

The background is a vibrant blue with abstract, flowing lines that create a sense of motion and depth. A faint, light-colored world map is visible in the lower right quadrant, centered behind the main text.

**3-Month Financial Report /
Report on the First Quarter
of 2022**

USU Software AG

USU AT A GLANCE

3-Month Report 2022	2022	2021
<i>in EUR thousand, except earnings per share and number of employees</i>	JAN. 1-MAR. 31, 2022	JAN. 1-MAR. 31, 2021
SALES	29,573	27,180
EBITDA	3,467	3,188
EBIT	2,314	2,039
NET RESULT	1,651	2,032
EARNINGS PER SHARE (EUR)	0.16	0.19
CASH FLOW FROM OPERATING ACTIVITIES	6,351	4,863
NUMBER OF EMPLOYEES AS AT MAR. 31	746	732
	MAR. 31, 2022	Dec. 31, 2021
CASH AND CASH EQUIVALENTS	29,963	24,286
SHAREHOLDERS EQUITY	66,091	64,443
BALANCE SHEET	125,232	116,016
EQUITY RATIO	52.8%	55.5%

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LETTER TO SHAREHOLDERS

Dear Shareholders and Readers,

We owe our excellent start to fiscal 2022 to our customers. Irrespective of the difficult economic and political environment, we continued to accelerate our growth in the first three months of the current year.

I would like to highlight one project in particular: We have concluded a comprehensive master agreement with BWI and the German Federal Armed Forces for the development and operation of a central IT service management platform. The contract is initially for a term of seven years with an option for extension, and has a total volume worth an eight-figure euro amount.

We are proud to have been entrusted with implementing one of Europe's biggest largest IT service management projects together with BWI. But a number of other contracts, including from the German Institute for Federal Real Estate, also serve to underline the USU Group's role as a strategic partner to the public sector.

All of the divisions contributed equally to the dynamic growth in the first quarter. Accordingly, consolidated sales increased by almost 9% to EUR 29.6 million in the period under review. EBITDA also rose by around 9% to EUR 3.5 million.

In the current crisis in particular, this positive development is being driven by the need for corporate transformation. After all, as Bitkom President Achim Berg said when summarizing the findings of the latest survey by the industry association, "the future of many companies will depend on the success of their digitization strategy." In other words, we are continuing to benefit from the strong demand for solutions that automate IT and service management processes, thereby ensuring additional quality and productivity. Thanks to the strong first quarter and a record level of orders on hand, we are therefore extremely confident that we will achieve our growth targets for the current fiscal year.

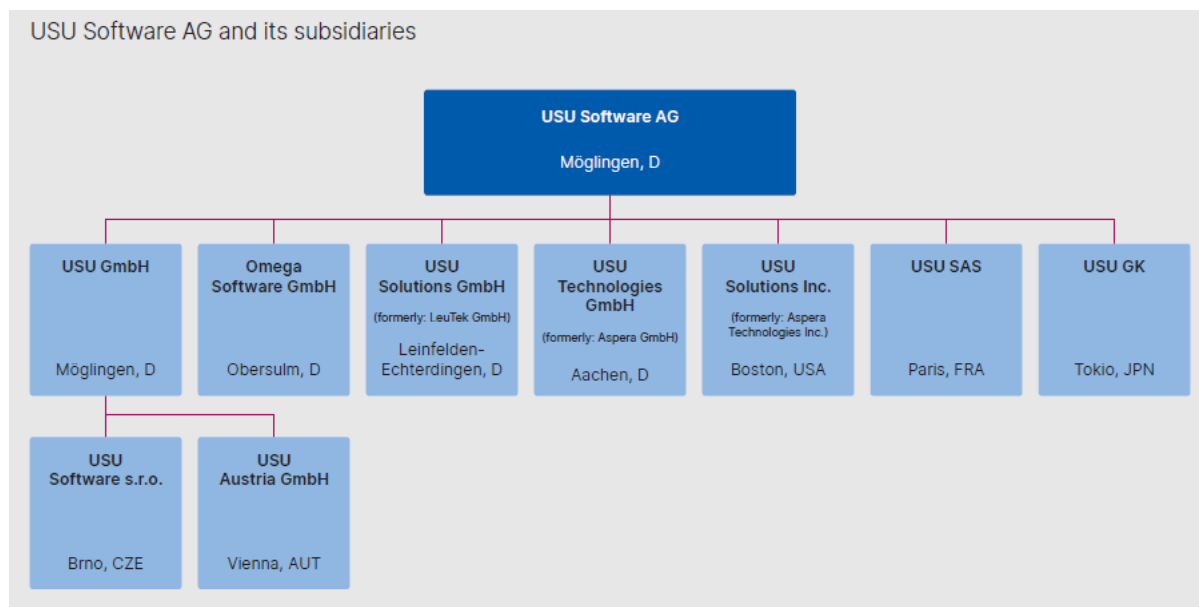
Although this year's Annual General Meeting on July 1 will again be held virtually, we still hope that many shareholders will participate in this way. One of the items on the agenda will be the resolution for a dividend payment of 50 eurocents per share for fiscal 2021. This 25 percent increase in the profit distribution compared with the previous year serves as a continuation of our shareholder-friendly dividend policy and our way of ensuring that all shareholders of USU Software AG participate significantly in the company's operating success.

