Software AG leases a number of buildings. As a provider of software solutions, these are mainly office buildings. Renting these buildings can be assigned to **activity 7.7 (Acquisition and ownership of buildings)** in Annex I (climate change mitigation) and is therefore Taxonomy-eligible.

To increase the use of renewable energies, USU invested in photovoltaic projects in fiscal 2023. These investments can be allocated to the economic **activity 7.6 (Installation, maintenance and repair of renewable energy technologies)** in Annex I (climate change mitigation) and can thus be reported as Taxonomy-eligible.

USU Software AG does not engage in any activities relating to nuclear energy and fossil gas in accordance with Delegated Regulation 2022/1214. No other products or services of USU Software AG fall within the scope of the EU Taxonomy at this time. However, these activities help the Company to pursue and advance its sustainability strategy.

In the next step, the economic activities identified as Taxonomy-eligible were examined for the purposes of Taxonomy alignment. The technical screening criteria (substantial contribution and DNSH criteria) were analyzed first and then compliance with the minimum safe-guards.

The data centers used for activity 8.1 did not fully comply with the corresponding technical screening criteria, hence they are not considered Taxonomy-aligned.

As activities 6.5 and 7.7 involve activities purchased from third parties, the respective third parties were asked about the criteria for Taxonomy alignment. At present, it has not been possible to obtain sufficient evidence to confirm the Taxonomy alignment of these activities.

The Taxonomy alignment of activity 7.6 was also not confirmed on account of insufficient supporting documentation.

Furthermore, the supporting documentation on compliance with all minimum safeguards along the entire value chains is not sufficient at the current time to satisfy the requirements of the EU Taxonomy. Information on the form of minimum safeguards to date and the measures taken can be found in the sustainability report.

Concluding from this, USU Software AG did not have any Taxonomy-aligned economic activities in fiscal 2023. However, it hopes to report these activities as “Taxonomy-aligned” in the coming fiscal years.

The KPIs for the turnover, CapEx and OpEx of the Taxonomy-eligible activities was determined on this basis. Accordingly, the individual components were first analyzed and, if possible, assigned to Taxonomy-eligible activities.

“Turnover” is defined as the net turnover associated with Taxonomy-eligible economic activities (numerator) divided by consolidated revenue as referred to by IAS 1 82(a) (denominator).

CapEx comprises additions to intangible assets, property, plant and equipment and capitalized research and development costs. The numerator is the Taxonomy-eligible share of CapEx, while the denominator comprises additions to intangible assets in accordance with IAS 16, IAS 38, IAS 40, IAS 41 and IFRS 16.

Material additions to CapEx in fiscal 2023 related to:

- building leases;
- additions to the fleet of company cars;
- technical equipment (photovoltaic systems); and
- operating equipment.

Taxonomy-eligible OpEx describes the share of Taxonomy-eligible operating expenditure to total operating expenditure. This covers non-capitalized costs that relate to research and de-velopment, short-term leases, building renovation measu-res, maintenance and repair. The numerator describes the Ta-xonomy-eligible operating expenditure, while the denominator covers the non-Taxonomy-eligible operating expenditure.

The amounts used to calculate Taxonomy-eligible turnover, CapEx and OpEx are based on the figures reported in the consolidated financial statements. To prevent figures from being counted twice, turnover, CapEx and OpEx were each only assigned to one Taxonomy-eligible economic activity.

This resulted in the following figures for fiscal 2023:

				Criteria pertaining to substantial contribution						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover	Turnover share, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution prevention and control (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution prevention and control (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover Turnover, 2022 (18)	Enabling activities category (19)	Transitional activities category (20)
		EUR thous-and	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
–		0	0%														0%		
Turnover for environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%														0%		
Of which Enabling		0	0%														0%	E	
Of which Transitional		0	0%														0%		T
A.2. Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Activity 8.1 - *Data processing, hosting and related activities*	CCM 8.1	3,581	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Turnover for Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2)		3,581	3%	100%	0%	0%	0%	0%	0%								2%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		3,581	3%	100%	0%	0%	0%	0%	0%								2%		
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
Turnover for non-taxonomy-eligible activities (B)		128,503	97%																
Total (A + B)		132,083	100%																

				Criteria pertaining to substantial contribution						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	CapEx	CapEx share, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution prevention and control (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution prevention and control (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover CapEx, 2022 (18)	Enabling activities category (19)	Transitional activities category (20)
		EUR thous-and	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
–		0	0%														0%		
CapEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%		
Of which Enabling		0	0%														0%	E	
Of which Transitional		0	0%														0%		T
A.2. Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Activity 6.5 – *Transport by motorbikes, pass-enger cars and light commercial vehicles*	CCM 6,5	1,320	28%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								27%		
Activity 7.6 – *Installation, maintenance and repair of renewable energy technologies*	CCM 7.6	217	5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Activity 7.7 – *Acquisition and ownership of buildings*	CCM 7.7	1,765	37%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								36%		
Activity 8.1 – *Data processing, hosting and related activities*	CCM 8.1	328	7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8%		
CapEx for Taxonomy-eligible, but not environmen-tally sustainable activities (non-Taxonomy-aligned activities) (A.2)		3,560	76%	100%	0%	0%	0%	0%	0%								72%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		3,630	76%	100%	0%	0%	0%	0%	0%								72%		
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
CapEx of non-Taxonomy-eligible activities (B)		1,132	24%																
Total (A + B)		4,763	100%																

				Criteria pertaining to substantial contribution						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	OpEx	OpEx share, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution prevention and control (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution prevention and control (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) turnover OpEx, 2022 (18)	Enabling activities category (19)	Transitional activities category (20)
		EUR thous-and	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*Y; N;*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
–		0	0%														0%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														0%		
Of which Enabling		0	0%														0%	E	
Of which Transitional		0	0%														0%		T
A.2. Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Activity 6.5 – *Transport by motorbikes, passenger cars and light commercial vehicles*	CCM 6,5	145	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Activity 7.6 – *Installation, maintenance and repair of renewable energy technologies*	CCM 7.6	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Activity 7.7 – *Acquisition and ownership of buildings*	CCM 7.7	243	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
OpEx for Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2)		388	2%	100%	0%	0%	0%	0%	0%								1%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		388	2%	100%	0%	0%	0%	0%	0%								2%		
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
OpEx of non-Taxonomy-eligible activities (B)		22,725	98%																
Total (A + B)		23,113	100%																

IX. REPORT ON RELATED PARTIES

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

Möglingen, March 21, 2024

Bernhard Oberschmidt
Chairman of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the single-entity and the consolidated financial statements give a true and fair view of the assets, financial position and results of operations of USU Software AG and the Group, and the combined management report 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 risks and opportunities associated with the expected development of USU Software AG and the Group.

Möglingen, March 21, 2024

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

Consolidated statement of financial position as of December 31, 2023

USU Software AG, Möglingen

Assets	Note	31.12.2023 EUR thousand	31.12.2022 EUR thousand
Non-current assets			
Intangible assets	(8)	2,788	2,598
Goodwill	(9)	40,092	40,092
		42,880	**42,690**
Property, plant and equipment	(10)	2,863	3,045
Right-of-use assets	(11)	15,530	15,697
Financial assets	(12)	57	775
Prepaid expenses	(19)	545	168
Deferred taxes	(32)	921	2,416
		19,916	**22,101**
		62,796	**64,791**
Current assets			
Inventories	(13)	442	478
Contract assets	(14)	3,208	6,013
Trade receivables	(15)	24,379	22,274
Income tax receivables	(16)	162	1
Financial assets	(17)	749	669
Other assets	(18)	369	890
Prepaid expenses	(19)	2,464	2,338
Cash on hand and bank balances	(20)	13,494	15,525
		45,267	**48,188**
		108,063	**112,979**

Equity and liabilities	Note	31.12.2023 EUR thousand	31.12.2022 EUR thousand
Equity	(21)		
Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)		10,524	10,524
Par value of treasury shares		-488	-524
Capital reserves		44,066	43,465
Other retained earnings		2,931	3,149
Other comprehensive income		182	340
		57,215	**56,954**
Non-current liabilities			
Pension provisions	(22)	1,087	991
Lease liabilities	(23)	12,875	13,287
Deferred income	(31)	1,187	1,325
Deferred taxes	(32)	728	1,197
		15,877	**16,800**
Current liabilities			
Income tax liabilities	(24)	745	1,084
Financial liabilities	(25)	0	132
Lease liabilities	(23)	3,072	2,696
Personnel-related liabilities	(26)	7,909	10,070
Other provisions and liabilities	(27)	4,379	3,708
Liabilities from advance payments	(28)	1,354	3,941
Trade payables	(29)	6,603	6,997
Deferred income	(31)	10,909	10,597
		34,971	**39,225**
		108,063	**112,979**

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2023

USU Software AG, Möglingen

	Note	31.12.2023 EUR thousand	31.12.2022 EUR thousand
Sales	(33)	132,083	126,522
Cost of sales	(34)	-67,521	-63,311
Gross profit		**64,562**	**63,211**
Selling and marketing expenses	(35)	-26,240	-22,616
General and administrative expenses	(36)	-10,836	-11,708
Research and development expenses	(37)	-20,925	-18,072
Other operating income	(38)	1,681	1,995
Other operating expenses	(39)	-619	-1,008
Finance income	(40)	144	334
Finance expenses	(41)	-234	-170
Profit before taxes		**7,533**	**11,966**
Income taxes	(42)	-2,251	-4,384
Consolidated net earnings		**5,282**	**7,582**
Items that cannot be reclassified to profit or loss in future:			
Actuarial gains/losses from pension provisions		-37	182
Deferred taxes on actuarial gains/losses		10	-10
Items that can be reclassified to profit or loss in future periods:			
Currency translation difference		-131	-130
Other comprehensive income		**-158**	**42**
Total		**5,124**	**7,624**
Earnings per share (in EUR), diluted	(21,8)	0.50	0.72
Earnings per share (in EUR), basic	(21,8)	0.53	0.76
Number of underlying shares, diluted	(21,8)	10,523,770	10,523,770
Number of underlying shares, basic	(21,8)	10,009,046	10,000,000

Consolidated statement of cash flows for fiscal 2023

USU Software AG, Möglingen

	Note	2023 EUR thousand	2022 EUR thousand
Consolidated net profit		5,282	7,582
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets		1,642	2,098
+ Depreciation/amortization of right-of-use assets IFRS 16 leases		3,163	2,937
+/- Other non-cash expenses/income		236	65
-/+ Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities		657	-9,910
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities		-3,656	4,568
+/- Interest expenses/income		90	-164
-/+ Income taxes paid		-1,714	-1,123
-/+ Interest paid/received		-67	-68
+/- Income tax expenses/income		2,251	4,384
Cash flow from operating activities	(44)	**7,884**	**10,369**
- Purchase of intangible assets		-726	-182
+ Proceeds from disposals of property, plant and equipment		84	33
- Purchase of property, plant and equipment		-952	-1,126
Cash flow from investing activities	(45)	**-1,594**	**-1,275**
+ Proceeds received on the issuance of staff shares		308	0
- Buyback of treasury shares		0	-9,821
- Dividends paid to shareholders of the parent company		-5,500	-5,262
- Reductions of lease liabilities in line with IFRS 16		-3,049	-2,902
Cash flow from financing activities	(46)	**-8,241**	**-17,985**
Change in cash and cash equivalents		**-1,951**	**-8,891**
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement		-80	130
+ Cash and cash equivalents at the start of the period		15,525	24,286
Cash and cash equivalents at the end of the period	(47)	**13,494**	**15,525**
Cash and cash equivalents			
Cash and cash equivalents		13,494	15,525

Consolidated statement of changes in equity for fiscal 2023

USU Software AG, Möglingen

	Issued capital Anzahl	Issued capital EUR thousand	Treasury shares EUR thousand
Consolidated equity as of December 31, 2021	**10,523,770**	**10,524**	**0**
Consolidated net earnings	0	0	0
Other comprehensive income after taxes	0	0	0
Total comprehensive income	0	0	0
Share buybacks	0	0	-524
Dividend payment	0	0	0
Consolidated equity as of December 31, 2022	**10,523,770**	**10,524**	**-524**
Consolidated net earnings	0	0	0
Other comprehensive income after taxes	0	0	0
Total comprehensive income	0	0	0
Issuance of staff shares	0	0	36
Dividend payment	0	0	0
Consolidated equity as of December 31, 2023	**10,523,770**	**10,524**	**-488**

Capital reserves EUR thousand	Other retained earnings EUR thousand	Other comprehensive income Pension plans EUR thousand	Other comprehensive income Currency translation EUR thousand	Equity EUR thousand
52,792	**829**	**-116**	**414**	**64,443**
0	7,582	0	0	7,582
0	0	172	-130	42
0	7,582	172	-130	7,624
-9,327	0	0	0	-9,851
0	-5,262	0	0	-5,262
43,465	**3,149**	**56**	**284**	**56,954**
0	5,282	0	0	5,282
0	0	-27	-131	-158
0	5,282	-27	-131	5,124
601	0	0	0	637
0	-5,500	0	0	-5,500
44,066	**2,931**	**29**	**153**	**57,215**

A. THE COMPANY

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

The Group includes subsidiaries Germany, Czechia, France, Austria, the US and Japan. Its customers are predominantly based in Germany and mainly operate in the fields of financial services, telecommunications, the automotive industry, consumer goods, services and retail and the public sector.

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

B. SIGNIFICANT ACCOUNTING POLICIES

1. Significant financial reporting policies

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

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

The reporting date is December 31, 2023.

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

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

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

The Management Board intends to approve the consolidated financial statements for submission to the Supervisory Board on March 11, 2024. It is anticipated that the Supervisory Board will adopt the consolidated financial statements prepared by the Management Board at its meeting on March 26, 2024 and approve their publication.

The annual financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2023, these consolidated financial statements and the management report of the Company and the Group are submitted to the company register and published on the Company's website.

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

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

The following amended Standards were effective for the first time in the current fiscal year:

- Amendments to IAS 1: Disclosure Obligations on Accounting Principles
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Amendments to Deferred Tax related to Assets and Liabilities arising from a Single Transaction, International tax reform – Pillar Two model rules
- Amendments to IFRS 17: Insurance Contracts (including amendments from 2020)

The amended standards have no effect or no material effect on the consolidated financial statements.

The IASB and the IFRS Interpretations Committee (IFRS IC) have issued new and amended standards and interpretations which are effective for reporting periods starting on or after January 1, 2024.

Standard/ interpretation	Title	Applicable for fiscal years begin-ning on or after	Adopted by the European Commission	Impact on USU's consolidated financial statements
Amendment to IAS 1	Presentation of Financial State-ments: Classification of Liabilities as Current or Non-Current	Jan. 1, 2024	Yes	None
Amendments to IAS 7 and IFRS 7	Amendment in relation to supplier finance arrangements	Jan. 1, 2024	No	None
Amendment to IAS 21	Clarification of accounting if there is a lack of exchangeability	Jan. 1, 2025	No	None
IFRS 16	Lease liabilities in sale and leaseback transactions	Jan. 1, 2024	Yes	None

The application of these standards and interpretations is contingent upon their endorsement by the EU in some cases. This relates specifically to the following accounting stand-ards and interpretations:

It was chosen not to exercise the option of early application of standards which have already been issued.

According to the current assessment, the application of the other new and amended IFRS standards also does not result in any material impact on net assets, financial position or results of operations. Unless otherwise described in this chapter, the same accounting policies were applied in the consolidated financial statements as in the previous year.

3. Consolidated group

The consolidated financial statements incorporate the finan-cial statements of USU Soft-ware AG and all the entities it controls (subsidiaries). In accordance with IFRS 10, USU Soft-ware AG obtains control when it:

- has power over the investee;
- is exposed to variable returns from its involvement; and
- can use its power to affect the amount of returns.

USU Software AG reassesses whether or not it controls an investee if facts and circum-stances indicate that there are changes to one or more of the above criteria for control.

Consolidation of a subsidiary begins from the date the parent company achieves control of the subsidiary and ceases when the parent company loses control of the subsidiary. The re-sults of the subsidiaries acquired or sold during the year are recognized in profit or loss and other comprehensive income from the actual acquisition date and until the actual disposal date.

In addition to USU Software as the Group parent, the consoli-dated financial statements include all operating domestic and foreign subsidiaries directly or indirectly controlled by USU Software AG.

In addition to the Group parent, the following companies that are wholly held directly or indirectly were included in consoli-dation in accordance with IFRS 10. The information on equity and net profit represents the amounts determined in accor-dance with the respec-tive national accounting standards. There are no Group companies that are not included in the consolidated financial statements. The fiscal year of the com-panies included in the consolidated financial statements is the calendar year.

Consolidated group		
Name and domicile of the company	Equity Dec. 31, 2023 EUR thousand	Net profit/loss for 2023 EUR thousand
of which in Germany:		
USU GmbH, Möglingen [1) 2)]	32,047	16,087
Omega Software GmbH, Obersulm [1)]	970	-93
Openshop Internet Software GmbH, Möglingen [1)]	-667	-1
of which outside Germany:		
USU Software s. r. o., Brno, Czechia [3)]	903	372
USU Austria GmbH, Vienna, Austria [3)]	-794	101
USU Solutions Inc., Boston, USA	-8,749	-1,547
USU SAS, Paris, France	-2,967	102
USU GK, Tokyo, Japan	-213	-44

1) Net profit before/equity after profit transfer to USU Software AG due to existing profit transfer agreements
2) USU Solutions GmbH and USU Technologies GmbH were merged with USU GmbH in fis-cal 2023.
3) Companies wholly owned by USU GmbH.