Yours,

Bernhard Oberschmidt,
CEO of USU Software AG

Basic information on USU Software AG and the Group

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



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 EBITDA. EBITDA has served as an important planning and control parameter since 2022.

For fiscal 2022, the Management Board is forecasting sales growth to EUR 120-125 million with recurring revenue accounting for 45% of new product business, resulting in an increase in EBITDA to EUR 14.5-16 million.

The Management Board is also 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 EBITDA margin to between 16% and 18% by 2024.

Research and development

In the first quarter of 2022, the USU Group again mainly harnessed its R&D expertise to enhance the existing solution portfolio through innovative functions and user-oriented modules. One particular focal point was the creation of new solutions on the basis of artificial intelligence and cloud management. In the first three months of 2022, USU invested a total of EUR 4,377 thousand (Q1 2021: EUR 4,242 thousand) or 14.8% (Q1 2021: 15.6%) of consolidated sales in research and development. The number of employees in this area was 221 as of March 31, 2022 (March 31, 2021: 211). The USU Group's R&D expenses do not typically meet the criteria for recognition and hence are not capitalized.

USU Service Management's R&D team again concentrated on the important shop module, the new service platform, and the service apps. One of the focal points was optimized process execution through the integration of the Process Engine. Functional enhancements and improvements have also been made to the existing product.

A new version of the USU IT Monitoring solution was released in the period under review, offering improvements such as automated service level monitoring and an interface with OneDrive. In addition, a new AI-based module for intelligent dynamic threshold calculation was presented and preliminary work began on UX improvements.

R&D activities in USU Software Asset Management (SAM) also centered on the optimization of the ergonomic user interface. All applications within the SAM platform now have the same look and feel. The USU Discovery module for software data inventory was also enhanced.

In USU Knowledge Management, R&D work on the new version to be released in the second quarter of 2022 continued and specific industry solutions are now available for the first time. Activities relating to chatbots are currently focused on the expansion of the "Bot Universe" open-source project, which will also serve as the basis for the Germany-wide bot network in the 115 project. Developed for the US market in particular, the first version of the new self-service module, Help Center, was released recently.

The R&D team in AI Services concentrates on the provision of technology components based on artificial intelligence for the existing USU portfolio. Activities in the period under review focused on the enhancement of the intelligent ticket routing module for USU Service Management. For example, ticket forecasting was improved through integrated screenshots and the evaluation of historical tickets.

For the Hybrid Cloud Management solution, developers worked on procedures allowing customers to automate and better manage their allocation control of cloud resources and the validation of their content. Among other things, Google Cloud Platform (GCP) services were also connected.

In the area of research, USU realized the prototype of an AI-based ecosystem as part of the “Service-Meister” project. This was connected to the IoT platform of its industry partner KEB, which contributes machine data. The powerful overall system supports service engineers with well-founded service expertise. In another research project, FabOS, the R&D team also developed a new AI module for data-driven services.

Economic report

Overall economic development

According to an initial report from the German Federal Statistical Office (“destatis”)¹ on April 29, 2022, gross domestic product (GDP) – adjusted for inflation, seasonal and calendar effects – increased by 0.2% between the fourth quarter of 2021 and the first quarter of 2022. Following the recovery in the German economy in the previous summer and the slowdown toward the end of 2021, destatis noted that German economic output increased slightly in the first quarter of 2022. This was due in particular to increased investment, whereas the trade balance served to curb economic growth. The economic impact of the war in Ukraine has had a growing impact on economic development since the end of February. After adjustment for inflation, GDP in the first quarter of 2022 was 4.0% higher than in the first quarter of 2021, when the German economy was dealing with the consequences of the second wave of the coronavirus pandemic. Adjusted for inflation and calendar effects, GDP growth amounted to 3.7%. After adjustment for inflation, seasonal and calendar effects, GDP in the first quarter of 2022 was 0.9% lower than in the fourth quarter of 2019, the last full quarter before the onset of the coronavirus crisis. The euro area also saw quarter-on-quarter growth in GDP of just 0.2% in the first quarter of 2022 according to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat)². Meanwhile, seasonally adjusted euro area GDP was up 5.0% as against the first quarter of the previous year.

¹ cf. Destatis press release no. 184 dated April 29, 2022, published at <https://www.destatis.de>

² cf. Eurostat press release 52/2022 dated April 29, 2022, published at <http://ec.europa.eu/eurostat>

Sector development

The digital industry association Bitkom³ found that the business climate in the digital sector deteriorated substantially toward the end of the first quarter in response to the war in Ukraine and its economic consequences. In March, the index for the current business situation fell by 2.8 points to 39.8 points. Business expectations for the next six months declined sharply by 21.8 points compared with the previous month, entering negative territory at -3.9 percent. The Bitkom-ifo digital index, which reflects the assessment of the business situation and business expectations, fell by 13.1 points to 16.8 points. “Russia’s criminal war of aggression in Ukraine has turned the prevailing confidence in an economic upturn on its head. Although the current business situation remains extremely strong, expectations for the next six months are muted,” commented Bitkom President Achim Berg. “There is little comfort in the observation that the business climate in the digital sector is still much better than in the economy as a whole. This war has underlined the importance of digital sovereignty and resilience. Digital technologies are essential when it comes to ensuring the security and capacity for action of democracies, especially in light of crises such as the pandemic and military threats.”

Business performance in the first three months of fiscal 2022

Development of sales and costs

Consolidated sales

USU Software AG and its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) successfully continued on their positive growth path in the first quarter of 2022. In the first three months of 2022, USU thus increased its consolidated sales by a further 8.8% to EUR 29,573 thousand compared with the prior-year figure (Q1 2021: EUR 27,180 thousand). This was due to a number of new and follow-up orders that also led to an all-time high in terms of orders on hand. Like in the previous year, USU benefited in particular from domestic customers’ digitization projects in the first quarter of 2022. USU also generated numerous orders from abroad, although the corresponding sales will mostly be recognized in subsequent quarters due to them taking the form of software-as-a-service (SaaS) projects. Accordingly, the USU Group increased its sales in Germany by 14.5% year-on-year to EUR 23,320 thousand (Q1 2021: EUR 20,368 thousand), while international sales declined by 8.2% to EUR 6,252 thousand (Q1 2021: EUR 6,812 thousand). As a result, international business accounted for 21.1% of USU’s consolidated sales in the first three months of 2022 after 25.1% in the

³ cf. Bitkom press release dated April 4, 2022, published at www.bitkom.org

same period of the previous year. The company expects to see a return to higher international sales as 2022 continues.

Broken down by sales type, SaaS sales saw above-average growth of 34.8% year-on-year to EUR 3,294 thousand (Q1 2021: EUR 2,444 thousand). However, this was mainly due to the sales generated in the previous quarters. At the same time, the USU Group's maintenance income rose by 4.1% year-on-year to EUR 5,992 thousand (Q1 2021: EUR 5,758 thousand). USU thus increased its recurring revenue (maintenance sales including SaaS revenue) by 13.2% year-on-year to EUR 9,286 thousand in the first quarter of 2022 (Q1 2021: EUR 8,202 thousand), meaning that the share of total sales attributable to recurring revenue rose to 31.4% (Q1 2021: 30.2%). At the same time, USU increased its license revenue by 19.3% to EUR 2,597 thousand in the first quarter of fiscal 2022 thanks to numerous on-premises orders (Q1 2021: EUR 2,177 thousand). Irrespective of the general trend toward SaaS projects, various customers opted to purchase one-time licenses in early 2022. USU's consulting sales also increased by 5.8% year-on-year to EUR 17,513 thousand in the first quarter of 2022 thanks to the sustained digitization trend (Q1 2021: EUR 16,555 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 177 thousand (Q1 2021: EUR 246 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.

In the first three months of fiscal 2022, the Product Business segment increased its sales by 6.4% year-on-year to EUR 20,589 thousand (Q1 2021: EUR 19,359 thousand), while USU increased its consulting-related sales in the Service Business segment by an above-average 14.9% year-on-year to EUR 8,953 thousand in the same period (Q1 2021: EUR 7,792 thousand). USU's service segment again benefited from the demand trend for digitization solutions in the first quarter of 2022. Sales not allocated to the segments totaled EUR 31 thousand in the first quarter of 2022 (Q1 2021: EUR 29 thousand).