4. Consolidation principles

Equity interests are consolidated using the purchase method, whereby the cost is offset against the Group's interest in the remeasured equity of the subsidiary as of the acquisition date. Any remaining goodwill from initial consolidation is recognized 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 that result in the recognition of an impairment loss (impairment-only approach).

Identified hidden reserves and liabilities are subsequently remeasured, amortized or reversed in accordance with the treatment of the corresponding assets and liabilities.

Receivables, liabilities, expenses and income between consolidated companies are eliminated. Intragroup services were provided at arm's length conditions. Deferred taxes are recognized for consolidation processes impacting profit and loss, with deferred tax assets being offset against deferred tax liabilities where they relate to the same taxation authority and tax subject.

5. Currency and currency translation

Functional currency and reporting currency
The items of all Group companies included in the consolidated financial statements are measured using the currency of the primary economic environment of the respective company ("functional currency"). The consolidated financial statements are presented in euro, the functional currency and reporting currency of USU Software AG. All figures in the consolidated financial statements are shown in thousands of euro (EUR thousand) except for figures pertaining to shares.

Transactions and balances
All transactions are translated into the respective functional currency at the prevailing exchange rate on the transaction date. Monetary items in foreign currency are translated at their closing rates as of the end of the reporting period; non-monetary items reported at historical cost are translated at the rate on the transaction date, while non-monetary items reported at fair value are translated at the exchange rate on the date when their fair value was measured. Differences arising from currency translation at closing rates are recognized in profit or loss under other operating income and expenses.

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

Currency translation differences arising from the consolidation of current liabilities are recognized in profit or loss under other operating income or expenses.

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

		Closing rate		Average rate	
Currency	1 EUR equivalent to	31.12.2023	31.12.2022	2023	2022
Czech koruna	CZK	24.724	24.116	24.004	24.566
US dollar	USD	1.1050	1.0666	1.0813	1.0530
Japanese yen	JPY	156.33	140.66	151.99	138.03

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR 37 thousand (2022: EUR 605 thousand).

6. Significant accounting judgments, estimates and assumptions

The preparation of the single-entity financial statements in accordance with IFRS requires the Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period, the reported amounts of income and expenses in the period under review and the related disclosures in the notes to the financial statements. The actual amounts can differ from these estimates. The most important accounting judgments are discussed below:

Impairment of intangible assets

The Group tests goodwill and brands with indefinite useful lives for impairment at least once a year. This requires an estimate of the recoverable amount of the cash-generating units to which these intangible assets are allocated. The recoverable amount is the higher of the fair value of the cash-generating unit less costs to sell and its value in use. Estimating the recoverable amount requires the Group to estimate the future cash flows and select an appropriate discount rate in order to calculate the present value of those cash flows.

The cash flows underlying the discounted cash flow calculation in conjunction with goodwill impairment testing are based on current business plans, assuming a planning period of four years for the detailed planning phase; in justified exceptional cases, this was extended to include a three-year convergence phase. Assumptions are made about the future development of revenue and costs. In the event that the actual amounts differ from the significant assumptions made, this can lead to the recognition of goodwill impairment in profit or loss in the future.

Deferred tax assets on loss carryforwards

Deferred tax assets are recognized for all unutilized tax loss carryforwards to the extent it is likely that sufficient taxable income will be available for the loss carryforwards to be utilized in the future. Calculating the amount of the deferred tax assets requires the exercise of significant judgment with regard to the expected timing and amount of the future taxable income.

Timing of the satisfaction of performance obligations and determining the percentage of completion

Judgment is also required to be exercised when deciding whether sales are recognized over time or at a point in time. Assumptions and estimates are also required with regard to the percentage of completion and the remaining costs to complete the contract.

7. General accounting policies

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

7.1 Intangible assets and goodwill

Acquired intangible assets and goodwill are recognized at cost when acquired in accord-ance with IAS 38. The amount by which the cost of a merger exceeds the fair value of the net assets of the acquired subsidiary as of the acquisition date is recognized as goodwill from capital consolidation. Intangib-le assets are mainly software, maintenance agree-ments and customer bases, which are amortized on a straight-line basis over their ex-pected economic life of between three and thir-teen years. Intangible assets with an indef-inite useful life – including goodwill as well as 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 and goodwill” is reported under the cost components of the func-tion of expense method.

Goodwill exclusively contains amounts from acquisition ac-counting. Goodwill is tested for impairment by comparing the carrying amounts of a given cash-generating unit (CGU), in-cluding the relevant goodwill, to the higher of its value in use and its fair value less costs to sell.

The fair value less costs to sell of a CGU is determined on the basis of the present value of the future cash flow. That value is calculated using a level 3 discounted cash flow method in accordance with IAS 36.134(e) in conjunction with IFRS 13, in which the expected payments from the CGU are discounted. Goodwill is regularly tested for impairment as of September 30 of each fiscal year. The fair value is reassessed if there is evidence of impairment at the reporting date. This was based on the financial planning prepared by the Management Board and approved by the Supervisory Board, which comprised the planning for the following fiscal year and the medium-term planning for the period from 2024 to 2027 (detailed planning phase); in justified exceptional cases, this was extended to include a three-year rough planning/convergence phase in order to accurately reflect future growth.

Detailed financial planning for the purposes of annual impairment testing is derived from the revenue forecast by the Group's management and the resulting cash inflows. Forecast revenue defines the necessary consultant capacity and the associated cash outflows. These figures are based on past experience and external market data. The trend towards SaaS business will continue to intensify in the future, which will increase the share of total sales attributable to SaaS with a positive impact on future margins. Payments associated with fixed costs are extrapolated on the basis of past experience. The most significant value drivers in planning are projected revenue and the EBIT margin calculated on this basis. The EBIT margin is determined in particular by projected SaaS and licensing revenue for internally generated software products. The EBIT margin also takes future wage and salary increases and rising costs for freelance workers into account.

7.2 Property, plant and equipment

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

Useful lives:

IT hardware	3 to 10 years
Leasehold improvements	3 to 23 years
Other equipment, operating and office equipment	3 to 15 years

The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount of an asset may exceed its recoverable amount. Impairment losses are reversed up to a maximum of the amortized cost of the respective item if the reasons for the impairment loss no longer apply.

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. Impairment testing is performed annually as of 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 an asset is no longer recoverable.

The amortization method, the useful life and the residual value are reviewed annually in accordance with IAS 16 and IAS 38.

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 that could be obtained from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from 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 that are largely independent of the cash inflows from other assets or groups of assets. Basic assumptions on financial planning and the discount rates applied must be made in order to determine the projected cash flows for each CGU.

Impairment testing of intangible assets with indefinite 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 7.1, 8 and 9.

For the purposes of impairment testing for goodwill acquired in company acquisitions, the goodwill is allocated to the corresponding CGU.

With the exception of Omega Software GmbH, cash flows are planned and deferred at the level of the subsidiaries. USU GmbH represents the Service segment with its service business. The Product Business segment comprises the product business of USU GmbH together with Omega Software GmbH, USU Solutions Inc. and USU SAS. Information on the differences between Product Business and Service Business can be found in the notes on segment reporting in section F.

In accordance with IAS 36.A17 (a), the cost of capital of the cash-generating units is calculated as the weighted average cost of capital (WACC). The calculation of the weighted cost of capital includes the cost of equity, composed of a risk-free basic interest rate and a risk premium (market risk premium multiplied by a beta factor based on a peer group analysis), and the cost of debt, which is equal to the average cost of debt for peer group companies. The cost of equity and debt is weighted using the average capital structure of peer group companies.

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 must 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.

Impairment losses on goodwill cannot be reversed.

The significant assumptions applied in calculating the recoverable amounts of the cash-generating units are as follows. The calculation is initially based on the forecast EBIT for the respective CGU (forecast period 2024 to 2027, until 2030 for convergence phase planning). Working capital is forecast depending on the development of revenue. Capital expenditure is assumed to correspond to depreciation and amortization, meaning that measurement is based directly on EBIT. A growth discount of 0.5% is assumed for the terminal value.

7.4 Financial assets

Under IFRS 9, financial assets are assigned to one of three categories using a uniform model:

(1) financial assets measured at amortized cost (AC);

(2) financial assets measured at fair value through other comprehensive income (FVOCI); and

(3) financial assets measured at fair value through profit or loss (FVPL).

Financial assets whose cash flows consist solely of payments of principal and interest are classified according to the underlying business model. All the Group's financial assets are assigned to the "hold to collect" business model. As there are no financial assets assigned to the "hold to collect and sell" or "other" models, there are no assets measured at fair value through other comprehensive income (2) or at fair value through profit or loss (3).

Financial assets whose cash flows consist solely of payments of principal and interest are measured at fair value through profit or loss. The Group does not have any such assets.

The IFRS 9 impairment model takes into account future expectations and is based on expected credit losses (ECL model). The IFRS 9 impairment model provides for three stages and applies to all financial assets (debt instruments) that are measured either at amortized cost or at fair value through other comprehensive income:

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition. Impairment is measured based on the expected credit loss within the next twelve months.

Stage 2: includes financial assets that have experienced a significant increase in credit risk but that are not yet credit-impaired. Impairment is measured based on the lifetime expected credit loss for the full remaining term.

Stage 3: includes financial assets with objective evidence of impairment or in default. The lifetime expected credit losses of the financial asset are recognized as an impairment loss.

At USU, the ECL model is applied to financial assets that are recognized at amortized cost. In addition to bank balances, the only financial assets reported by the Group are trade receivables, contract assets and other financial assets, which do not contain any significant financing components. For trade receivables, contract assets and other financial assets, the Group applies the simplified (loss rate) approach permitted in accordance with IFRS 9, under which a risk provision in the amount of the expected loss over the remaining term is to be recognized for all instruments irrespective of their credit quality; the determination of future economic conditions is negligible on account of its low importance, as a significant change in the fundamental economic conditions is unlikely over the relevant time period. This means that they are globally assigned to level 2 on addition and transferred to level 3 if there is objective evidence of impairment.

At USU, expected credit losses are calculated using a differentiated method that reflects the different country-specific conditions in particular, e.g. with regard to accounts past due. With regard to trade receivables, the recognition of future economic conditions is negligible on account of its low importance, as a significant change in the fundamental economic conditions is unlikely over the relevant time period (which is typically short).

With regard to contract assets, the recognition of future economic conditions is negligible on account of its low importance, as a significant change in the fundamental economic conditions is unlikely over the relevant time period (which is typically short). This means that they are globally assigned to level 2 on addition and transferred to level 3 if there is objective evidence of impairment.

A financial instrument is derecognized when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, e.g. after the end of insolvency proceedings or court decisions.

Financial liabilities are measured at amortized cost if they are not measured at fair value through profit or loss (FVTPL). Net gains and losses, including interest expenses, are recognized in profit or loss. Other financial liabilities are measured at amortized cost using the effective interest method. Interest expenses and exchange rate gains and losses are recognized in profit or loss. Gains and losses on derecognition are also recognized in profit or loss.

7.5 Inventories

Inventories are measured at the lower of amortized cost and net realizable value. Inven-tories essentially relate to software licenses from third-party providers and IT hardware.

Inventory risks arising from reduced usability are taken into account by appropriate write-downs. No inventories were written down due to a reduction in their net realizable value at the end of the reporting period.

7.6 Contract balances

Contract assets for performance obligations satisfied over a specific period are recognized over time when the Group has a legal right to consideration for goods and services that it has transferred to the customer, provided this right is not linked solely to the passage of time. Each unconditional right to receive consideration is reported separately as a receivable. Judgment is required to determine whether a right to consideration is unconditional and must therefore be recognized as a receivable. The contract assets are reduced by advances received.

Contract liabilities predominantly consist of invoices due or payments received before revenue recognition. They are recognized as revenue when control of the promised prod-ucts or services is transferred to the customer.

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.

7.7 Deferred taxes

Deferred taxes are calculated using the asset and liability method set out in IAS 12. This involves recognizing deferred tax items for all temporary differences between the tax base of an asset or liability and its carrying amount in the IFRS statement of financial position. Deferred tax assets are also recognized on tax loss carryforwards if it is sufficiently likely that they will be utilized. 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 taxes are calculated using the liability method for temporary differences between the carrying amounts of assets and liabilities in the IFRS and tax accounts (with the exception of goodwill), from consolidation processes, and for tax assets receivable in connection with the likely future utilization of tax loss carryforwards.

Deferred tax assets on temporary differences and tax loss carryforwards are only recognized to the extent it is likely that sufficient taxable income will be available for the loss carryforwards to be utilized in the future. In assessing the recoverability of deferred tax assets, the effect on earnings of the reversal of taxable temporary differences, short-term and medium-term forecasts of the future earnings situation of the respective Group company and possible tax strategies are taken into account. In its assessment, USU is also bound by the rules of tax law that apply or have been adopted as of the reporting date. As such, future changes to the law may require an adjustment to be recognized in profit or loss.

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.

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

7.8 Other comprehensive income

This item is used to report changes in equity in other comprehensive income, to the extent that such changes do not relate to transactions with shareholders (e.g. capital increases or distributions). This includes currency translation differences, changes in pension provisions in other comprehensive income and the corresponding deferred taxes.

7.9 Treasury shares

When treasury shares are repurchased, equity is reduced by the amount of the consideration paid, including the attributable cost of acquisition. If the treasury shares are not withdrawn, their nominal amount is recognized under “Par value of treasury shares”. Any remaining amount is offset against capital reserves.

7.10 Staff share program

The fair value on the date the shares are granted to employees is recognized as staff costs in profit or loss in the amount of the difference between the market value on the offer date and the selling price with a corresponding increase in the capital reserves over the period in which the employees acquire full entitlement to the awards.

7.11 Pension provisions

The actuarial valuation of the pension provisions recognized is based on the method for defined benefit plans set out in IAS 19, and hence using the projected unit credit method. The calculation is based on actuarial reports including biometric calculations. In Germany, these are the 2018 G mortality tables published by Heubeck-Richttafeln-GmbH. In France, the “INSEE 2012-2014 regulation table prov.” mortality tables are applied. The Group recognizes actuarial gains and losses in other comprehensive income in equity, taking deferred taxes into account. Current service cost is reported as an expense within EBIT. Current interest cost and the expected return on plan assets are recognized in net financial income in the consolidated statement of profit or loss.

For defined contribution plans (e.g. certain direct insurance policies), the employer contributions and the contributions to statutory pension insurance are recognized directly in functional expenses.

7.12 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. In accordance with IAS 37, provisions are recognized in the amount that is expected to be required to cover all current obligations to third parties on the reporting date, based on the best possible estimate. Future events that may affect the amount required to settle the obligation are taken into account in the provisions, provided they can be predicted with reasonable certainty and these obligations result from past events. Provisions are reviewed as of the end of each reporting period and adjusted to reflect the current best estimate. In cases where the time value of money is material, long-term provisions are discounted accordingly.

7.13 Financial liabilities

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

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

7.14 Liabilities from advance payments

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

7.15 Government grants

An unconditional government grant is recognized as other income in the consolidated statement of profit or loss as soon as a claim to the grant arises. Other government grants are initially recognized as deferred income at fair value if there is reasonable assurance that they will be granted and that the Group will comply with the conditions attaching to it. Subsequently, these other government grants are recognized as other income in the statement of profit or loss as scheduled over the asset’s useful life. Grants that compensate for expenses incurred by the Group are recognized in the consolidated statement of profit or loss as scheduled in the periods in which the expenses are recognized.

7.16 Contingent liabilities and events after the reporting period

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

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

7.17 Leases

A lease exists when the lessee is granted the contractual right from the lessor to control an identified asset for a specified period and the lessor receives a consideration from the lessee.

On inception, all leases are recognized in the consolidated statement of financial position as a right-of-use asset and as a lease liability in the amount of the present value of the future lease payments. The option of separating leasing and non-leasing (service) components is used. Non-leasing components are not taken into account in the right-of-use asset to be recognized. There are no beneficial purchase or extension options at the end of the leases for the office buildings, the operating and other equipment or the vehicles. There were no sale and leaseback transactions in either of the fiscal years.

Short-term leases with a term of less than twelve months and leases with a total value of less than EUR 5,000 (“low-value leases”) are not recognized. The lease payments resulting from these contracts are recognized over the term of the lease as other operating expenses.

The relevant assets and liabilities are recognized when it is highly probable that extension and termination options will be exercised.

The lease liability is recognized in the amount of the present value of the future lease payments over the reasonably certain period of use. Lease payments are all fixed and quasi-fixed lease payments as well as variable payments linked to a rate or index. The series of payments is discounted at the implicit interest rate of the lease or, if this is not known, the appropriate incremental borrowing rate of the lease. The lease liability is measured and amortized using the effective interest method. The lease liability is subsequently valued by increasing the carrying amount by the interest expense and decreasing it by the lease payments made. Changes in the lease agreement (“lease modifications”) that increase or reduce the scope of the original agreement but do not result in a separate lease are recognized directly in equity in the carrying amount of the right-of-use as-set and the lease liability of the existing lease.

Depreciation on right-of-use assets is based on the following useful lives:

Period of use in years	2023	2022
Land and buildings	1-15	1-15
Vehicles	1-4	1-4

In terms of land and buildings, USU mainly leases office buildings. Only conditions in line with standard industry practice are contained in the lease agreements. Some of the lease agreements contain extension and termination options, thereby giving USU the greatest possible flexibility. Other future cash outflows can result from index-linked lease payments.

The potential future cash flows not included in the measurement of the lease liabilities are as follows:

	2023 EUR thousand	2022 EUR thousand
from extension and termination options	4,336	2,899
from low-value lease assets	468	366
Total	**4,804**	**3,265**

As of December 31, 2023, USU had a sublease that generated income of EUR 118 thousand in the year under review (2022: EUR 118 thousand).

The cost of the right-of-use asset is determined based on the amount of the lease liability at the time of its addition. This is to be increased by payments that were initially incurred to conclude the lease, that were spent on the installation of the leased asset and that may be incurred for future dismantlement. The asset is measured at amortized cost using the cost model and reduced on the basis of amortization.

It is presented in the consolidated statement of profit or loss as a financing transaction, the right-of-use asset is depreciated and the lease liabilities are measured using the effective interest method. Lease repayments are shown in cash flow from financing activities. Payments for interest on the lease liability are included in interest paid. Payments in conjunction with short-term leases, payments for low-value leases and variable lease payments, not included in the measurement of the lease liability, are shown in cash flow from operating activities.

7.18 Sales

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

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

The Group offers its customers combinations of its services, either within the framework of a combination contract (license and maintenance/consulting) or in a number of separate contracts (dedicated contract for license, maintenance, consulting). Contracts are combined when they are entered into at or near the same time and are interrelated (e.g. negotiated with an overall commercial objective, the consideration to be paid in one contract depends on the performance of the other contract, products in different contracts are a single performance obligation). In those cases where the price of the consulting services or maintenance work to be performed in the bundle of contracts lies below the customary price, the difference to the customary prices for the consulting services or maintenance work is separated from the recognized royalty income and realized over the period in which the consulting services or maintenance work is rendered.

If the combination contract or multiple separate contracts do not constitute a combined contract as defined by IFRS 15, the Group recognizes the revenue resulting from these contract at the selling prices of the individual services. The respective individual prices are determined on the basis of the price that would be demanded if the good or service were sold separately.

In cases where license fee payments are contingent on the performance of consulting services that constitute a major modification or extension of the functionality of the software, the revenue for the software license and the consulting services is recognized over the period in which the necessary functionality of the software is created. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract. Expenses for subsequent modifications by customers are shown under unbilled work in progress provided their realization is likely and their amount can be reliably estimated. For consulting projects, revenue recognition over time can be based on estimates. Due to the associated uncertainties it is possible that estimates of the costs to complete the contract need to be subsequently adjusted. Such adjustments of income and expenses are presented in the period in which a need for adjustment is identified.

Maintenance revenue is typically recognized over the period in which maintenance is performed. For maintenance work, the customary price is determined from the rates charged to prolong maintenance contracts by the same term and, if these are not available, on the price list approved by the Management Board of the Group.

SaaS (software-as-a-service) sales are recognized over the period in which the services are performed. If the performance obligation takes the form of the granting of a right to continuous access to and usage of a cloud service for a defined period of time, the revenue is recognized on the basis of the time elapsed, i.e. on a pro rata basis over this period.

When selling third-party software licenses, USU acts as an agent in the cases described below. USU acts as an agent in cases where it provides consulting services in connection with the sale of standard third-party software licenses and where it brokers third-party software licenses directly as a sales partner without providing any other services. Accordingly, the sales resulting from these transactions are not recognized as gross sales, but on a net basis in the amount of the margin generated. In these cases, USU is the trading partner for the standard software products delivered to the end customer by the software manufacturer.

7.19 Cost of sales

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

7.20 Research and development expenses

Research and development expenses are incurred by the Group in connection with the (ongoing) development of its software. In accordance with IAS 38, research expenses are not capitalized while development costs must be recognized if all 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. In view of the short time span between technical feasibility and the date on which the software is launched on the market, development costs are not capitalized as any such costs are immaterial. Accordingly, the Group recognized all its research and development expenditure for the period under review (see note 37).

C. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8. Intangible assets

Information on the development of intangible assets can be found in the consolidated statement of changes in non-current assets, which is an integral part of the notes to the consolidated financial statements.

Intangible assets include customer lists of EUR 326 thousand (2022: EUR 406 thousand), trademarks and brands of EUR 531 thousand (2022: EUR 531 thousand) and software of EUR 1,931 thousand (2022: EUR 1,661 thousand).

Software of EUR 1,931 thousand includes inventories of EUR 874 thousand (2022: EUR 1,136 thousand) attributable to the USU SAS cash-generating unit. The estimated remaining useful life is three years.

Amortization of intangible assets includes the amortization of intangible assets recognized in connection with company acquisitions of EUR 341 thousand (2022: EUR 519 thousand). Intangible assets include trademarks and brands of EUR 531 thousand that can be allocated to the CGUs as follows:

CGU	2023 EUR thousand	2022 EUR thousand
USU GmbH/Omega (Product Business)	446	446
USU GmbH (Service Business)	85	85
	531	**531**

From a commercial perspective, the end of the useful life of these USU 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 in conjunction with goodwill impairment testing. Further information can be found in note 9.

"Amortization of intangible assets capitalized as a result of business combinations and goodwill" is reported under the cost components of the function of expense method. Sales and marketing expenses amounted to EUR 79 thousand (2022: EUR 284 thousand), while research and development expenses amounted to EUR 262 thousand (2022: EUR 535 thousand).

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

9. Goodwill

The Group's goodwill results from the acquisition of Omega Software GmbH, USU SAS, USU GmbH and the companies USU Solutions GmbH, USU Solutions Inc. and USU Technologies GmbH. USU Technologies GmbH and USU Solutions GmbH were merged with USU GmbH in fiscal 2023. The CGUs were amended accordingly in fiscal 2023. As a result of the mergers and the internal management within the Group of the former USU Technologies GmbH and USU Solutions Inc., the previous CGUs USU GmbH/Omega (Product Business), USU Solutions (Product Business) and USU Technologies (Product Business) were combined to form the USU Product Business CGU in line with their segment structure. The USU Services CGU and USU SAS have not changed since the previous year. The annual impairment test for all CGUs was performed as of September 30.

The pre-tax cost of debt for the purposes of impairment testing ranges from 2.31% to 2.76%. A market risk premium of 7% was applied across the board. Adequate country risk premiums were applied as necessary. The unindebted beta factor for the purposes of impairment testing is uniformly 0.90%.

The specific cost of capital per CGU was calculated in conjunction with impairment testing. A single peer group has been used for all CGUs since fiscal 2023.

The parameters for fiscal 2023 as shown in the following tables correspond to the figures applied in the regular impairment test as of September 30, 2023. The prior-year figures are based on the figures applied in the impairment test as of December 31, 2022 for the USU SAS CGU and as of September 30, 2022 for the other CGUs.

	Post-tax WACC		Pre-tax WACC	
CGU	2023	2022	2023	2022
USU Product Business[1)]	8.62%	7.31%	12.32%	10.44%
USU Service Business	8.62%	7.31%	12.32%	10.44%
USU SAS	9.14%	9.16%	12.70%	10.15%

[1)] *The USU Technologies, USU Solutions and USU Product Business CGUs were merged to form the USU Product Business CGU in fiscal 2023.*

Pre-tax WACC was calculated using the grossing up method.

Planning is based on the following growth rates for revenue:

CGU	2024	2025	2026	2027
USU Product Business	15.02%	10.76%	12.05%	14.16%
USU Service Business	-2.92%	8.04%	6.76%	6.61%
USU SAS	4.28%	22.53%	23.32%	24.36%

For the USU SAS CGU, it was assumed in the three-year convergence/rough planning phase that growth in sales will decline to 16% in 2028, 12% in 2029 and 7% in 2030.

In line with management's medium-term planning, a terminal value based on annual growth of 0.5% (2022: 0.5%) was forecast for the USU Service Business and USU Product Business CGUs. An annual growth factor of 0.5% (2022: 1.0%) was also assumed for the terminal value of the USU SAS CGU.

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

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

CGU	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
USU GmbH/Omega (Product Business)		14,233
USU Solutions (Product Business)		10,448
USU Technologies (Product Business)		7,773
USU Product Business	32,454	32,454
USU Service Business	4,019	4,019
USU SAS	3,619	3,619
	40,092	**40,092**

Impairment testing as of the end of the reporting period did not identify any impairment requirements.

The changes in goodwill for each reporting unit (segments) in fiscal 2022 and fiscal 2023 are shown in the following table.

EUR thousand	Product Business	Service Business	Group
As of January 1, 2022	36,372	4,019	40,392
Change in 2022 (USU SAS)	-300	0	-300
As of December 31, 2022	**36,072**	**4,019**	**40,092**
Change in 2023	0	0	0
As of December 31, 2023	**36,072**	**4,019**	**40,092**

The following table illustrates goodwill sensitivity to the capitalization rate:

Additional goodwill in impairment at EUR thousand	Increase in capitalization rate of 0.5 percentage point	Increase in capitalization rate of 1.0 percentage point
USU Product Business	0	0
USU Service Business	0	0
USU SAS	0	0

A reduction in future net cash flows (after taxes) expressed as a reduction in the growth discount from 0.5% to 0.0% and to -0.5% would not result in an impairment loss for any CGUs.

10. Property, plant and equipment

Depreciation of property, plant and equipment amounted to EUR 1,105 thousand in fiscal 2023 (2022: EUR 1,182 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.

11. Right-of-use assets

Leases for buildings and motor vehicles will continue to be entered into in the future. However, the form and scope of the leases will remain largely constant.

	Land and buildings EUR thousand	Other equipment, operating and office equipment EUR thousand	Total EUR thousand
Cost			
As of Jan. 1, 2023	**20,538**	**2,671**	**23,209**
Additions	1,765	1,320	3,085
Disposals	-775	-813	1,588
Currency differences	-278	0	-278
As of Dec. 31, 2023	**21,250**	**3,178**	**24,428**
Cumulative depreciation			
As of Jan. 1, 2023	-6,267	-1,245	-7,512
Additions	-2,161	-1,002	-3,162
Disposals	702	814	1,515
Currency differences	261	0	261
As of Dec. 31, 2023	**-7,465**	**-1,433**	**-8,898**
Carrying amount as of Dec 31, 2023	**13,785**	**1,745**	**15,530**

12. Non-current financial assets

The capitalized values of insurance policies under which the beneficiaries have no access to the insurance are reported in other financial assets; they totaled EUR 0 thousand (2022: EUR 707 thousand).

13. Inventories

Inventories in the amount of EUR 442 thousand (2022: EUR 478 thousand) essentially relate to software licenses from third-party providers and IT hardware. As there were no inventory risks at the end of the reporting period, no write-downs were necessary.

14. Contract assets

The following table provides an overview of total unbilled services and the associated billings as of December 31, 2023 and 2022:

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
Contract costs plus unbilled contract earnings	5,941	10,710
of which from service contracts	3,948	7,364
of which from construction contracts	1,993	3,346
less amounts received from progress billings	-4,087	-7,677
Total	**1,854**	**3,033**
of which: unbilled work in progress	3,208	6,013
of which: liabilities from advance payments	-1,354	-2,979

The methods for calculating impairment losses are described in section “7.4 Financial assets”. No impairment was required on contract assets in the past fiscal year or the previous year. Revenue of EUR 2,612 thousand was recognized from contract liabilities carried as liabilities in the previous year (2022: EUR 4,085 thousand).

15. Trade receivables

Trade receivables are typically non-interest-bearing and short-term in nature. Receivables are classified in past due categories with each receivable being assessed individually.

Write-downs on receivables take place in line with the following classification:

Maturity:	**Valuation allowance:**
not due	0%
past due up to 30 days	0%
past due more than 30 days	25%
past due more than 90 days	50%
past due more than 180 days	75%
past due more than 360 days	100%

For receivables past due for which no impairment has been recognized, there are no indications that the respective debtors will default on their payment obligations.

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

The impairment loss recognized for expected credit losses developed as follows:

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
Trade receivables (gross)	25,720	22,881
Impairment loss as of January 1 of the fiscal year	-607	-645
Amounts utilized in the fiscal year	0	10
Charge for the year	-812	-104
Reversals	78	132
Impairment loss as of December 31 of the fiscal year (loss allowance in accordance with IFRS 9)	-1,341	-607
Trade receivables (net)	**24,379**	**22,274**

As of December 31, 2023, trade receivables with a nominal value of EUR 1,980 thousand were impaired (2022: EUR 1,241 thousand). Of this figure, EUR 664 thousand was up to 90 days past due, EUR 973 thousand was more than 90 days past due and EUR 343 thousand was more than 360 days past due.

16. Income tax receivables

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

17. Current financial assets

Financial assets include receivables in connection with research funds of EUR 345 thousand (2022: EUR 409 thousand). This includes the capitalized value of reinsurance policies of EUR 143 thousand (2022: EUR 0 thousand).

18. Other assets

Miscellaneous assets include input tax of EUR 288 thousand (2022: EUR 513 thousand) that is deductible in subsequent years.

19. Prepaid expenses

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

20. Cash on hand and bank balances

This item is broken down as follows:

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
Fixed-term overnight money	9,915	8,423
Demand deposits	3,570	7,091
Cash on hand	9	11
	13,494	**15,525**

21. Equity

Changes in equity are shown in the consolidated statement of changes in equity.

21.1 Share capital and treasury shares

As in the previous year, the fully paid-up issued capital of the Company totaled EUR 10,524 thousand as of December 31, 2023. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00. USU Software AG held 487,586 (2022: 523,770) treasury shares at the reporting date, corresponding to a notional interest in the share capital of EUR 487,586 or 4.63%. The total cost of the treasury shares is offset against equity.

21.2 Authorized capital

By way of resolution of the Annual General Meeting of July 4, 2017, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,630,942 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 3, 2022 (Authorized Capital 2017). In fiscal 2022, this resolution (Authorized Capital 2017) was canceled and replaced by a new resolution (Authorized Capital 2022) that applies until June 30, 2027. In the same way as for the canceled resolution, the current resolution provides for shareholders to be granted subscription rights as a matter of principle. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights disapplied does not exceed 10% – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category and with the same rights already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203(1) and (2) and section 186(3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2022 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186(3) sentence 4 AktG and the pro rata amount of the share capital that relates to option or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2022 in accordance with section 186(3) sentence 4 of the Aktiengesetz (AktG – German Stock Corporation Act) with the corresponding changes.

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

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

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from authorized capital 2022, including the content of share rights and the conditions for the issuing of shares.

21.3 Contingent capital

By way of resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased by EUR 378 thousand through the issue of no-par value bearer shares. The sole purpose of the contingent capital increase is to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no out-standing options as of December 31, 2023.

21.4 Treasury shares

By way of resolution of the Annual General Meeting on June 26, 2020, the Management Board was authorized to acquire treasury shares amounting to up to 10% of the share cap-ital until June 25, 2025. Based on this authorization, the Management Board of the Company acquired a total of 523,770 treasury shares at a price of EUR 18.75 per share in fiscal 2022, corresponding to a total purchase price of EUR 9,820,687.50. In fiscal 2023, 36,184 shares were sold to employees of the USU Group in conjunction with a staff share program.

21.5 Staff share program

On September 4, 2023, the Group offered 808 employees of the USU Group the chance to participate in a preferential share purchase plan. To participate in this plan, eligible employees had to be in a valid employment relationship as of September 4 without notice having been given. Members of the Management Board were excluded from the program. Under the terms of the plan, participants were entitled to acquire a maximum of 75 shares per person at a price 50% less than the closing price of USU's shares in XETRA trading on August 31, 2023 (grant date) rounded down to the nearest full 50 cents. The exercise price was therefore EUR 8.50. Options not exercised were forfeited without replacement. The discounted shares were provided from USU Software AG's holdings of treasury shares. 36,184 treasury shares were sold in total.

21.6 Capital reserves

Capital reserves essentially contain the cash premium from the issue of shares and the excess resulting from the share buyback in fiscal 2022. The change of EUR 601 thousand relates to the staff share program.

21.7 Other retained earnings

Details of the composition of retained earnings can be found in the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

21.8 Earnings per share

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

	2023	2022
Consolidated earnings attributable to the shareholders of USU Software AG: EUR thousand	5,282	7,582
Average number of shares in the year: Number	10,009,046	10,392,828
Basic earnings per share EUR	0.53 €	0.76 €
Diluted earnings per share EUR	0.50 €	0.72 €

The number of shares outstanding at the respective reporting dates is calculated as follows:

	2023 Number	2022 Number
Number of shares as of January 1	10,000,000	10,523,770
Repurchase of treasury shares	0	-523,770
Sold to employees	36,184	0
Number of shares as of December 31	**10,036,184**	**10,000,000**

21.9 Appropriation of net profit

The resolution on the utilization of USU Software AG's unappropriated surplus in fiscal 2022 was adopted at the Annual General Meeting on June 20, 2023. The Annual General Meeting approved the proposal of the Management Board and Supervisory Board to distribute a dividend of EUR 0.55 for the 10,000,000 participating shares (EUR 5,500 thousand).

For fiscal 2023, the Management Board is proposing to distribute a dividend of EUR 0.55 per share for a total of 10,036,184 no-par value shares (EUR 5,520 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2023.

21.10 Other comprehensive income

The currency translation reserve of EUR 153 thousand at the reporting date (2022: EUR 284 thousand) essentially relates to currency translation differences in connection with USU Solutions Inc., USA. The change is reported in the consolidated statement of comprehensive income under currency translation differences.