Operating costs

The USU Group's operating cost base increased by 8.2% year-on-year to EUR 27,481 thousand in the first three months of fiscal 2022 (Q1 2020: EUR 25,399 thousand). In particular, this reflects the higher costs resulting from the increased use of employed consultants and freelancers in connection with the business growth.

The cost of sales rose by 12.0% year-on-year to EUR 15,234 thousand in the period under review (Q1 2021: EUR 13,606 thousand); this was due in particular to increased staff costs as a result of the expansion in the consultant team to 313 employees as well as higher fees paid to the additional freelancers employed. The cost of sales as a percentage of consolidated sales thus increased as against the previous year to 51.5% (Q1 2021: 50.1%). At the same time, gross income rose from EUR 13,574 thousand in the first quarter of 2021 to EUR 14,339 thousand. However, the gross margin declined to 48.5% (Q1 2020: 49.9%).

Marketing and selling expenses increased by 2.5% year-on-year to EUR 4,988 thousand in the period under review (Q1 2021: EUR 4,864 thousand). This primarily reflects USU's return to event activities to attract new customers following the interruption due to the coronavirus crisis. The above-average sales growth meant that marketing and selling expenses as a share of sales declined from 17.9% in the first quarter of 2021 to 16.9% in the first quarter of 2022.

Following the sharp downturn in the previous year, general and administrative expenses rose by 7.3% year-on-year to EUR 2,882 thousand (Q1 2021: EUR 2,687 thousand) due to the higher level of non-staff operating costs. As forecast, the ratio of administrative expenses to consolidated sales decreased to 9.7% in the reporting period (Q1 2021: 9.9%).

Due to higher non-staff operating costs, research and development expenses also rose by 3.2% year-on-year to EUR 4,377 thousand (Q1 2021: EUR 4,242 thousand). As forecast, the ratio of research and development expenses to consolidated sales also decreased in line with the above-average growth in sales, from 15.6% in the previous year to 14.8% in the period under review. USU is constantly investing in the development of its product portfolio and 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 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 222 thousand in the first quarter of 2022 (Q1 2021: EUR 259 thousand).

Results of operations

As a result of the business growth and the above-average increase in high-margin SaaS and license revenue, the USU Group also improved its operating profitability in the first quarter of 2022 as forecast. USU's EBITDA increased by 8.7% year-on-year to EUR 3,467 thousand in the first quarter of 2022 (Q1 2021: EUR 3,188 thousand). As USU recorded almost equal sales and EBITDA growth in the first quarter, the EBITDA margin remained unchanged at 11.7% in the period under review (Q1 2021: 11.7%). Including depreciation and amortization totaling EUR 1,153 thousand (Q1 2021: EUR 1,149 thousand), USU generated EBIT of EUR 2,314 thousand in the first quarter of 2022 (Q1 2021: EUR 2,039 thousand). This corresponds to a year-on-year increase in EBIT of 13.5%.

Net finance costs amounted to EUR -15 thousand in the first quarter of 2022 (Q1 2021: EUR 173 thousand). This was primarily due to lower income from currency differences in the USU Group's financial instruments. Due to negative effects from deferred taxes, income taxes amounted to EUR -648 thousand in the first quarter of 2022 after EUR -180 thousand in the first quarter of 2021 as a result of the rise in profits. As a result, USU's consolidated earnings declined by a notional 18.8% year-on-year to EUR 1,651 thousand in the first quarter of 2022 (Q1 2021: EUR 2,032 thousand). With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.16 (Q1 2021: EUR 0.19).

Net assets and financial position

On the assets side of the statement of financial position, the USU Group's non-current assets declined to EUR 67,577 thousand as of March 31, 2022 (December 31, 2021: EUR 68,916 thousand). This was mainly due to depreciation and amortization of intangible assets, property, plant and equipment, and right-of-use assets in accordance with IFRS 16.

Current assets increased significantly in the same period, from EUR 47,100 thousand as of December 31, 2021 to EUR 57,655 thousand. This was primarily due to the higher level of Group liquidity, which amounted to EUR 29,963 thousand as of March 31, 2022 (December 31, 2021: EUR 24,286 thousand), and the increase in trade receivables to EUR 19,384 thousand at the end of the first quarter of 2022 (December 31, 2021: EUR 14,820 thousand).