EUR thousand	**As of Jan. 1, 2022**	**Other comprehensive income**	**As of Dec. 31, 2022**
Pensions	-103	182	79
- deferred taxes	-13	-10	-23
Currency translation differences	414	-130	284
- deferred taxes	0	0	0
Total	**298**	**42**	**340**

EUR thousand	**As of Jan. 1, 2023**	**Other comprehensive income**	**As of Dec. 31, 2023**
Pensions	79	-37	42
- deferred taxes	-23	10	-13
Currency translation differences	284	-131	153
- deferred taxes	0	0	0
Total	**340**	**-158**	**182**

22. Pension provisions

Pension commitments only exist for employees of USU GmbH (formerly: USU Solutions GmbH), providing for a one-time payment to the beneficiaries when they reach the age of 65, and for all senior employees of USU SAS, who are to receive a one-time payment when they reach the age of 62.

Pension provisions are calculated using the projected unit credit method. The future obligations were measured using actuarial calculations. In Germany, the 2018 G mortality tables published by Prof. Klaus Heubeck are applied. The method of calculation used by USU SAS is the retrospective pro rata temporis method with reference to the "INSEE 2012-2014 regulation table prov." mortality tables.

The basis of calculation is shown in the following table:

	USU GmbH *)		USU SAS	
	2023	2022	2023	2022
Discount rate	3.45%	3.90%	3.17%	3.65%
Subsequent contributions	0.00%	0.00%	2.50%	2.00%
Pension trend	0.00%	0.00%	0.00%	0.00%
Probability of fluctuation	0.00%	0.00%	3.65%	Average: 5%
Duration in years	5.33	5.7	5.33	5.7

**) USU Solutions GmbH in 2022, which was merged with USU GmbH in fiscal 2023*

As of December 31, 2023, the Company recognized actuarial gains netted against actuarial losses of EUR 43 thousand (before taxes) in equity.

The Company's policy is to invest amounts with insurance companies to cover the actuarial present value of its pension obligation. Insofar as they were pledged to the beneficiaries, insurance policies were classified as qualifying plan assets.

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

Development of the pension obligation:	2023 EUR thousand	2022 EUR thousand
Present value of benefit obligation at the start of the year under review	1,322	1,669
Current service cost	40	24
Interest cost	29	14
Actuarial gains/losses in other comprehensive income from		
- demographic assumptions	0	0
- financial assumptions	29	-195
- experience adjustments	0	11
Transfer of pension obligations	0	-202
Present value of benefit obligation at the end of the year under review	**1,420**	**1,322**

Development of plan assets:	2023 EUR thousand	2022 EUR thousand
Fair value of plan assets at the start of the year under review	331	329
Income from plan assets (interest income)	7	3
Payments to/from plan assets	0	0
Amortization of plan assets	0	0
Actuarial gains/losses in other comprehensive in-come	-5	-1
Fair value of plan assets at the end of the year under review	**333**	**331**

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

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
Present value of pension obligation	1,420	1,322
Fair value of plan assets	333	331
Obligation reported in the statement of financial position	**1,087**	**991**

There were no significant adjustments to the pension obligations or the plan assets to reflect past experience. Employer contributions to plan assets for fiscal 2024 are estimated at EUR 9 thousand.

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

	2023 EUR thousand	2022 EUR thousand
Current service income	40	24
Interest income (previous year: interest expense)	30	183
Income from plan assets (interest income)	7	3
Amortization of plan assets	0	0
	77	**-156**

Both the interest income (previous year: interest expense) resulting from the discounting (previous year: compounding) of the pension provision and the income from plan assets were recognized in profit or loss in the financial result. Current service cost is reported in operating expenses.

Sensitivity analysis:
With other assumptions remaining constant, the defined benefit obligation would have changed as follows if the main actuarial assumption had changed at the reporting date to the extent considered reasonably possible.

December 31, 2023 Effect in EUR thousand	Increase in defined benefit obligation	Reduction in defined benefit obligation
Discount rate (1% change)	68	-61

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

The weighted average duration of the pension obligation was around 5.33 years as of December 31, 2023.

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

Fiscal year as of Dec 31	Expected payments EUR thousand
2024 to 2028	494
2029 to 2033	402

A pension commitment has been entered into for the Management Board members of USU Software AG. This pension commitment is covered by an insurance policy. This defined contribution plan does not result in any liability for the Group beyond the premiums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 28 thousand in the year under review (2022: EUR 28 thousand).

In addition, the German statutory pension scheme is considered to represent a defined contribution plan. Expenses recognized for the statutory pension fund total EUR 3,912 thousand (2022: EUR 3,583 thousand). Of this amount, EUR 19 thousand (2022: EUR 18 thousand) is attributable to Management Board members.

23. Lease liabilities

Leases entered into with an inception date after December 31, 2023 and any contract extensions are only recognized as of the date of contract inception or when the option is exercised. Future cash outflows of EUR 4,336 thousand can arise due to extension options (2022: EUR 2,899 thousand). A cash outflow of EUR 468 thousand from short-term leases and leases for low-value assets is anticipated for fiscal 2023 (2022: EUR 366 thousand).

Total lease payments amounted to EUR 3,236 thousand in 2023 (2022: EUR 3,005 thousand).

24. Income tax liabilities

Income tax liabilities of EUR 745 thousand (2022: EUR 1,084 thousand) essentially result from corporation tax and the solidarity surcharge of EUR 227 thousand (2022: EUR 547 thousand) and from trade tax for USU Software AG of EUR 493 thousand (2022: EUR 535 thousand).

25. Financial liabilities

There were no liabilities to banks in fiscal 2023. USU SAS reported liabilities to banks of EUR 132 thousand in fiscal 2022.

26. Personnel-related liabilities

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

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
Vacation and variable compensation	6,210	8,514
Other personnel-related liabilities	1,699	1,556
	7,909	**10,070**

	Amount Jan. 1, 2023	Utilization	Reversals	Additions	ending balance Dec. 31, 2023
Vacation and variable compensation	8,514	7,251	604	5,551	6,210

27. Other provisions and liabilities

Other provisions and liabilities include the following items:

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand
Other liabilities	3.884	3.067
Other provisions	495	641
	4.379	**3.708**

	Amount Jan. 1, 2023	Utilization	Reversals	Additions	ending balance Dec. 31, 2023
Other provisions	641	46	200	100	495

Other provisions essentially comprise provisions for obligations under company law and other identifiable individual risks from projects with a term of no longer than one year. Other liabilities essentially comprise VAT liabilities.

28. Liabilities from advances received (contract liabilities)

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

29. Trade payables

All trade payables are due within one year. This item includes liabilities for outstanding invoices received in the amount of EUR 1,320 thousand (2022: EUR 1,424 thousand).

30. Financial instruments

The following tables show the relationships between the categories of financial instruments prescribed by IFRS 9, the classification of financial instruments in accordance with IFRS 7 and the carrying amounts of financial instruments. At the Company, classification in accordance with IFRS 7 corresponds to the categories of financial instruments prescribed by IFRS 9. The fair values are also shown; at the Company, these were the same as the corresponding carrying amounts in both the year under review and the previous year.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy must be established with three levels of measurement based on whether the fair value of financial instruments was determined by reference to quoted prices in active markets (level 1), derived from quoted prices in active markets (level 2) or derived from unobservable inputs (level 3).

Financial instruments			**Measurement in accordance with IFRS 9**			
In EUR thousand as of December 31, 2023	**IFRS 9 category/ IFRS 7-class**	**Carrying amount**	**Amortized cost**	**Fair value through other comprehensive income**	**Fair Value recognized in profit or loss**	**Fair Value**
Contract assets	IFRS 15	3,208	3,208	0	0	3,208
Trade receivables	AC[1]	24,379	24,379	0	0	24,379
Financial assets (current)	AC[1]	749	749	0	0	749
Cash on hand and bank balances	AC[1]	13,494	13,494	0	0	13,494
Aggregated by class/category						
Loans and receivables	AC[1]	38,622	38,622	0	0	38,622
Contract assets	IFRS 15	3,208	3,208	0	0	3,208

Financial liabilities			**Measurement in accordance with IFRS 9**			
In EUR thousand as of December 31, 2023	**IFRS 9 category/ IFRS 7-class**	**Carrying amount**	**Amortized cost**	**Fair value through other comprehensive income**	**Fair Value through profit or loss**	**Fair Value**
Trade payables	AC[1]	6,603	6,603	0	0	6,603
Liabilities from advance payments	AC cost[1]/ IFRS 15	1,354	1,354	0	0	1,354
Liabilities from leases	AC[1]/ IFRS 16	15,947	15,947	0	0	15,947
Aggregated by class/category						
Measured at AC	AC[1]	23,904	23,904	0	0	23,904

[1] *AC: Amortized cost*

Financial instruments			**Measurement in accordance with IFRS 9**			
In EUR thousand as of December 31, 2022	**IFRS 9 category/ IFRS 7-class**	**Carrying amount**	**Amortized cost**	**Fair value through other comprehensive income**	**Fair Value recognized in profit or loss**	**Fair Value**
Contract assets	IFRS 15	6,013	6,013	0	0	6,013
Trade receivables	AC[1]	22,274	22,274	0	0	22,274
Financial assets (current)	AC[1]	669	669	0	0	669
Cash on hand and bank balances	AC[1]	15,525	15,525	0	0	15,525
Aggregated by class/category						
Loans and receivables	AC[1]	38,468	38,468	0	0	38,468
Contract assets	IFRS 15	6,013	6,013	0	0	6,013

Financial liabilities			**Measurement in accordance with IFRS 9**			
In EUR thousand as of December 31, 2022	**IFRS 9 category/ IFRS 7-class**	**Carrying amount**	**Amortized cost**	**Fair value through other comprehensive income**	**Fair Value recognized in profit or loss**	**Fair Value**
Trade payables	AC[1]	6,997	6,997	0	0	6,997
Liabilities from advance payments	AC cost[1]/ IFRS 15	3,941	3,941	0	0	3,941
Liabilities from leases	AC[1]/ IFRS 16	15,983	15,983	0	0	15,983
Aggregated by class/category						
Measured at AC	AC[1]	26,921	26,921	0	0	26,921

1) AC: Amortized cost

Cash on hand and bank balances, assets, trade receivables and other receivables typically have short remaining terms. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value. The same applies to trade payables and other liabilities.

The following table shows the net income from financial instruments broken down by IFRS 9 category:

		from subsequent valuation						**net profit/loss**	
EUR thousand	From interest	At fair value	Impair-ment	Reversal of Impair-ment	Interest effect	From currency translation	**from disposals**	2023	2022
Net gains or losses from financial instruments categorized as									
Financial assets at amortized cost	118	0	0	21	0	-1	65	203	357
Financial liabilities at amortized cost	208	0	0	0	0	0	0	208	116
Total	**326**	**0**	**0**	**21**	**0**	**-1**	**65**	**411**	**473**

The interest from financial instruments and the other components of the net profit are recognized in net financial income (see notes 40 and 41). This does not include impairment on trade receivables, which are reported under selling expenses.

As in the previous fiscal year, income and expenditure from fees and commission were not material in the year under review.

The following table provides an overview of the impairment gains or losses for each class of financial asset:

	2023 EUR thousand	2022 EUR thousand
Impairment loss recognized in the amortized cost category (2022: gain)	734	-50

31. Deferred income

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

32. Deferred taxes

Given the positive business development in previous years and the growth in earnings forecast for the period from 2024 to 2027, deferred tax assets are recognized at USU Software AG for tax loss carryforwards of the consolidated tax group in the amount of the forecast future results. The amount recognized was determined on the basis of the forecast results of USU Software AG approved by the Supervisory Board for a four-year planning period. Deferred tax liabilities are offset against deferred tax assets at the level of the consolidated tax group. At USU SAS, on the basis of the positive earnings performance and forecast, deferred tax assets on loss carryforwards have been recognized in the amount of future forecast results for 2024 to 2027.

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

	2023 EUR thousand	2022 EUR thousand	Change recognized in profit or loss 2023 EUR thousand	Change taken directly to equity 2023 EUR thousand
Deferred tax assets:				
IFRS 16 liabilities	4,348	4,501	-153	
Provisions	103	107	-14	10
Other assets	481	0	481	
From loss carryforwards	921	2,416	-1,495	
Deferred tax assets (gross)	**5,853**	**7,024**	**-1,181**	**10**
Less netting	-4,932	-4,608		
Deferred tax assets (net)	**921**	**2,416**		
Deferred tax liabilities:				
Provisions	0	34	34	
Intangible assets	601	767	166	
IFRS 16 right-of-use assets	4,235	4,418	183	
Work in progress	824	586	-238	
Deferred tax liabilities (gross)	**5,660**	**5,805**	**145**	**0**
Less netting	-4,932	-4,608		
Deferred tax liabilities (net)	**728**	**1,197**		**0**
Total	**193**	**1,219**	**-1,036**	**10**
After netting:				
Deferred tax assets	921	2,416		
Deferred tax liabilities	728	1,197		

As of December 31, 2023, deferred tax assets on tax loss carryforwards in Germany of approximately EUR 1,495 thousand (2022: EUR 1,495 thousand) were not recognized as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized on foreign tax loss carryforwards of around EUR 14,052 thousand (2022: around EUR 13,498 thousand). Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

D. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

33. Sales

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

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

	2023 EUR thousand	2022 EUR thousand
Consulting	80,975	71,838
Licenses	7,155	14,224
Maintenance	25,905	25,146
SaaS	17,017	14,224
Other	1,031	1,090
	132,083	**126,522**

Other sales include the gross margin on merchandise transactions in the amount of EUR 256 thousand (2022: EUR 219 thousand).

Revenues from contracts with customers break down as follows in terms of their recognition in time:

	2023 EUR thousand	2022 EUR thousand
Transfer of goods or services		
At a specific date	81,666	75,842
Over a specific period	50,417	50,680
	132,083	**126,522**

EUR 42,922 thousand (2022: EUR 39,370 thousand) of sales recognized over a specific period is attributable to maintenance and SaaS sales.

The cost of sales includes the following amounts:

	2023 EUR thousand	2022 EUR thousand
Included in contract liabilities at the beginning of the fiscal year	2,979	864
From performance obligations complied in previous fiscal years	0	0
	2,979	**864**

34. Cost of sales

	2023 EUR thousand	2022 EUR thousand
Personnel expenses	32,074	30,099
Fees for freelance staff and temporary workers	28,360	25,329
Depreciation and amortization	2,130	1,646
Other expenses	4,957	6,237
	67,521	**63,311**

35. Selling and marketing expenses

	2023 EUR thousand	2022 EUR thousand
Personnel expenses	13,637	14,342
Depreciation and amortization	818	833
Other expenses	11,785	7,441
	26,240	**22,616**

36. General and administrative expenses

	2023 EUR thousand	2022 EUR thousand
Personnel expenses	5,981	5,892
Depreciation and amortization	552	1,255
Other expenses	4,303	4,561
	10,836	**11,708**

37. Research and development expenses

Research and development expenses include the following expenses:

	2023 EUR thousand	2022 EUR thousand
Personnel expenses	17,129	15,027
Depreciation and amortization	1,306	1,301
Other expenses	2,490	1,744
	20,925	**18,072**

38. Other operating income

Other operating income essentially includes the following items:

	2023 EUR thousand	2022 EUR thousand
Research funds in the form of government grants	667	976
Income from the reversal of provisions	425	290
Income from currency translation differences	222	491
	1,314	**1,757**

Government grants were grants for income received in line with subsidized expenses. The grants have been recognized under other operating income. Receivables from grants for income are reported under current financial assets. There are no unfulfilled conditions or other contingencies.

39. Other operating expenses

This item includes the VAT from non-cash benefits amounting to EUR 224 thousand (2022: EUR 192 thousand). It also includes expenses resulting from exchange rate differences of EUR 185 thousand (2022: EUR 126 thousand) and other taxes for previous years in the amount of EUR 0 thousand (2022: EUR 312 thousand).

Other operating expenses include expenses in connection with short-term leases of EUR 282 thousand (2022: EUR 226 thousand) and expenses for leases for low-value assets that are not included in short-term leases of EUR 186 thousand (2022: EUR 140 thousand).

40. Finance income

Financial income includes the following items:

	2023 EUR thousand	2022 EUR thousand
Interest income	123	72
Income from currency differences in bank balances	0	241
Other	21	21
	144	**334**

41. Finance expenses

Financial costs include the following expenses:

	2023 EUR thousand	2022 EUR thousand
Cost of currency differences in bank balances	1	0
Other	233	170
	234	**170**

Other finance expenses include interest expenses for lease liabilities of EUR 208 thousand (2022: EUR 116 thousand).

42. Income taxes

Income taxes are composed as follows:

	2023 EUR thousand	2022 EUR thousand
Income taxes for the fiscal year	-1,108	-1,644
Income taxes for previous years	-107	-33
Deferred taxes	-1,036	-2,707
Tax expenditure (-)/ tax income (+)	**-2,251**	**-4,384**

In fiscal 2023, the Company's income was again subject to a corporate income tax rate of 15%, plus a solidarity surcharge of 5.5% on corporate income tax, and an effective trade tax rate of 12.8%. The total tax rate including solidarity surcharge and effective trade tax was 28.6%. The tax rate for the consolidated tax group was 30.0%.

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

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

	2023 EUR thousand	2022 EUR thousand
Earnings before income taxes	7,533	11,699
Theoretical tax expense (28.6%) (2022: 28.6%)	-2,154	-3,422
Changes in the theoretical tax expense due to:		
Use of tax loss carry-forwards/use of loss carryforwards not previously capitalized	208	-685
Allowance/non-recognition of deferred tax assets	-293	-496
Tax back payments/refunds for prior periods	-107	-31
Tax-exempt income/ non-deductible expenses	175	355
Deviation of tax rates from the Group's tax rate	-80	-105
Tax expenditure (-)/ tax income (+)	**-2,251**	**-4,384**

43. Other disclosures on the consolidated statement of profit or loss

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

	2023	2022
Consulting and services	355	319
Research and development	238	222
Administration and finance	95	106
Sales and marketing	115	109
	803	**756**

Staff costs break down as follows:

	2023 EUR thousand	2022 EUR thousand
Salaries	57,666	54,686
Social security, pensions and other benefit costs	11,155	10,675
	68,821	**65,361**

E. Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in the Group's cash in 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 consolidated statement of cash flows. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities.

The cash and cash equivalents shown in the consolidated statement of cash flows correspond to the item "Cash on hand and bank balances" in the statement of financial position (see note 47). 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.

Net cash from/used in operating activities is calculated using the indirect method. Non-cash earnings components are eliminated from consolidated earnings after taxes.

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

Interest income and expenses and the components of "Other net financial income" is allocated to operating activities.

Dividend payments are reported in cash flow from financing activities.

Tax payments are allocated to operating activities as a whole because it is not practical to allocate the payments to individual operations.

Interest paid/received and income taxes paid/refunded are reported in cash flow from operating activities using the direct method. In the first step, consolidated earnings are adjusted for the expenses and income reported in the consolidated statement of comprehensive income. Next, the interest paid/received and income taxes paid/refunded are reported separately.

44. Cash flow from operating activities

The USU Group generated cash flow from operating activities of EUR 7,884 thousand in fiscal 2023 (2022: EUR 10,369 thousand).

45. Cash flow from investing activities

Cash flow from investing activities totaled EUR -1,594 thousand in the 2023 reporting year after EUR -1,275 thousand in fiscal 2022.

Investments in property, plant and equipment and intangible assets totaled EUR 1,678 thousand (2022: EUR 1,308 thousand) and essentially relate to cash outflows for new and replacement investments in hardware and software and for investments in operating equipment.

46. Cash flow from financing activities

Net cash used in financing activities of EUR 8,241 thousand essentially related to the dividend payment to USU Software AG shareholders of EUR 5,500 thousand (EUR 0.55 per share for 10,000,000 no-par value shares) in the period under review. Lease liabilities of EUR 3,049 thousand were paid. Cash proceeds from issuing employee shares amounted to EUR 308 thousand.

47. Cash and cash equivalents

The following table shows the components of cash and cash equivalents.

	2023 EUR thousand	2022 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	9,915	8,423
Demand deposits	3,570	7,091
Cash on hand	9	11
	13,494	**15,525**

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 markets for business service management and knowledge solutions. This includes products and services for areas such as:

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

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

Unallocated activities essentially comprise the administrative expenses incurred by the parent company (Management Board, Finance, Legal, etc.), sales of goods to employees, the on-charging of liability insurance premiums to freelance staff, current financial instruments and bank balances.

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

Segment EBIT is composed of the gross income from revenue, selling and marketing expenses, general and administrative expenses, research and development expenses, other operating expenses, goodwill impairment and other operating income and expenses.

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

Segment assets comprise all assets except those from income taxes or certain financial instruments (including liquidity).

Segment liabilities comprise all liabilities except those from income taxes, pension liabilities and similar obligations or certain financial instruments (including financial liabilities).

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

The following table provides a reconciliation of segment revenue and earnings to consolidated revenue and earnings.

EUR thousand	Product Business		Service Business		Total Segments		Unallocated		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales	90,333	90,592	41,750	35,794	132,083	126,386	0	137	132,083	126,522
Earnings before net financial income and income tax (EBIT)	3,994	10,733	5,901	3,957	9,895	14,690	-2,272	-2,889	7,624	11,800
Finance income	101	37	43	50	144	87	0	247	144	334
Finance expenses	-186	-114	-47	-46	-233	-160	-2	-10	-234	-170
Income taxes	-389	-1,114	-731	-439	-1,120	-1,553	-1,132	-2,832	-2,252	-4,384
Consolidated net earnings	**3,521**	**9,543**	**5,167**	**3,523**	**8,688**	**13,066**	**-3,405**	**-5,484**	**5,282**	**7,582**
Segment assets/ Group assets	83,696	77,715	21,202	20,221	104,899	97,935	3,164	15,044	108,063	112,979
of which goodwill	36,073	36,072	4,019	4,019	40,092	40,092	0	0	40,092	40,092
Segment liabilities/ Group liabilities	35,266	39,359	10,557	11,011	45,823	50,370	5,025	5,655	50,847	56,025
Segment investments	1,378	991	237	224	1,615	1,215	63	93	1,678	1,308
Depreciation and amortization	3,581	3,311	1,138	1,245	4,720	4,556	86	180	4,805	4,735
Goodwill impairment	0	300	0	0	0	300	0	0	0	300
Employees at the reporting date (Dec. 31)	581	551	132	125	713	673	94	107	807	783

There was no intersegment revenue in fiscal 2023 or the previous year.

The geographic allocation of revenue is based on the country in which the respective customer is domiciled.

	2023 EUR thousand		2022 EUR thousand	
Germany	104,020	78.8%	96,114	76.0%
Abroad	28,063	21.2%	30,408	24.0%
Total	**132,083**	**100.0%**	**126,522**	**100.0%**

	2023 EUR thousand		2022 EUR thousand	
Abroad:				
- United States	9,195	32.8%	11,579	38.1%
- Switzerland	5,074	18.1%	6,064	19.9%
- France	4,993	17.8%	4,132	13.6%
- Austria	1,721	6.1%	2,150	7.1%
- Other countries	7,080	25.2%	6,483	21.3%
Total	**28,063**	**100.0%**	**30,408**	**100.0%**

The Group has transactions with one external individual customer accounting for more than 10% of its revenue. Sales with this customer amounted to EUR 15,610 thousand in fiscal 2023 (2022: EUR 15,165 thousand) and related to service business.

Investments outside Germany account for 2.04% of the consolidated total amount. Investments outside Germany essentially comprise the Group companies in the US, Czechia and France.

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

	31.12.2023 EUR thousand	31.12.2022 EUR thousand
Segment assets	**104,899**	**97,935**
Unallocated assets		
Cash on hand and bank balances	156	10,207
IFRS 16 right-of-use assets	846	1,179
Deferred tax assets	921	2,416
Income tax assets	163	0
Other assets	1,078	1,242
	3,164	**15,044**
Group assets	**108,063**	**112,979**

	2023 EUR thousand	2022 EUR thousand
Segment liabilities	**45,823**	**50,370**
Unallocated liabilities		
IFRS 16 lease liabilities, non-current	771	1,026
IFRS 16 lease liabilities, current	98	171
Deferred taxes	409	783
Other income tax liabilities	719	1,044
Other liabilities	3,027	2,631
	5,024	**5,655**
Group liabilities	**50,847**	**56,025**

G. Other disclosures

48. Related party disclosures

In accordance with IAS 24, the related parties of USU Software AG are defined as persons or entities with the ability to control the Group or exercise significant influence over it, including members of management and the Supervisory Board, and any persons or entities over which the Group has significant influence. Companies that are already included in consolidation are not considered related parties.

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.9. In fiscal 2023, the business relationships described below existed between members of the Management Board and the Supervisory Board and the persons and entities not included in the consolidated financial statements.

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

48.1 Udo Strehl/AUSUM GmbH (AUSUM)

USU Software AG reimbursed AUSUM GmbH for costs of EUR 36 thousand (2022: EUR 71 thousand) in fiscal 2023.

USU Software AG leased the Spitalhof administrative building and, since August 2020, the USU Campus in Möglingen from AUSUM GmbH. The total monthly rent currently amounts to EUR 55 thousand (2022: EUR 51 thousand) plus ancillary costs. In the past fiscal year, USU Software AG was invoiced EUR 657 thousand (2022: EUR 618 thousand) for the rental of the buildings and parking spaces.

As of December 31, 2023, there were open items of EUR 12 thousand.

48.2 Karin Weiler-Strehl

USU Software AG engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, through AUSUM GmbH on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 40 thousand in fiscal 2023 (2022: EUR 36 thousand).

USU Software AG also leased an office in Münchinger Strasse, Möglingen, from Ms. Karin Weiler-Strehl. In the past fiscal year, rent of EUR 11 thousand (2022: EUR 11 thousand) was paid for this office.

As of December 31, 2023, there were open items of EUR 12 thousand.

48.3 Stefan Merkel/Lysant GmbH (Lysant)

Through Stefan Merkel, USU commissioned Lysant to provide technical consulting and support in the areas of test management and design. Contracts amounting to EUR 748 thousand (2022: EUR 594 thousand) were awarded to Lysant in the year under review.

As of December 31, 2023, there were open items of EUR 47 thousand.

48.4 Loans to shareholders

There were no claims under loan agreements as of December 31, 2023.

49. Auditor's fees

The total fee paid to the auditor of the consolidated financial statements in the year under review in accordance with section 314(1) no. 9 HGB was composed as follows:

	2023 EUR thousand	2022 EUR thousand
Fee for		
- Audits of financial statements	227	209
- Other services:	19	11
- *Quarterly reviews*	19	11
Income (previous year: expenses) from previous years	29	28
Total	**217**	**248**

50. Other disclosures

Contingent liabilities

There were no reportable contingent liabilities as of December 31, 2023 or December 31, 2022.

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

In the course of its normal business operations, the Company can be subject to litigation, claims for damages, or court proceedings, including product liability issues and commercial disputes. The outcome of currently pending or future litigation cannot be predicted with reasonable assurance, hence future court decisions can result in expenses that are not fully covered by the insurance in place and that could have a material impact on the Company's business, financial position and operating results. In the opinion of the Company and its legal counsel as of December 31, 2023 and December 31, 2022, no decisions that could have a material impact effect on the net assets and results of operations of the Group are expected from the litigation that is currently pending.

On March 12, 2024, the company announced that it plans to delist the shares of USU Software AG. The company also plans to significantly expand its product business. To this end, the company has started the process of defining strategic options, separating the product business and searching for an external partner to participate in the product business in order to implement the strategy

52. Executive bodies

52.1 Management Board

In fiscal 2023, the Management Board of the parent company consisted of:

Bernhard Oberschmidt,
Chairman of the Management Board, economics graduate
Chairman of the Supervisory Board of Dürr Dental SE, Bietigheim-Bissingen

Dr. Benjamin Strehl,
Management Board member, business graduate
Member of the Supervisory Board of Marc O'Polo AG, Stephanskirchen

The total compensation paid to the active members of the Management Board was EUR 689 thousand in the past fiscal year (2022: EUR 987 thousand).

52.2 Supervisory Board

In fiscal 2023, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing director of AUSUM GmbH, Möglingen

Erwin Staudt,
Management consultant, Leonberg
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Advisory Board of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

Gabriele Walker-Rudolf,
Partner of Drees & Sommer SE, Stuttgart
Deputy Chair of the Supervisory Board of Real Blue Kapitalverwaltungs-GmbH, Stuttgart

The total compensation paid to the active members of the Supervisory Board in the past fiscal year was EUR 129 thousand. Details of the compensation paid to the members of the Supervisory Board can be found in the separate compensation report.

53. 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).

53.1 Default risk

The Group is exposed to default risk in conjunction with its cash and cash equivalents and trade receivables.

Cash and cash equivalents 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 defaults. As no collateral has been pledged, the risk of default is limited to the amount recognized in the statement of financial position.

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

In the event that the Group becomes aware of any evidence that the ability of a particular customer company to meet its financial obligations is impaired, it recognizes a specific impairment loss 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 re-flect the risk of uncollectability.

As in the previous year, there are no indications that the Group's debtors whose financial assets are neither past due nor impaired will default on their payment obligations. Financial assets are examined at each reporting date to determine whether there has been a deterioration in the credit quality necessitating a change in classification.

53.2 Liquidity risk

For USU, liquidity risk means the risk that it will be unable to fulfill its payment obligations due to insufficient cash and cash equivalents. To ensure solvency, sufficient cash and cash equivalents are held at USU on the basis of rolling liquidity planning that provides a cur-rent overview of the expected liquidity development for the individual companies and currencies. The cash and cash equivalents required by the Group in order to meet its fi-nancial obligations are largely covered by its ongoing operations. USU had cash and cash equivalents of EUR 13,494 thousand at the reporting date (2022: EUR 15,525 thousand). The Company also has authorized capital in the amount of EUR 2,631 thousand (2022: EUR 2,631 thousand) available for further capital increases.

The liquidity risk to which USU is exposed on account of its financial instruments relates to future interest and principal payment obligations for financial liabilities. The future payments are broken down as follows:

Financial liabilities **EUR thousand**	Carrying amounts **Dec. 31, 2023 (fiscal year)**	Cash flow **within 1 year (fiscal year)**	Cash flow **within 5 years (fiscal year)**	Cash flow **after more than 6 years (fiscal year)**
Financial liabilities	0	0	0	0
Lease liabilities (undiscounted)	16,592	3,281	8,472	4,839
Trade payables	6,603	6,603	0	0
Other	13,641	13,641	0	0
Total	**36,836**	**23,525**	**8,472**	**4,839**

Financial liabilities **EUR thousand**	Carrying amounts **Dec. 31, 2022 (previous year)**	Cash flow **within 1 year (previous year)**	Cash flow **within 5 years (previous year)**	Cash flow **after more than 6 years (previous year)**
Financial liabilities	0	0	0	0
Lease liabilities (undiscounted)	16,537	2,831	7,786	5,920
Trade payables	6,997	6,997	0	0
Other	17,719	17,719	0	0
Total	**41,253**	**27,547**	**7,786**	**5,920**

53.3 Interest-related cash flow risk

At USU Software AG, changes in market interest rates essentially affect cash flow from financial investments. If the market interest rate as of December 31, 2023 had been 1% higher (lower), net profit and equity would each have been EUR 109 thousand (December 31, 2022: EUR 208 thousand) higher (lower).

53.4 Exchange rate risk

The Company performs a certain volume of foreign currency transactions, and is therefore exposed to exchange rate fluctuations that have a corresponding impact on the assets and income reported in euro. Transaction risks also exist for financial assets denominated in foreign currencies. Sensitivity disclosures are not provided for reasons of materiality.

54. 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.

Equity and total assets as of December 31, 2023 and 2022 amounted to

	Dec. 31, 2023 EUR thousand	Dec. 31, 2022 EUR thousand	
Non-current liabilities	15,877	16,800	-5.5%
Current liabilities	34,971	39,225	-10.8%
Debt	**50,848**	**56,025**	-9.2%
Equity	**57,215**	**56,954**	+0.5%
Total liabilities and equity	**108,063**	**112,979**	-4.4%
Equity Ratio	52.9%	50.4%	

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

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

The following domestic subsidiaries included in the consolidated financial statements of USU Software AG exercised the exemption provisions of section 264(3) HGB for fiscal 2023:

- USU GmbH, Möglingen
- Omega Software GmbH, Obersulm
- Openshop Internet Software GmbH, Möglingen

H. SECURITIES TRANSACTIONS BY MEMBERS OF EXECUTIVE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies. As of December 31, 2023, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

Shareholdings subject to mandatory disclosure	2023 Shares	2022 Shares
Management Board:		
Bernhard Oberschmidt	162,518	162,518
Dr. Benjamin Strehl	0	0
Supervisory Board:		
Udo Strehl *)	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	1,000	1,000

**) An additional 5,388,000 voting rights in USU Software AG (2022: 5,366,888) are allocated to Mr. Udo Strehl through AUSUM GmbH as the majority shareholder of that company in accordance with section 34(1) sentence 1 no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).*

A further 32,000 (2022: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 34(1) sentence 1 no. 1 WpHG (new version).

AUSUM GmbH, whose majority shareholder is the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, also made the share purchases listed below via the Tradegate Exchange stock exchange and subsequently notified USU Software AG of the corresponding securities transactions.

Date	Number of shares
August 25, 2023	1,250
August 29, 2023	1,900
September 4, 2023	15,000
September 6, 2023	945
September 12, 2023	2,017

The Company in turn published this notification of securities transactions as required.

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

I. DIVIDEND PAYMENT

The Management Board and the Supervisory Board are proposing the payment of a dividend of EUR 5,520 thousand (EUR 0.55 per share).

J. DECLARATION OF COMPLIANCE

On December 12, 2023, the Management Board and the Supervisory Board of USU Software AG issued the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu.com. Further information on the declaration of conformity can be found in the report on the situation of the Company and the Group in these consolidated financial statements.