On the equity and liabilities side of the statement of financial position, the USU Group's equity increased from EUR 64,443 thousand as of December 31, 2021, to EUR 66,091 thousand as of March 31, 2022, as a result of the rise in profits. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 59,141 thousand as of March 31, 2022 (December 31, 2021: EUR 51,573 thousand). This increase resulted from higher deferred income from maintenance and SaaS agreements invoiced at the start of the year for which the service will be rendered and the sales recognized later in the year.

With total assets of EUR 125,232 thousand (December 31, 2021: EUR 116,016 thousand), the equity ratio was 52.8% as at March 31, 2022 (December 31, 2021: 55.5%). With this equity ratio, increased Group liquidity, and no liabilities to banks, the USU Group still has extremely sound and secure financing.

Cash flows and capital expenditure

The USU Group had cash and cash equivalents of EUR 29,963 thousand as of March 31, 2022 (Q1 2021: EUR 22,747 thousand). This represents an increase of EUR 7,216 thousand or 31.7% as compared to the previous year. Accordingly, USU increased its Group liquidity compared to December 31, 2021, when USU had liquidity of EUR 24,286 thousand, by 23.4%.

USU's cash flow from operating activities increased by EUR 1,488 thousand or 30.6% year-on-year to EUR 6,351 thousand in the first quarter of 2022 (Q1 2021: EUR 4,863 thousand). This increase primarily resulted from payments under maintenance and SaaS agreements invoiced at the start of the year for which the service will be rendered and the sales recognized later in the year.

Net cash used in investing activities of EUR -76 thousand (Q1 2021: EUR -187 thousand) primarily includes investments in property, plant and equipment.

As in the previous year, the net cash used in financing activities of EUR -725 thousand (Q1 2021: EUR -682 thousand) resulted from repayments of lease liabilities.

Orders on hand

Thanks to the sales generated in the first quarter of 2022, the USU Group expanded its Group-wide orders on hand by EUR 12,145 thousand to EUR 76,692 thousand as of March 31, 2022 (March 31, 2021: EUR 64,547 thousand). This corresponds to a year-on-year increase of 18.8% and meant that USU reached another all-time high in terms of orders on hand. The increase primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders. USU increased its orders on hand by 16.8% as against the end of the previous year (December 31, 2021: EUR 65,903 thousand).

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

Employees

The USU Group expanded its workforce by 1.9% or 14 employees year-on-year to 746 employees as of March 31, 2022 (March 31, 2021: 732). Broken down by functional unit, USU employed a total of 313 people in consulting and services as of the end of the first quarter of 2022 (March 31, 2021: 298), 221 in research and development (March 31, 2021: 211), 107 in sales and marketing (March 31, 2021: 119) and 105 in administration (March 31, 2021: 106). Broken down by segment, USU had 526 (March 31, 2021: 514) employees in the Product Business segment, 115 (March 31, 2021: 112) in the Service Business segment, and 105 (March 31, 2021: 106) in USU Group central functions. USU therefore continued to expand the Group workforce as planned in the first quarter of 2022 in line with its medium-term planning.

Forecast, report on risks and opportunities

Forecast

General economy

According to the Joint Economic Forecast #1-2022⁴ of April 12, 2022 issued by the leading economic research institutes, the German economy is navigating turbulent waters. The uplift provided by the removal of pandemic-related restrictions, the fallout of the coronavirus crisis and the shockwaves generated by the war in Ukraine have led to opposing economic developments. What they all have in common is their impact on price inflation. According to the institutions, economic output will not return to its pre-crisis level until the third quarter of this year. In their spring report, the institutes are therefore forecasting GDP growth of just 2.7% in the current year (2021: 3.7%). The institutions are also considerably more pessimistic when it comes to the world economy, with the global economic outlook having been substantially impaired by the war in Ukraine and the extensive sanctions imposed on Russia. While high energy prices are reducing consumer purchasing power, geopolitical risks are making companies less likely to invest. Meanwhile, supply chain issues could lead to repeated disruption to industrial production. All in all, the institutes have substantially lowered their growth forecast for global economic output this year from 4.2% to 3.5%.

Sector

Based on the latest forecast by the digital industry association Bitkom⁵, the German digital sector is set to see stable growth in 2022 even in a difficult economic environment. According to Bitkom's calculations, the German market for IT, telecommunications, and consumer electronics (ICT) is expected to grow by 3.6% this year to EUR 184.9 billion (2021: EUR 178.4 billion). Like in the previous year, Bitkom expects the IT market to see above-average growth and further increase its significance as the biggest industry segment in 2022. Sales exceeded the EUR 100 billion mark for the first time in 2021, and Bitkom is forecasting growth of 5.9% to EUR 108.6 billion this year (2021: EUR 102.5 billion). Thanks to cloud business in particular, Bitkom expects the software segment to record the strongest growth of 9.0% to EUR 32.4 billion (2021: EUR 29.8 billion). Business with IT services, including IT consulting, is set to see stable growth of 3.9% to EUR 43.0 billion (EUR 41.4 billion). "From the climate and the pandemic to competition between locations, digitization is the answer and an important tool for solving the crises and challenges of our time. The economy, governments and large parts of society want to accelerate the digitization process and are investing in digital infrastructures, equipment, software and services," says Bitkom President Achim Berg. "The growth in information technology reflects the trend toward new workplace concepts like home working

⁴ cf. Joint Economic Forecast #1-2022, April 12, 2022, published at www.gemeinschaftsdiagnose.de

⁵ cf. BITKOM press release dated January 11, 2022, published at www.bitkom.org

and hybrid working, which have become widespread during the pandemic and will remain popular even afterwards,” Berg adds. In its latest “IT Spending Forecast” published on April 6, 2022, the market research company Gartner⁶ is also forecasting year-on-year growth in global IT expenditure of 4.0% to USD 4,432 million in 2022 (2021: USD 4,260 billion) even in the face of rising inflation, geopolitical disruption and a shortage of qualified staff. According to Gartner, the source of funds for new digital business initiatives will more frequently come from business departments outside IT. “This year is proving to be one of the noisiest years on record for CIOs,” says John-David Lovelock, Vice President at Gartner. “Geopolitical disruption, inflation, currency fluctuations and supply chain challenges are among the many factors vying for their time and attention, yet contrary to what we saw at the start of 2020, CIOs are accelerating IT investments as they recognize the importance of flexibility and agility in responding to disruption.” According to Gartner, the software and IT services market segments are therefore also set to see above-average growth of 9.8% (2021: 15.9%) to USD 675 million (2021: USD 614 million) and 6.8% (2021: 10.8%) to USD 1,265 million (2021: USD 1,185 million) respectively in 2022.

Outlook

Following the positive first quarter and in light of the new all-time high in terms of orders on hand, the Management Board is confirming the full-year forecast for 2022 that it published on March 24, 2022. This forecast provides for sales growth to EUR 120-125 with recurring revenue accounting for 45% of new product business, resulting in an increase in EBITDA to EUR 14.5-16.0 million. This will be driven in particular by the strong growth in high-margin SaaS business. Following the anticipated emergence from the coronavirus pandemic, which will allow the company to attend trade fairs, conferences and other events again, foreign business in particular is expected to return to high growth rates. The Management Board also anticipates positive effects and a further increase in efficiency in connection with the implementation of the “One USU” strategy. The Management Board is also 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 EBITDA margin to between 16% and 18% by 2024.

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.

Based on the above assumptions, the Management Board is in turn planning to enable the shareholders of USU Software AG to participate significantly in the company’s operating

⁶ cf. Gartner press release dated April 6, 2022, published at www.gartner.com

success in fiscal 2022, as in previous years, and 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.

Report on risks and opportunities

There were no changes to the opportunities and risks of USU Software AG or of the Group as a whole as against the reporting date December 31, 2021. For more information please see the report on risks and opportunities in the 2021 annual report.

USU shares (ISIN DE000A0BVU28).

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

Following a muted start to 2022, the stock markets trended significantly lower as the conflict in Ukraine intensified and ultimately led to war. As of March 31, 2022, the German share index (DAX) closed down -9.3% on the previous quarter on the XETRA electronic trading platform at 14,414.75 points (December 31, 2021: 15,884.86 points). The Technology All Share index also saw a significant downturn of -13.9% to 4,590.61 points on XETRA compared with the same reporting date in the previous quarter (December 31, 2021: 5,334.67 points). USU shares were unable to escape this negative stock market environment, posting quarterly performance of -6.6% and ending trading on XETRA on March 31, 2022 at EUR 22.60 (December 31, 2021: EUR 24.2).

Compared with the previous year's reporting date of March 31, 2021, the DAX declined by -4.0% (March 31, 2021: 15,008.34 points), while the Technology All Share Index performed only slightly better with a downturn of -3.6% (March 31, 2021: 4,762.54 points). Irrespective of the company's positive business development, USU's share price saw a disproportionate decline of -19.3% in the same period (March 31, 2021: EUR 28.0). The Management Board considers this substantial downturn in USU's share price to be entirely unjustified, not least since the USU Group is set to enjoy another record year in 2022 following its success in the previous year.