Möglingen, March 21, 2024

USU Software AG

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

Consolidated statement of changes in fixed assets for fiscal 2023

USU Software AG, Möglingen

	Cost				
	As of 01.01.2023 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2023 EUR thousand
Intangible assets					
Purchased software/orders on hand	9,427	-2	726	46	10,105
Trademarks and brands	2,532	0	0	0	2,532
Customer base	9,669	0	0	0	9,669
	21,628	**-2**	**726**	**46**	**22,306**
Goodwill	**64,101**	**0**	**0**	**0**	**64,101**
Property, plant and equipment					
Land and buildings	772	-7	45	17	793
Other equipment, operating and office equipment	8,356	-27	907	734	8,502
	9,128	**-34**	**952**	**751**	**9,295**
Right-of-use assets					
Land and buildings	20,538	-278	1,765	775	21,250
Other equipment, operating and office equipment	2,671	0	1,320	813	3,178
	23,209	**-278**	**3,085**	**1,588**	**24,428**
	118,066	**-314**	**4,763**	**2,385**	**120,130**

Cumulative depreciation and amortization					Carrying amounts	
As of 1.1.2023 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2023 EUR thousand	As of 31.12.2023 EUR thousand	As of 31.12.2022 EUR thousand
7,766	-2	458	48	8,174	1,931	1,661
2,001	0	0	0	2,001	531	531
9,263	0	80	0	9,343	326	406
19,030	**-2**	**538**	**48**	**19,518**	**2,788**	**2,598**
24,009	**0**	**0**	**0**	**24,009**	**40,092**	**40,092**
415	-7	61	17	452	341	357
5,668	-23	1,044	709	5,980	2,522	2,688
6,083	**-30**	**1,105**	**726**	**6,432**	**2,863**	**3,045**
6,267	-261	2,161	702	7,465	13,785	14,271
1,245	0	1,002	814	1,433	1,745	1,426
7,512	**-261**	**3,163**	**1,516**	**8,898**	**15,530**	**15,697**
56,634	**-293**	**4,806**	**2,290**	**58,857**	**61,273**	**61,432**

Consolidated statement of changes in fixed assets for fiscal 2022

USU Software AG, Möglingen

	Cost				
	As of 01.01.2022 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2022 EUR thousand
Intangible assets					
Purchased software/orders on hand	9.488	3	182	246	9.427
Trademarks and brands	2.532	0	0	0	2.532
Customer base	9.669	0	0	0	9.669
	21.689	**3**	**182**	**246**	**21.628**
Goodwill	**64.101**	**0**	**0**	**0**	**64.101**
Property, plant and equipment					
Land and buildings	753	12	7	0	772
Other equipment, operating and office equipment	7.658	39	1.119	460	8.356
	8.411	**51**	**1.126**	**460**	**9.128**
Right-of-use assets					
Land and buildings	19.788	39	1.311	600	20.538
Other equipment, operating and office equipment	2.597	0	987	913	2.671
	22.385	**39**	**2.298**	**1.513**	**23.209**
	116.586	**93**	**3.606**	**2.219**	**118.066**

	Cumulative depreciation and amortization					Carrying amounts	
	As of 1.1.2022 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2022 EUR thousand	As of 31.12.2022 EUR thousand	As of 31.12.2021 EUR thousand
	7.651	2	359	246	7.766	1.661	1.837
	2.001	0	0	0	2.001	531	531
	9.006	0	257	0	9.263	406	663
	18.658	**2**	**616**	**246**	**19.030**	**2.598**	**3.031**
	23.709	**0**	**300**	**0**	**24.009**	**40.092**	**40.392**
	343	12	60	0	415	357	410
	4.965	29	1.122	448	5.668	2.688	2.693
	5.308	**41**	**1.182**	**448**	**6.083**	**3.045**	**3.103**
	4.508	27	2.072	340	6.267	14.271	15.280
	1.293	0	865	913	1.245	1.426	1.304
	5.801	**27**	**2.937**	**1.253**	**7.512**	**15.697**	**16.584**
	53.476	**70**	**5.035**	**1.947**	**56.634**	**61.432**	**63.110**

Independent Auditor's Report

To USU Software AG, Möglingen

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

Audit Opinions

We have audited the consolidated financial statements of USU Software AG, Möglingen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the fiscal year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of the (consolidated) non-financial statement contained in section VIII. of the combined management report or the content of the (Group) corporate governance declaration contained in section VII. of the combined management report.

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

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e(1) of the Handelsgesetzbuch (HGB – German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2023, and of its financial performance for the fiscal year from January 1 to December 31, 2023, and

» the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

1. Impairment testing of goodwill

2. Revenue recognition from consulting services and the sale of software licenses

Re. 1. Impairment testing of goodwill

a) The risk for the consolidated financial statements

Goodwill of EUR 40.1 million is carried in the consolidated financial statements of USU Software AG (hereinafter: USU), Möglingen, under the line item "Goodwill". Goodwill accounts for around 37% of the Group's total assets. No impairment losses were recognized in the fiscal year. Goodwill is subject to an impairment test as of September 30 of each respective fiscal year. The annual impairment text is based on an independent valuation report from an external expert.

The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. The approved medium-term planning is the basis for this and is updated with assumptions regarding long-term growth rates. These also consider expectations of future market developments and assumptions regarding the development of macroeconomic factors. The valuation was performed using the discounted cash flow method. If the carrying amount of goodwill is above the cash-generating unit's recoverable amount, an impairment loss must be recorded.

The result of these valuations is heavily dependent on the estimate made by the executive directors of the future cash flows generated by the development of the business and earnings of cash-generating units over the planning horizon and also how the respective discount rates have been determined. The valuation is therefore complex and subject to material uncertainty. In this regard there is a risk for the consolidated financial statements that a potential need to record an impairment loss is not identified on the reporting date. To this extent, this matter constitutes a key audit matter.

The disclosures of the Company regarding goodwill are contained in sections 7.1, 7.3 and 9 of the notes to the consolidated financial statements.

b) Auditor's response and conclusions

To assess the appropriateness of the planning assumptions, we obtained an understanding of the planning process in interviews with the executive directors and other officers bearing responsibility for the process as well as an understanding of the key value drivers underlying the projected cash flows. We have also satisfied ourselves that the planning assumptions are appropriate by comparing them to general market expectations and those specific to the sector. Given the increasing relevance of revenue from software-as-a-service (SaaS) contracts for the years ahead, we discussed and considered the assumptions and calculation for this revenue flow at length with the executive directors. We compared the planning figures used in the impairment test with the business planning compiled by the executive directors and approved by the supervisory board. The reliability of the business planning was assessed using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in fiscal 2023. In those cases where any material discrepancies arose, we discussed these with the executive directors depending on their materiality for the consolidated financial statements.

Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we intensively addressed the parameters used to determine the discount rate including the weighted average cost of capital and verified the formula used in the calculation.

Due to the material significance of goodwill and the fact that the valuation of goodwill also depends on the macroeconomic environment, which lies outside the sphere of influence of the Company, we also assessed the sensitivity analyses of the cash-generating units with lower coverage (carrying amount compared to net present value) conducted by the Company. For all other cash-generating units, the respective goodwill is sufficiently covered by discounted future cash flows, such that no impairment was required.

The measurement parameters and assumptions applied by the executive directors are, in our opinion, appropriate in sum to perform the impairment test properly. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

Re. 2. Revenue recognition from consulting services and the sale of software licenses

a) The risk for the consolidated financial statements

In the fiscal year, the Group generated revenue of EUR 88.1 million from software consulting services and the licensing of software products to end consumers out of total revenue of EUR 132.1 million. Maintenance services and software-as-a-service accounted for an additional EUR 42.9 million. This revenue is distributed over the term of the contract on a straightline basis but was not considered a key audit matter given its low level of complexity.

Revenue from a software license is realized when the software has been supplied, the sales price has been fixed or is determinable, collection is reasonably assured and an agreement can be demonstrated. The revenue from consulting services is realized upon the service being rendered.

The Group offers its services to customers within the framework of a combination contract (license and maintenance or consulting) or in a number of separate contracts (dedicated contract for license, maintenance and consulting). If the combination contract or multiple separate contracts do not constitute a combined contract as defined by IFRS 15, the Group recognizes the revenue resulting from these contract at the selling prices of the individual services. The individual prices are determined on the basis of the price that would be asked for if the good or service was sold separately.

In those cases where the payment of royalties depends on providing consulting services which materially modify or expand the functionality of the software, the revenue from the software license and consulting services is deferred and recognized based on the percentage of completion of the underlying consulting service contract. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract.

For more information on revenue recognition, reference is made to the notes in sections 7.18 and 33 of the notes to the consolidated financial statements.

Due to the heterogeneity in the contractual arrangements and the complexity of the standards for revenue recognition relating to consultancy services and software license sales, there is a risk that revenue is recognized in the consolidated financial statements that does not actually meet the criteria for revenue recognition and that therefore recognized revenue is incorrect. To this extent, this matter constitutes a key audit matter.

b) Auditor’s response and conclusions

We assessed the accounting policies applied by USU for the recognition of revenue from consulting services and the sale of software licenses against the requirements of the IFRS Framework and the requirements of IFRS 15.

We obtained an understanding of the processes and internal controls with regard to revenue recognition for the various revenue streams and reviewed the effectiveness of the controls we identified. In addition to auditing the internal system of controls, we also conducted substantive audit procedures. Based on a selected sample of sales transactions, we obtained and audited the contractual framework, including the purchase order or sales contract, invoice and proof of performance. In addition, we obtained confirmations of the outstanding balances from customers to verify the receivables carried by USU on the reporting date. In addition, we conducted differentiated analytical procedures relating to the development of revenue over the course of the fiscal year. Using samples, we tested whether revenues had been correctly classified as either at a point in time or over time.

Furthermore, we inspected customer contracts on a samples basis and assessed whether USU had identified all the separate performance obligations in a multiple-element arrangement and allocated the transaction price accordingly and whether the performance obligations were satisfied at a point in time or over time. Likewise, we assessed whether the applicable revenue recognition principles had been properly applied to each separate revenue stream to ensure the proper matching of revenue to the correct period. Moreover, we assessed the appropriateness of the associated disclosures in the notes to the consolidated financial statements.

We are of the opinion that the accounting policies applied by USU to recognize revenue from consulting services and the sale of software licenses were suitable in fiscal 2023 to allow proper presentation in the consolidated financial statements.

Other Information

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

» the (group) declaration on corporate governance included in section VII. of the combined management report,

» the (consolidated) non-financial statement included in section VIII. of the combined management report,

» the report of the Supervisory Board,

» the compensation report,

» the remaining parts of the published annual report, with the exception of the consolidated financial statements, the audited components of the combined management report and our auditor’s report,

» the assurance in accordance with section 297(2) sentence 4 HGB on the consolidated financial statements and the assurance in accordance with section 289(1) sentence 5 HGB in conjunction with section 315(1) sentence 5 HGB on the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) contained in the (Group) Declaration on Corporate Governance included in section VII of the combined management report. The Management Board and the Supervisory Board are responsible for the preparation of the compensation report that complies with the requirements of section 162 AktG. In all other respects, the executive directors are responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with section 317(3a) HGB

Audit Opinion

We have performed assurance work in accordance with section 317(3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached file "USU_Software_AG_KAuKLB_ESEF-2023-12-31.zip" hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the combined management report for the fiscal year January 1 to December 31, 2023 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the management report contained in the file identified above in accordance with section 317(3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with section 317(3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibility of the Executive Directors and the Supervisory Board for ESEF Documents

The Executive Directors and the Supervisory Board are responsible for preparing the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with section 328(1) sentence 4 no. 1 HGB and for tagging the consolidated financial statements in accordance with section 328(1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328(1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of section 328(1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328(1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

» Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

» Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

» Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

» Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the independent auditor by the Annual General Meeting on June 20, 2023. We were engaged by the Supervisory Board on September 29, 2023. We have been the group auditor of USU Software AG, Möglingen without interruption since fiscal 2017.

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

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ms. Katrin Wolfrum.

Stuttgart, March 21, 2024

RSM Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Katja Schickle	Katrin Wolfrum
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Balance sheet as of December 31, 2023

USU Software AG, Möglingen

Assets	As of 31.12.2023 EUR	As of 31.12.2022 EUR
A. Fixed assets		
I. Intangible assets Purchased industrial and similar rights and assets	417,234.09	274,686.13
II. Tangible assets		
1. Land and buildings including buildings on third-party land	250,472.77	241,218.64
2. Other equipment, operating and office equipment	1,672,077.95	1,388,047.15
	1,922,550.72	**1,629,265.79**
III. Financial assets		
Shares in affiliated companies	48,146,279.32	47,528,279.32
B. Current assets		
I. Inventories		
1. Work in progress	3,715.01	57,709.05
2. Advance payments received	0.00	-57,709.05
	3,715.01	**0.00**
II. Receivables and other assets		
1. Trade receivables	141,327.84	159,305.39
2. Receivables from affiliated companies	21,575,710.29	26,076,540.82
3. Other assets	271,872.80	367,781.13
	21,988,910.93	**26,603,627.34**
III. Cash and cash equivalents	1,465,833.91	737,205.56
C. Prepaid expenses	**1,791,967.88**	**1,378,413.42**
	75,736,491.86	**78,151,477.56**

Equity and liabilities	As of 31.12.2023 EUR	As of 31.12.2022 EUR
A. Equity		
I. Issued capital		
1. Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)	10,523,770.00	10,523,770.00
2. Par value of treasury shares	-487,586.00	-523,770.00
	10,036,184.00	**10,000,000.00**
II. Capital reserves	4,619,125.14	4,347,745.14
III. Unappropriated surplus	28,209,213.44	23,292,840.02
	42,864,522.58	**37,640,585.16**
B. Provisions		
1. Tax provisions	986,900.00	1,311,287.43
2. Other provisions	1,340,681.34	2,117,564.97
	2,327,581.34	**3,428,852.40**
C. Liabilities		
1. Advance payments received on account of orders	0.00	15,021.95
2. Trade payables	924,146.05	615,123.35
3. Liabilities to affiliated companies	26,837,016.41	36,158,843.82
4. Other liabilities	2,708,680.29	142,050.20
	30,469,842.75	**36,931,039.32**
D. Deferred income	**74,545.19**	**151,000.68**
	75,736,491.86	**78,151,477.56**

Income statement for the period from January 1 to December 31, 2023

USU Software AG, Möglingen

	2023 EUR	2022 EUR
1. Sales	**13,178,838.43**	**11,178,212.78**
2. Decrease (previous year: increase) in work in progress	-53,994.04	26,083.95
3. Other operating income	3,202,175.53	3,474,560.77
	16,327,019.92	**14,678,857.50**
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	24,741.17	42,472.02
b) Cost of purchased services	3,055,114.96	2,471,803.56
	3,079,856.13	**2,514,275.58**
5. Personnel expenses		
a) Wages and salaries	7,948,285.76	7,639,545.95
b) Social security, post-employment and other employee benefit costs (of which in respect of old age pensions: EUR 8 thousand (previous year: EUR 8 thousand))	1,398,925.35	1,297,068.28
	9,347,211.11	**8,936,614.23**
6. Amortization of intangible assets and depreciation of tangible assets	644,326.33	433,326.40
7. Other operating expenses	7,909,099.03	8,130,741.36
	-4,653,472.68	**-5,336,100.07**
8. Income from profit transfer agreements	16,087,207.99	20,213,278.69
9. Income from the reversal of write-downs on financial assets	618,000.00	0.00
10. Other interest and similar income	66,968.58	92,119.71
11. Cost of loss absorption	94,193.69	1,319.95
12. Interest and similar expenses	510,343.05	523,816.47
13. Income taxes	1,097,784.31	1,558,193.91
	15,069,855.52	**18,222,068.07**
14. Earnings after taxes	**10,416,382.84**	**12,885,968.00**
15. Other taxes	9.42	262,346.98
16. Net profit	**10,416,373.42**	**12,623,621.02**
17. Profit carried forward from the previous year	17,792,840.02	10,669,219.00
18. Unappropriated surplus	**28,209,213.44**	**23,292,840.02**

A. General information

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

The single-entity financial statements of USU Software AG were prepared in accordance with sections 242 ff. and 264 ff. of the of the Handelsgesetzbuch (HGB – German Commercial Code) and the relevant provisions of the Aktiengesetz (AktG – German Stock Corporation Act). As a listed company, USU Software AG is classified as a large stock corporation in accordance with section 267(3) sentence 2 HGB.

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

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

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

B. Accounting policies

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

Tangible and intangible assets are recognized at acquisition cost (plus transaction costs) less scheduled depreciation, amortization and write-downs.

Assets that can be used independently and that have an acquisition cost of less than EUR 800.00 are written off in full in their year of acquisition.

Amortization and depreciation are recognized for intangible and tangible assets with limited useful lives on a straight-line basis over a standard useful life of between three and 20 years.

With regard to financial assets, shares in affiliated companies are carried at the lower of cost or market. Write-downs are recognized for permanent impairment. If the reasons for a write-down no longer apply in a subsequent fiscal year, the write-down is reversed in the amount of the increase in value, taking into account the amortization and depreciation that would have been recognized in the meantime.

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

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

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

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

The provision for obligations from parttime working agreements combined with a block model is measured at the settlement amount.

Assets that are protected from access by all other creditors, unencumbered and insolvency-proof and that serve exclusively to satisfy partial retirement liabilities (plan assets) are offset directly against the corresponding liabilities in accordance with section 246(2) sentence 2 HGB.

The plan assets are measured at fair value. The fair value of plan assets (reinsurance policies) is equal to their amortized cost in accordance with section 255(4) sentence 3 HGB and consists of the insurance company's actuarial reserve according to business planning plus any existing credit balance from premium refunds (irrevocable surplus participation).

Provisions for variable compensation components for employees, including the USU Software AG Management Board, are based on the Management Board's individual opinion regarding the respective level of target achievement, taking into account the contractually agreed targets.

Liabilities are carried at their settlement amount.

Advance payments received are reported net of VAT.