Möglingen, May 19, 2022

USU Software AG

Bernhard Oberschmidt
Chairman of the Management

Dr. Benjamin Strehl
Management Board

ASSETS <i>EUR thousand</i>	3-month report MAR. 31, 2022	Annual report DEC. 31, 2021
Non-current assets		
Intangible assets	2,879	3,031
Goodwill	40,392	40,392
Property, plant and equipment	2,908	3,103
Right-of-use assets	15,911	16,584
Financial assets	752	746
Prepaid expenses	275	200
Deferred taxes	4,460	4,860
Non-current assets	67,577	68,916
Current assets		
Inventories	356	374
Contract assets	4,470	4,962
Trade receivables	19,384	14,820
Income tax receivables	83	65
Financial assets	681	599
Other assets	299	381
Prepaid expenses	2,419	1,613
Cash on hand and bank	29,963	24,286
Current assets	57,655	47,100
Total assets	125,232	116,016

EQUITY AND LIABILITIES <i>EUR thousand</i>	3-month report MAR. 31, 2022	Annual report DEC. 31, 2021
Equity		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Other retained earnings	2,480	829
Other comprehensive income	295	298
Equity	66,091	64,443
Non-current liabilities		
Pension provisions	1,227	1,340
Lease liabilities	13,568	14,141
Deferred income	1,680	1,600
Deferred taxes	900	924
Non-current liabilities	17,375	18,005
Current liabilities		
Income tax liabilities	465	635
Lease liabilities	2,580	2,680
Personnel-related liabilities	7,721	10,038
Other provisions and liabilities	2,017	2,902
Liabilities from advance	2,371	3,178
Trade payables	5,087	4,455
Deferred income	21,525	9,680
Current liabilities	41,766	33,568
Total equity and liabilities	125,232	116,016

STATEMENT OF COMPREHENSIVE INCOME	Quarterly report	Quarterly report	3-month report	3-month report
<i>EUR thousand</i>	Q1 2022	Q1 2021		
	Jan. 1, 2022	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2021
	MAR. 31, 2022	MAR. 31, 2021	MAR. 31, 2022	MAR. 31, 2021
Sales	29,573	27,180	29,573	27,180
Cost of sales	-15,234	-13,606	-15,234	-13,606
Gross profit	14,339	13,574	14,339	13,574
Selling and marketing expenses	-4,988	-4,864	-4,988	-4,864
General and administrative exp.	-2,882	-2,687	-2,882	-2,687
Research and development exp.	-4,377	-4,242	-4,377	-4,242
Other operating income	388	563	388	563
Other operating expenses	-166	-305	-166	-305
Profit from ordinary activities (EBIT)	2,314	2,039	2,314	2,039
Finance income	31	204	31	204
Finance expenses	-46	-31	-46	-31
Earnings before taxes (EBT)	2,299	2,212	2,299	2,212
Income taxes	-648	-180	-648	-180
Consolidated net earnings	1,651	2,032	1,651	2,032
<i>Items that can be reclassified to profit or loss in future periods:</i>				
Currency translation difference	-3	141	-13	141
Other comprehensive income	-3	141	-3	141
Total comprehensive income	1,648	2,173	1,648	2,173
Earnings per share (in EUR) Basic and diluted	0,16	0,21	0,16	0,21
Number of underlying shares	10,523,770	10,523,770	10,523,770	10,523,770

Consolidated statement of cash flows <i>EUR thousand</i>	3-month report Jan. 1, 2022 - MAR. 31, 2022	3-month report Jan. 1, 2021 - MAR. 31, 2021
NET CASH FROM OPERATING ACTIVITIES		
Consolidated net profit	1,651	2,032
+/- depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	429	451
+/- depreciation, amortization of right-of-use assets IFRS 16 Leases	724	698
+/- other non-cash expenses/income	86	-222
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-5,043	-1,828
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	8,344	3,888
-/+ interest expenses/income	15	-173
+/- income taxes received/paid	-460	-142
-/+ interest paid/received	-43	-21
-/+ income tax expenses/income	648	180
NET CASH FROM OPERATING ACTIVITIES	6,351	4,863
CASH FLOWS FROM INVESTING ACTIVITIES:		
- purchase of intangible assets	-2	-2
+ proceeds from disposals of property, plant and equipment	0	12
- purchase of property, plant and equipment	-74	-198
NET CASH USED IN INVESTING ACTIVITIES:	-76	-187
NET CASH USED IN FINANCING ACTIVITIES:		
- dividends paid to shareholders of the parent company	0	0
- repayments of lease liabilities	-725	-682
NET CASH USED IN FINANCING ACTIVITIES:	-725	-682
Change in cash and cash equivalents	5,550	3,994
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	127	220
+ cash and cash equivalents at the start of the period	24,286	18,534
Cash and cash equivalents at the end of the period	29,963	22,747
Cash and cash equivalents		
Cash and cash equivalents	29,963	22,747
	29,963	22,747