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

Deferred taxes are calculated using the balance sheet temporary concept in accordance with section 274 HGB. Deferred taxes are recognized for USU Software AG and its tax group companies for temporary differences between the accounting and tax carrying amounts of goodwill, pension provisions and other provisions in particular. Tax loss carryforwards at USU Software AG are taken into account in addition to the temporary accounting differences. Temporary differences and tax loss carryforwards that are expected to be offset within the next five years are measured using the Company's own tax rate (as of December 31, 2023: around 30%).

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

C. Notes to the balance sheet

1. Fixed assets

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

2. Receivables and other assets

Receivables from affiliated companies relate to profit transfers from subsidiaries of EUR 16,087 thousand (2022: EUR 20,213 thousand), short-term loans of EUR 3,540 thousand (2022: EUR 2,344 thousand), services in the amount of EUR 155 thousand (2022: EUR 3,520 thousand) and EUR 1,794 thousand from the VAT entity formed with USU GmbH in 2023.

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

Other assets include input tax receivables of EUR 27 thousand (2022: EUR 24 thousand) that are deductible in the following year.

3. Cash and cash equivalents

This item contains cash on hand and bank balances as well as bank balances in transit.

4. Issued capital and capital reserves

As in the previous year, the fully paid-up issued capital (share capital) of the Company totaled EUR 10,524 thousand as of December 31, 2023. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

USU Software AG held 487,586 (2022: 523,770) own shares on the balance sheet date as a result of the own shares acquired in fiscal 2022, corresponding to a notional interest in the share capital of EUR 487,586 (previous year: EUR 523,770) and therefore 4.63% (previous year: 4.98%) of the share capital.

36,184 shares were sold to employees of USU Software AG and its subsidiaries at a discounted price of EUR 8.50 under an employee share program in fiscal 2023.

The remaining nominal amount of own shares of EUR 487,586 following the implementation of the employee share program is deducted from subscribed capital. The employee share program reduced the capital reserves by EUR 271 thousand in the fiscal year.

Authorized capital

By way of resolution of the Annual General Meeting of July 4, 2017, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,630,942.00 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 3, 2022 (Authorized Capital 2017). In fiscal 2022, this resolution (Authorized Capital 2017) was canceled and replaced by a new resolution (Authorized Capital 2022) that applies until June 30, 2027. In the same way as for the canceled resolution, the current resolution provides for shareholders to be granted subscription rights as a matter of principle. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights disapplied does not exceed 10% – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category and with the same rights already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203(1) and (2) and section 186(3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2022 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186(3) sentence 4 AktG and the pro rata amount of the share capital that relates to option or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2022 in accordance with section 186(3) sentence 4 AktG with the corresponding changes.

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

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

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from authorized capital 2022, including the content of share rights and the conditions for the issuing of shares.

Contingent capital

By way of 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 sole purpose of the contingent capital increase was to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2023.

5. Other provisions

Other provisions essentially comprise provisions for bonus payments (EUR 544 thousand), for Supervisory Board compensation (EUR 129 thousand), for the annual financial statements (EUR 202 thousand), for vacation not yet taken (EUR 103 thousand), other staff provisions (EUR 144 thousand) and provisions for out-standing invoices (EUR 44 thousand).

Disclosures on plan assets in accordance with section 246(2) sentence 2 HGB:

	2023 EUR	2022 EUR
Obligation from part-time agreement	22,392.00	0
Plan assets (fair value)	22,371.85	0
Obligation from part-time agreement	20.15	0
Plan assets (acquisition cost)	23,063.76	0

6. Liabilities

Type of liabilities	Total 31.12.2023 EUR thousand	Total 31.12.2022 EUR thousand	Due within 1 year 31.12.2023 EUR thousand	Due within 1 year 31.12.2022 EUR thousand	Due within 1–5 years 31.12.2023 EUR thousand	Due within 1–5 years 31.12.2022 EUR thousand
Trade payables	924	615	924	615	0	0
Liabilties to affiliated companies	26,837	36,159	1,322	5,235	25,515	30,924
Other liabilities	2,709	142	2,709	142	0	0
(of which from taxes)	(2709)	(117)	(2,709)	(117)	(0)	(0)
	30,470	**36,916**	**4,955**	**5,992**	**25,515**	**30,924**

Liabilities to affiliated companies predominantly relate to loan liabilities (EUR 26,226 thousand, 2022: EUR 35,653 thousand) and are secured in the amount of EUR 26,226 thousand (2022: EUR 35,653 thousand) by a global assignment of receivables. EUR 2 thousand (2022: EUR 41 thousand) relates to trade payables, EUR 94 thousand (2022: EUR 1 thousand) to loss absorption and EUR 515 thousand (2022: EUR 464 thousand) to interest for loan liabilities. As of the reporting date there were no liabilities with a remaining term exceeding five years.

D. Notes to the income statement

1. Sales

	2023 EUR thousand	2022 EUR thousand
Consulting	111	194
Licenses	487	703
Maintenance	44	31
Other	12,537	10,250
	13,179	**11,178**

In the year under review, sales of EUR 11,618 thousand (2022: EUR 9,444 thousand) were generated in Germany and sales of EUR 1,561 thousand (2022: EUR 1,734 thousand) were generated abroad.

The increase in other sales is essentially due to higher intragroup sales in the areas of administration, IT and marketing. The Group-wide activities for these areas that are bundled at USU Software AG were further expanded and intensified in the year under review.

2. Other operating income

Other operating income of EUR 3,202 thousand (2022: EUR 3,475 thousand) essentially relates to services for Group companies of EUR 2,277 thousand (2022: EUR 2,606 thousand) and research funds of EUR 216 thousand (2022: EUR 600 thousand).

Other operating income includes income from currency translation of EUR 16 thousand (2022: EUR 34 thousand) and prior-period income of EUR 372 thousand (2022: EUR 146 thousand).

3. Depreciation and amortization

Depreciation and amortization is presented separately in the statement of changes in fixed assets, which is an integral element of the notes to the financial statements.

4. Other operating expenses

This item includes expenses from currency translation of EUR 43 thousand (2022: EUR 41 thousand).

5. Net investment income

The Company entered into profit transfer agreements with Openshop Internet Software GmbH on March 2, 2000 and with Omega Software GmbH on May 19, 2005. The profit transfer agreements with USU Solutions GmbH of December 29, 2006 and USU Technologies GmbH of May 31, 2012 ceased to exist as a result of the merger of the two companies with USU GmbH. There is a profit and loss transfer agreement with USU GmbH dated May 6, 2019 that became effective retrospectively from the start of fiscal 2019.

Under these agreements, the participating companies are required to transfer all of their profits to USU Software AG for the duration of 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 in the same period.

Accordingly, the profit generated by USU GmbH in fiscal 2023 was transferred to USU Software AG in line with the profit transfer agreement. The loss reported by Openshop Internet Software GmbH and Omega Software GmbH in fiscal 2023 was settled by USU Software AG.

EUR 16,087 thousand (2022: EUR 20,213 thousand) of income from profit transfer agreements relates to affiliated companies.

EUR 618 thousand (2022: EUR 0 thousand) of income from the reversal of write-downs on financial assets relates to affiliated companies.

The cost of loss absorption of EUR 94 thousand (2022: EUR 1 thousand) relates to affiliated companies.

6. Net finance

EUR 49 thousand (2022: EUR 92 thousand) of other interest and similar income relates to affiliated companies.

EUR 508 thousand (2022: EUR 509 thousand) of interest and similar expenses relates to affiliated companies.

7. Income taxes

Income taxes included prior-period expenses of EUR 111 thousand (2022: EUR 33 thousand) and prior-period income of EUR 4 thousand (2022: EUR 0 thousand).

8. Other taxes

Other taxes include prior-period expenses of EUR 0 thousand (2022: EUR 262 thousand).

E. Other disclosures

1. Disclosures on participations

USU Software AG holds 100% of the shares in each of the following companies. The information on equity and net income represents the amounts recognized in accordance with the respective national accounting standards.

	Equity 31.12.2023 EUR thousand	Net profit 2023 EUR thousand
USU GmbH, Möglingen[1) 2)]	32.047	16.087
Omega Software GmbH, Obersulm[1)]	970	-93
Openshop Internet Software GmbH, Möglingen[1)]	-667	-1
USU Solutions Inc., Boston, USA	-8,749	-1,547
USU SAS, Paris, France	-2,967	102
USU GK, Tokyo, Japan	-213	-44

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

[2)] *USU Technologies GmbH and USU Solutions GmbH were merged with USU GmbH in fiscal 2023.*

The following wholly-owned participations are held indirectly via USU GmbH, Möglingen.

	Equity 31.12.2023 EUR thousand	Net profit 2023 EUR thousand
USU Software s.r.o, Brno, Czech Republic	903	372
USU Austria GmbH, Vienna, Austria	-794	101

2. Employees

An average of 117 people were employed by the Company in fiscal 2023 (2022: 106), 34 of whom were assigned to sales functions (2022: 34), 10 to development functions (2022: 16) and 73 to administration functions (2022: 56).

3. Contingent liabilities

USU Software AG has issued letters of comfort in favor of Openshop Internet Software GmbH, Möglingen. Under these letters of comfort, USU Software AG, Möglingen, un-dertakes to manage this subsidiary and to supply it with financial re-sources such that it is able to settle its liabilities in 2023 and in 2024. In addition, USU Software AG has issued a declaration of subordination with respect to all receivables of EUR 674 thousand (2022: EUR 674 thousand) from Openshop Internet Software GmbH.

The Management Board assumes that there is no concrete risk of the contingent liabil-ities being utilized. The Company does not have any active business operations. It has sufficient cash and cash equivalents to fulfill its existing payment commitments to third parties. As of the reporting date, receivables of EUR 674 thousand held by USU Soft-ware AG against Openshop Internet Software GmbH, Möglingen, were impaired.

The Company issued a letter of comfort in favor of USU SAS, Paris, France, on Decem-ber 28, 2023. Under this letter of comfort, USU Software AG undertakes to supply its subsidiary with financial resources such that it is able to settle its liabilities and fulfill active business operations for fiscal 2024.

The Management Board assumes that the Company will remain a going concern and does not currently expect any specific risk from utilization.

Profit transfer agreements have been entered into with three affiliated companies.

4. Other financial commitments

As of the reporting date, other financial commitments amounted to EUR 9,560 thousand. They were broken down as follows:

	Due in 2024 EUR thousand	Due in 2025 EUR thousand	Due from 2026 onward EUR thousand	Dec. 31, 2023 Total EUR thousand	Dec. 31, 2022 Total EUR thousand
Operating leases					
Buildings	976	985	7,066	9,027	8,633
Cars	157	110	43	310	254
Office equipment	151	36	36	223	33
Total (nominal amount)	**1,284**	**1,131**	**7,145**	**9,560**	**8,920**

Off-balance sheet operating leases mainly relate to building rentals, vehicle leases and rental agreements for office equipment including IT hardware. These contracts constitute a financing alternative with which a liquidity and equity commitment and the transfer of significant economic risks can be avoided. Furthermore, planning and calculation security exists with regard to lease conditions that have been agreed for the term. One risk lies in the possibility that the items assumed may not be freely available in the event that they are not utilized.

5. Supervisory Board

In fiscal 2023, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing director of AUSUM GmbH, Möglingen

Erwin Staudt, Deputy Chairman
Management consultant, Leonberg
Member of the Supervisory Board of PROFI Engineering Systems AG, Darmstadt
Member of the Advisory Board of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

Gabriele Walker-Rudolf
Partner of Drees & Sommer SE, Stuttgart
Deputy Chair of the Supervisory Board of Real Blue Kapitalverwaltungs-GmbH, Stuttgart

Total compensation of the Supervisory Board

The total compensation paid to the Supervisory Board in fiscal 2023 was EUR 129 thousand.

6. Management Board

Bernhard Oberschmidt
(Chairman of the Management Board)
Chairman of the Supervisory Board of Dürr Dental SE, Bietigheim-Bissingen

Dr. Benjamin Strehl
Member of the Supervisory Board of Marc O'Polo AG, Stephanskirchen

Total compensation of the Management Board

The total compensation paid to the Management Board in fiscal 2023 was EUR 689 thousand. Details can be found in the compensation report of the Group for fiscal 2023.

7. Auditor's fees

The auditor's fees for fiscal 2023 total EUR 217 thousand and include prior-period income for fiscal 2022 in the amount of EUR 29 thousand. Of the auditor's fees, auditing services accounted for EUR 227 thousand, other services for EUR 19 thousand and tax consulting for EUR 0 thousand.

In addition to auditing activities, miscellaneous services were provided for USU Software AG. These entailed attestation services in connection with the preparation of USU Software AG's quarterly financial statements in fiscal 2023.

8. Events after the reporting date

On March 12, 2024, the company announced that it plans to delist the shares of USU Software AG. The company also plans to significantly expand its product business. To this end, the company has started the process of defining strategic options, separating the product business and searching for an external partner to participate in the product business in order to implement the strategy

9. Group affiliations

USU Software AG is the parent of the companies contained in the list of participations. These are companies affiliated with US Software AG. In accordance with section 315a(1) HGB, USU Software AG prepares the consolidated financial statements in accordance with IFRS for the smallest and the largest consolidated group. The consolidated financial statements and the Management Report on the Company and the Group are published in the company register. In addition, the consolidated financial statements and the Management Report on the Company and the Group are available on request from USU Software AG in Möglingen. They are also available on USU Software AG's website at http://www.usu.com.

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

On December 12, 2023, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu.com. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group in these single-entity financial statements.

11. Disclosures by USU Software AG in accordance with section 160(1) no. 8 AktG

USU Software AG has received the following voting right notifications from shareholders holding at least 3% of the voting rights:

Notifier	Date on which threshold reached	Share in voting rights	
		In %	Absolute
Peter Scheufler	November 9, 2020	4.97	523,289
Main First SICAV	October 13, 2022	4.68	492,564
AUSUM GmbH	September 21, 2017	50.72	5,338,044

12. Appropriation of net profit

The Management Board proposes using the net retained profits of EUR 28,209 thousand as of December 31, 2023 as follows:

- to pay a dividend of EUR 0.55 per share for 10,036,184 shares, amounting to a total of EUR 5,520 thousand
- to carry forward the remaining unappropriated surplus of EUR 22,689 thousand to new account.

Möglingen, March 21, 2024

Bernhard Oberschmidt
Chairman of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board

Statement of changes in fixed assets for fiscal 2023

USU Software AG, Möglingen

	Acquisition/production cost			
	As of 1.1.2023 EUR	Additions EUR	Disposals EUR	As of 31.12.2023 EUR
I. Intangible assets				
Concessions, industrial and similar rights and assets	319,940.84	259,898.19	0.00	579,839.03
II. Tangible assets				
1. Land and buildings including buildings on third-party land	313,739.15	45,217.44	0.00	358,956.59
2. Other equipment, operating and office equipment	1,999,475.79	775,043.59	29,808.80	2,744,710.58
	2,313,214.94	**820,261.03**	**29,808.80**	**3,103,667.17**
III. Financial assets				
Shares in affiliated companies	50,979,245.92	0.00	0.00	50,979,245.92
	53,612,401.70	**1,080,159.22**	**29,808.80**	**54,662,752.12**

	Cumulative depreciation and amortization					Carrying amounts	
	As of 1.1.2023 EUR	Additions EUR	Reversals of write-downs EUR	Disposals EUR	As of 31.12.2023 EUR	As of 31.12.2023 EUR	As of 31.12.2022 EUR
	45,254.71	117,350.23	0.00	0.00	162,604.94	417,234.09	274,686.13
	72,520.51	35,963.31	0.00	0.00	108,483.82	250,472.77	241,218.64
	611,428.64	491,012.79		29,808.80	1,072,632.63	1,672,077.95	1,388,047.15
	683,949.15	**526,976.10**	**0.00**	**29,808.80**	**1,181,116.45**	**1,922,550.72**	**1,629,265.79**
	3,450,966.60	0.00	618,000.00	0.00	2,832,966.60	48,146,279.32	47,528,279.32
	4,180,170.46	**644,326.33**	**618,000.00**	**29,808.80**	**4,176,687.99**	**50,486,064.13**	**49,432,231.24**

Independent Auditor's Report

To USU Software AG, Möglingen

Report on the Audit of the Annual Financial Statements and the Combined Management Report

Audit Opinions

We have audited the annual financial statements of **USU Software AG, Möglingen,** which comprise the statement of financial position as of December 31, 2023 and the statement of income for the fiscal year from January 1 to December 31, 2023 as well as the notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the fiscal year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of the (consolidated) non-financial statement contained in section VIII. of the combined management report or the content of the (Group) corporate governance declaration contained in section VII. of the combined management report.

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

» the attached annual financial statements, in all material respects, comply with the requirements of German commercial law applicable to business corporations, and give a true and fair view of the net assets and financial position of the Company in compliance with German legally required accounting principles as of December 31, 2023 and its results of operations for the fiscal year from January 1 to December 31, 2023 in accordance with these provisions; and

» the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view is the key audit matter below:

» Recoverability of shares in affiliated companies

a) The risk for the financial statements

Equity interests of EUR 48,146 thousand (previous year: EUR 47,528 thousand) are reported under "Shares in affiliated companies" in the annual financial statements of USU Software AG, Möglingen. They account for 64% of total assets. USU Software AG, Möglingen, performed a scheduled review of the recoverability of material shares in affiliated companies as of the reporting date. No write-downs were required on the shares in the affiliated companies of USU Software AG, Möglingen, in the fiscal year. Impairment losses of EUR 618 thousand on shares in USU SAS that had been recognized in previous years were reversed as the reasons for impairment no longer applied. Section B. "Accounting policies" of the notes to the financial statements contains explanations of the accounting of financial assets.

When measuring fair value, the perspective of the entity holding the shares in the affiliated company should be taken. The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. The approved medium-term planning is the basis for this and is updated with assumptions regarding long-term growth rates. These also consider expectations of future market developments and assumptions regarding the development of macroeconomic factors. The net present values are determined using the discounted cash flow method. As a discount rate the weighted average cost of capital is used. The business valuations carried out by the Company were used to determine the fair values.

The result of these valuations is heavily dependent on the estimate made by the executive directors of the future cash flows generated by the development of the business and earnings of affiliated companies over the planning horizon and also how the respective discount rates have been determined. This was a key audit matter on account of the complexity of measurement, the substantial uncertainty of the underlying assumptions and the significance to the assets and liabilities and financial performance of USU Software AG, Möglingen.

b) Auditor's response and conclusions

We assessed the recoverability of the material carrying amounts of the investments in conjunction with our audit. For instance, we assessed whether the measurement model used to determine total enterprise value accurately reflects the requirements of the relevant measurement standards, whether the calculation in the model is correct and whether the calculation of the weighted cost of capital is appropriate. Based on the knowledge that even small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we intensively addressed the parameters used to determine the discount rate including the weighted average cost of capital and verified the formula used in the calculation.

The focus of our audit was a critical analysis of the key assumptions on which the measurement was based. To assess the appropriateness of the planning assumptions, we obtained an understanding of the planning process in interviews with the executive directors and other officers bearing responsibility for the process as well as an understanding of the key value drivers underlying the projected cash flows. Given the high relevance of revenue from software-as-a-service (SaaS) contracts for the years ahead, we discussed and considered the assumptions and calculation for this revenue flow at length with the executive directors. The reliability of the business planning was assessed using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in the fiscal year. In those cases where any material discrepancies arose, we discussed these with the executive directors depending on their materiality for the financial statements. Furthermore, we compared key planning assumptions made by management to general and market expectations and those specific to the industry. In addition, we investigated to our satisfaction that future cash flows underlying the valuations and the weighted costs of capital together constitute a proper basis for the impairment test of the respective shares in affiliated companies.

Based on the information available, the valuation parameters and assumptions applied by the legal representatives appear suitable to us to properly value the shares in affiliated companies. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

Other Information

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

» the (consolidated) non-financial statement included in section VIII. of the combined management report,

» the (group) declaration on corporate governance included in section VII. of the combined management report,

» the report of the Supervisory Board,

» the compensation report,

» the remaining parts of the published annual report, with the exception of the annual financial statements, the audited components of the combined management report and our auditor's report,

» the assurance in accordance with section 264(2) sentence 3 HGB on the annual financial statements and the assurance in accordance with section 289(1) sentence 5 HGB in conjunction with section 315(1) sentence 5 HGB on the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) contained in the (Group) Declaration on Corporate Governance included in section VII of the combined management report. The Management Board and the Supervisory Board are responsible for the preparation of the compensation report that complies with the requirements of section 162 AktG. In all other respects, the executive directors are responsible for the other information.

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

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

» is materially inconsistent with the annual financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of accounting and asset misappropriation) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and the Combined Management Report

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

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

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

» Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

» Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

» Evaluate the presentation, structure and content of the annual financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

» Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

» Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the annual financial statements and the combined management report prepared for publication purposes in accordance with section 317(3a) HGB

Audit Opinion

We have performed assurance work in accordance with section 317(3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached file "USU_Software_AG_JAuLB_ESEF-2023-12-31.zip" hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the combined management report for the fiscal year January 1 to December 31, 2023 contained in the "Report on the audit of the annual financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with section 317(3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with section 317(3a) HGB (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibility of the Executive Directors and the Supervisory Board for ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic rendering of the annual financial statements and the combined management report in accordance with section 328(1) sentence 4 no. 1 HGB. In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328(1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of section 328(1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328(1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

» Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

»

» Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

» Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited combined management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the independent auditor by the Annual General Meeting on June 20, 2023. We were engaged by the Supervisory Board on September 29, 2023. We have been the auditor of USU Software AG, Möglingen without interruption since fiscal 2017.

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

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited combined management report as well as the assured ESEF documents. The annual financial statements and the combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited annual financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ms. Katrin Wolfrum.

Stuttgart, March 21, 2024

RSM Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Katja Schickle	Katrin Wolfrum
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Management Board and Supervisory Board of USU Software AG

Bernhard Oberschmidt (l.)
Chairman of the Management Board

Dr. Benjamin Strehl (r.)
Member of the Management Board

Udo Strehl (l.)
Chairman of the Supervisory Board

Gabriele Walker-Rudolph (m.)
Member of the Supervisory Board

Erwin Staudt (r.)
Member of the Supervisory Board

Financial Calendar of 2024*

March 28	Publication of Financial Figures 2023
May 23	Publication of 3-months' Figures 2024
July 02	Annual General Meeting
August 29	Publication of 6-months' Figures 2024
September 02–03	Equity Forum – German Fall Conference, Frankfurt am Main, Germany
September 06–07	IR Tour – Rüttnauer Research, Regensburg, Germany
November 21	Publication of 9-months' Figures 2024
November 25–27	German Equity Forum, Frankfurt am Main, Germany

** These are preliminary dates for the 2024 fiscal year.*
Any changes will be published on the Company's website at www.usu.com

Adjusted EBIT
describes the earnings before interest and taxes of USU Software AG not relating to → ***IFRS***.

AI
Abbreviation for Artificial Intelligence. In German-speaking countries, → ***KI*** is used more frequently.

AktG
Abbreviation for Aktiengesetz (German Stock Corporation Act).

App
Abbreviation for application. This term refers to any type of application software. However, it usually describes applications for smartphones and tablet computers.

AWS
Amazon Web Services (AWS) is a comprehensive platform for → ***Cloud Computing*** provided by Amazon.

Azure
Microsoft Azure is a platform for -→ ***Cloud Computing*** provided by Microsoft. It offers a range of cloud services.

Bot
Derived from the word "robot", a bot is a computer program that works off repetitive tasks on a largely automated basis.

Bot Universe
A new technology concept by USU that market analysts currently consider unique worldwide. It combines many → ***chatbots*** into a powerful, intelligent chatbot network.

Capacity Management
Ensures that the capacity of → ***IT Services*** and → ***IT infrastructure*** is sufficient to meet agreed capacity and performance targets efficiently.

Chatbots
Software systems (→ ***bot***) that respond automatically to text prompts by human users. They act as virtual assistants, responding to user search requests and providing flight connections, prices, hotels and rental vehicles.

ChatGPT
is an → ***AI***-based → ***chatbot*** from the US company OpenAI. It is currently based on the GPT-4 (Generative Pretrained Transformer 4) language model and uses this to conduct a human-like dialog.

Client
A client (also known as a client-side application, client application or client program) refers to a computer program run on a network's end device. The name is often also given to the end device itself that retrieves services from a server.

Cloud
See: Cloud Computing.

Cloud Computing
Refers to → ***IT Services*** that can be obtained in the Internet "cloud". Users no longer need to buy the required hardware or software or install and maintain them onsite, but instead can flexibly obtain the desired services via the Internet and use them as a service when needed.

CMDB
Abbreviation for Configuration Management Database. Information about all → ***IT*** equipment and resources is managed in this database, such as PCs and their software and hardware components, contracts, etc. Unlike conventional IT Asset Management Databases, the mutual dependencies of the managed objects are also shown.

Compliance
Commitment by a company and its managers to observe the rules prescribed by the law, shareholders or the Supervisory Board, including various ethical aspects of the corporate philosophy. The aim is to avoid a negative image and prevent cases of liability or actions for damages.

Compute instance
A compute instance is a virtual machine (VM), e.g. a virtual server, which is operated in the cloud environment. The advantages of compute instances lie in their flexibility, scalability and cost efficiency.

Configuration Management
Configuration management provides the necessary information about the IT infrastructure and services for → ***IT Service Management.*** Constantly updated and historical information about configuration items (CIs) is available in the Configuration Management Database (→ ***CMDB***).

Corporate Governance
Describes the responsible management and controlling of a company with a view to long-term value creation. Key standards are compiled by the Government Commission for the German Corporate Governance Code and consolidated in the German Corporate Governance Code.

Customer Experience
or CX for short covers all impressions a customer receives from a company throughout a customer relationship.

DAX
Abbreviation for Deutscher Aktienindex (German Stock Index). As the most important stock index in Germany, the DAX reflects the development of the 40 largest companies with the strongest growth that are listed on the Frankfurt Stock Exchange.

Deferred Taxes
See: Deferred tax assets/liabilities.

Deferred Tax Assets/Liabilities
Income tax to be received/paid in the future resulting from differences between the financial statements and the tax base.

Destatis
Abbreviation for the German Federal Statistical Office.

EBIT
Abbreviation for earnings before interest and taxes.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortization.

Equity Ratio
The ratio of shareholders' equity in the statement of financial position to total assets. The higher a company's equity ratio, the lower its debt-to-equity ratio.

ESEF
Abbreviation for European Single Electronic Format – the name of the new, standardized electronic reporting format for securities issuers in the EU. The aim is to simplify financial reporting, increase transparency and facilitate accessibility and analysis.

Event
In information technology, an event is an occurrence or activity within a computer system. It can involve a sudden change in a state or parameter within the system, to which a program, device, or system responds. An undesirable event, such as an IT disruption, is referred to as an → ***Incident.***

Gartner
Abbreviation for Gartner Inc., a US market research company.

Goodwill
Goodwill is an intangible asset resulting from the acquisition of business operations and capital consolidation.

HGB
Abbreviation for Handelsgesetzbuch (German Commercial Code).

IFRS
International Financial Reporting Standards are designed in particular to ensure that accounting methods and disclosures in financial statements are internationally comparable and to improve confidence in the financial markets and investor protection.

Impairment Test
An impairment test is used to examine non-current assets in order to identify whether the recognition of an impairment loss is necessary. Instead of amortization, impairment testing is performed at least once a year for the → ***goodwill*** in the consolidated statement of financial position in accordance with → ***IFRS*** 3. Impairment testing can result in either the confirmation of the reported goodwill or in an impairment loss that serves to reduce net profit for the period.

Incident
in information technology an undesired → ***event*** that can impair IT services or lead to the failure of an element of the IT infrastructure. Incident management is about recognizing and checking IT faults and reacting to them accordingly.

ISIN
Abbreviation for International Securities Identification Number. The ISIN is a twelve-digit international identification number for securities that allows a security traded on the stock market to be clearly identified.

IT
Abbreviation for information technology.

IT Monitoring
English term for the operational monitoring of individual PCs, servers or complete digital IT infrastructures.

IT Self Service
Provides users with easy, intuitive access to the solution to their inquiry or problem. This simplifies and accelerates processes and increases user satisfaction.

IT Service
Provision of one or more technical or non-technical systems (hardware, software, employees) required to conduct business processes.

ITSM
Abbreviation for → ***IT Service Management***.

IT Service Management
The sum of all tried and tested measures and methods that are required to achieve the best possible support for business processes by means of the IT organization. IT Service Management describes the transition of → ***IT*** towards customer and service orientation while taking into account economic objectives. IT support for shared service areas, such as HR or Facility Management, is referred to as Enterprise Service Management.

KI
German Abbreviation for artificial intelligence. KI is a branch of computer science that deals with the automation of intelligent behavior and machine learning. Generative KI is a form of artificial intelligence that can produce texts, images and various other content based on extensive training data.

Knowledge Management
A summary term for all strategic and operational activities and management tasks aimed at handling knowledge as effectively as possible.

Kubernetes
is an open source system for the provision, scaling and management of container applications.

Large Language Models (LLM)
are large generative language models with artificial intelligence. LLMs are able to understand, process and generate natural language. The models are trained with huge amounts of text and sometimes have several hundred billion parameters. → ***ChatGPT*** is also based on an LLM.

Liferay
A US tech firm that develops leading digital solutions such as customer self-service portals, B2B e-commerce solutions and innovative Intranets on the basis of open-source software. → ***USU*** is a Liferay platinum partner in the DACH region.

Low Code/no Code
New development approaches in → ***IT*** that require little or no programming knowledge, thus they help considerably simplify the development of complex applications.

Managed Services
Recurring, precisely defined → ***IT*** services, the nature, scope and quality of which are determined by a service provider with its customer in advance.

Multicloud
Refers to the use of several cloud computing and storage services from different providers such as → ***AWS*** or → ***Azure*** in a single heterogeneous architecture by a company in order to improve the capacities and costs of the cloud infrastructure.

OMEGA
Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. It primarily performs → ***IT Services*** and distributes products.

Omni-Channel
A business model for companies to improve Customer Experience Management or the → ***Customer Experience***. The approach is used in many areas, primarily in the retail and telecommunications sectors, with channels including physical locations, websites, social media, mail and telephone communication.

On Premises
Refers to a license and usage model for software. Companies install the on-premises software on their own hardware in their own network – in contrast to outsourcing software and services to the cloud (e.g. → ***SaaS***).

Pega
or Pegasystems Inc. is a US software company based in Cambridge, Massachusetts. Pegasystems develops software for customer relations/business process management on the basis of → ***low code/no code*** technology. → ***USU*** is a Pega partner in the → ***DACH*** region.

Prime Standard
Admission and market segment of the Frankfurt Stock Exchange for companies wishing to position themselves internationally. Prime Standard companies are required to meet strict international transparency requirements. These go far beyond the minimum statutory requirements for the regulated market.

SaaS
Abbreviation for → ***Software as a Service***.

SAM
Abbreviation for → ***Software Asset Management***.

Service Request Management
Describes the management of formal requests by users to → ***IT***, such as requests to reset a password or set up a new → ***IT*** workspace.

Software as a Service
Describes the flexible, scalable provision of software as a service on the Internet. Customers can use the required software via the Internet as required and no longer have to install it locally. In this respect, SaaS constitutes a sub-area of → ***Cloud Computing***.

Software Asset Management
Describes the transparent and efficient management and controlling of software licenses.

Ticket
→ ***IT*** term referring to troubleshooting and resolving user queries. Tickets document all operating and support activities.

UI /UX
UI Design stands for “User Interface Design”, while UX Design stands for “User Experience Design”. Both terms describe different aspects of the product development process. UI refers to designing the user interface, while UX focuses on user friendliness.

USU
Abbreviation for the entire USU Group, i.e. the parent company USU Software AG and its subsidiaries its subsidiaries, → ***OMEGA***, → ***USU GmbH***, → ***USU GK***, → ***USU Solutions Inc*** and → ***USU SAS***. The USU Group has strategically positioned itself in the market for → ***IT Monitoring***, → ***IT Service***/enterprise service, → ***Software Asset Management*** and → ***Knowledge Management software***.

USU GK
A subsidiary of → ***USU*** Software AG. The company performs distribution, maintenance, and implementation for → ***USU***’s solutions such as → ***USU Software Asset Management*** and → ***USU Knowledge Management*** in Japan.

USU GmbH
is a subsidiary of → ***USU*** Software AG. The aim of the company is the sale, maintenance and implementation of USU solutions for → ***IT Monitoring***, for strategic and operational Enterprise and → ***IT-Service Management*** and → ***Software Asset Management***. As a one-stop store, the USU business unit also offers an innovative, widely established portfolio of solutions for all aspects of digital customer service, e.g. → ***USU Knowledge Management*** or customer portals based on Liferay or → ***Pega***.

USU IT Monitoring
→ ***USU***-complete solution for → ***IT Monitoring***. The modular platform covers all systems management disciplines, from central monitoring to real time monitoring of business services and service level agreements. The broad portfolio is supplemented by integrated end-to-end monitoring, alarm and → ***Capacity Management*** and cloud and docker monitoring.

USU Knowledge Management
→ ***USU*** complete solution for → ***Knowledge Management***. The portfolio ranges from standard software such as → ***knowledge databases***, intelligent → ***chatbots*** and IT → ***self-service*** solutions to a wide range of consulting services. The aim is to automate service processes and actively provide knowledge for all communication channels and customer contact points in sales, marketing and customer service. This increasingly involves the use of → ***AI*** based on → ***large language models*** such as → ***ChatGPT***.

USU SAS
A subsidiary of → ***USU*** Software AG. The company performs distribution, maintenance, and implementation for → ***USU*** solutions such as → ***USU Software Asset Management*** and → ***USU Knowledge Management*** in France.

USU Software Asset Management
→ ***USU*** complete solution for Software License Management/→ ***SAM*** to ensure audit-compliant adherence to → ***Compliance*** guidelines in terms of the use of software licenses and significant cost savings through license optimization.

USU Solutions Inc.
A subsidiary of → ***USU*** Software AG, formed in Boston, USA, in 2012. The company performs distribution, maintenance, and implementation for USU solutions such as → ***USU Software Asset Management*** and → ***USU Knowledge Management*** in the US.

USU – U Step Up
→ ***USU***'s career model for the continuous development and further training of its workforce.

WKN
Abbreviation for Wertpapier-Kenn-Nummer (German Securities Code Number), which serves to clearly identify securities in Germany. As part of the global standardization of securities identification, the WKN has been superseded by the International Securities Identification Number or → ***ISIN***.

XETRA
Abbreviation for the exchange electronic trading system of the Frankfurt Stock Exchange.

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