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)



Development of Group equity	Issued capital		Capital reserves	Other retained earnings	Other comprehensive income		Equity		
	Number	EUR thousand			EUR thousand	EUR thousand		Pension plans	Currency translation
Consolidated equity as of January 1, 2021	10,523,770	10,524	52,792	-1,719	-150	1	61,448		
Consolidated net				2,032			2,032		
Other comprehensive after taxes						141	141		
Total comprehensive	0	0	0	2,032	0	141	2,173		
Dividend payment							0		
Consolidated equity as of March 31, 2021	10,523,770	10,524	52,792	313	-150	142	63,621		
Consolidated equity as of January 1, 2022	10,523,770	10,524	52,792	829	-116	414	64,443		
Consolidated net				1,651			1,651		
Other comprehensive after taxes						-3	-3		
Total comprehensive	0	0	0	1,651	0	-3	1,648		
Dividend payment							0		
Consolidated equity as of March 31, 2022	10,523,770	10,524	52,792	2,480	-116	411	66,091		

Accounting principles

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

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

The same accounting policies were applied as in the preparation of the consolidated financial statements for the fiscal year ended December 31, 2021. This unaudited three-month report for 2021 should therefore be read in conjunction with the audited consolidated financial statements for 2021.

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

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

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

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

Sales

Sales break down as follows:

	JAN. 1-MAR. 31, 2022 EUR thousand	Jan. 1-Mar. 31, 2021 EUR thousand
Consulting	17,513	16,555
Licenses/products	2,597	2,177
Maintenance/SaaS	9,286	8,202
Other	177	246
	29,573	27,180

Segment reporting

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

	Product Business		Service Business		Total Segments		Unallocated		Group	
	Jan. 1-Mar. 31, 2022	Jan. 1-Mar. 31, 2021	Jan. 1-Mar. 31, 2022	Jan. 1-Mar. 31, 2021	Jan. 1-Mar. 31, 2022	Jan. 1-Mar. 31, 2021	Jan. 1-Mar. 31, 2022	Jan. 1-Mar. 31, 2021	Jan. 1-Mar. 31, 2022	Jan. 1-Mar. 31, 2021
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Sales	20,589	19,359	8,953	7,792	29,542	27,151	31	29	29,573	27,180
EBITDA	2,227	2,387	1,802	1,533	4,029	3,920	-562	-732	3,467	3,188
EBIT	1,438	1,622	1,479	1,181	2,917	2,803	-603	-764	2,314	2,039
Net finance	-	-	-	-	-	-	-15	173	-15	173
Taxes	-586	-137	-62	-43	-648	-180	0	0	-648	-180
Consolidated net	852	1,622	1,417	1,138	2,269	2,623	-618	-591	1,651	2,032
No. of employees	526	514	115	112	641	626	105	106	746	732

The USU Group generated a total of 21.1% (Q1 2021: 25.1%) or EUR 6,253 thousand (Q1 2021: EUR 6,812 thousand) of its consolidated sales outside Germany in the first three months of the 2022 fiscal year. These figures are based on customers' registered offices. For reasons of materiality, further details of the geographical data have not been provided.

Shares held by members of executive bodies at USU Software AG

The following shares in USU Software AG were held by members of the company's executive bodies as of March 31, 2022:

Stock declarations by members of	Shares MAR. 31, 2021	Shares MAR. 31, 2020
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	0
<p>* An additional 5,355,578 (2021: 5,349,578) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 34(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).</p> <p>A further 32,000 (2021: 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.</p>		

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

Möglingen, May 19, 2022

USU Software AG

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

May 23

Equity Forum – German Spring Conference, Frankfurt am Main / Germany

May 31

Roadshow Zurich / Switzerland

July 1

Virtual Annual General Meeting

August 31

Publication of six-month report 2022

September 09-10

IR Tour 2022, Rüttbauer Research, Karlsruhe / Germany

November 24

Publication of nine-month report 2022

November 28-30

Analyst and investor conference at the
German Equity Forum, Frankfurt am Main / Germany