



**3-Month Financial Report /
Report on the First Quarter
of 2021**

USU Software AG

USU AT A GLANCE

| 3-Month Report 2021 | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| <i>in EUR thousand, except earnings per share and number of employees</i> | JAN. 1-MAR. 31, 2021 | JAN. 1-MAR. 31, 2020 |
| SALES | 27,180 | 26,210 |
| ADJUSTED EBIT | 2,169 | 1,967 |
| ADJUSTED NET RESULT | 2,138 | 1,765 |
| ADJUSTED EARNINGS PER SHARE (EUR) | 0.20 | 0.17 |
| EBITDA | 3,188 | 3,064 |
| EBIT | 2,039 | 1,748 |
| NET RESULT | 2,032 | 1,570 |
| EARNINGS PER SHARE (EUR) | 0.19 | 0.15 |
| CASH FLOW FROM OPERATING ACTIVITIES | 4,863 | 8,593 |
| NUMBER OF EMPLOYEES AS AT MAR. 31 | 732 | 720 |
| | MAR. 31, 2021 | Dec. 31, 2020 |
| CASH AND CASH EQUIVALENTS | 22,748 | 18,534 |
| SHAREHOLDERS EQUITY | 63,621 | 61,770 |
| BALANCE SHEET | 122,162 | 115,466 |
| EQUITY RATIO | 52.1% | 53.5% |

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LETTER TO SHAREHOLDERS

Dear Shareholders and Readers,

After realizing a record year in 2020 despite the Covid 19 crisis and significantly exceeding the 100 million euro sales mark for the first time in USU's corporate history, we also got off to a good start in the first 3 months of the current fiscal year. A key driver of the positive operating performance is the trend towards digitization of corporate processes, and as a result we were able to increase consolidated sales by 3.7% to EUR 27.2 million compared with the very strong prior-year quarter. EBIT adjusted for acquisition-related special effects (adjusted EBIT) increased disproportionately by 10.3% to EUR 2.2 million.

Particularly in the current crisis, we are benefiting from strong demand for established solutions for the digitization of IT and customer services, for example self-service solutions or chatbots. Customers are using them to automate their processes, minimize their costs, and increase the productivity of their workforce from their home offices. In this respect we are very optimistic that we will again achieve slight revenue growth in the current fiscal year, with the aim of expanding adjusted EBIT to at least EUR 9-10 million.

In addition to the high record order backlog, the continuously growing SaaS business in particular should contribute to this. In addition, we expect positive effects from the "One USU" strategy implementation. At the end of January, we bundled all technologies, decades of experience and Group-wide expertise under the USU brand. The aim is to strengthen our profile as the market leader for smart service solutions and drive further international growth. This is because our customers benefit from an integrated, modular and holistic consulting and technology offering from a single source. Overall, we therefore believe that we are extremely well positioned and equipped to meet the current challenges.

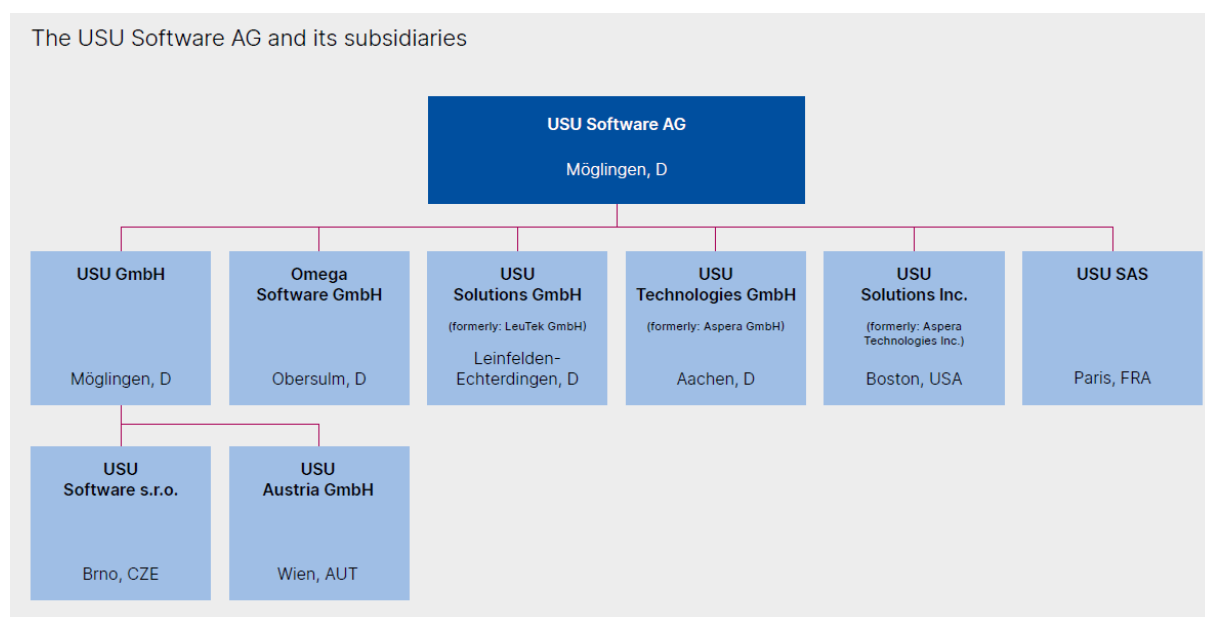
Last but not least, we are also seeing a pleasing development in USU's share price. Although this year's Annual General Meeting on July 6 cannot be held in person due to Corona, we still hope that many shareholders will participate virtually. One of the items on the agenda of the Annual General Meeting will be the resolution for a dividend payment of 40 eurocents per share for fiscal year 2020. As in previous years, we would also like the shareholders of USU Software AG to participate significantly in the Company's operating success in fiscal year 2021 and thus continue our shareholder-friendly dividend policy.

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 GmbH, Aachen, Germany; USU Solutions Inc., Boston, USA; USU SAS, Paris, France. 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, Bechtle, BITBW, BMW, Deutsche Bahn, Deutsche Telekom, Fiducia & GAD, Jungheinrich, LinkedIn, Novartis, Otto, Swiss Post, 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 EBIT.

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

For fiscal 2021, the Management Board expects the USU Group to record slight growth in sales and an improvement in adjusted EBITDA to at least EUR 9-10 million. This development will be driven in particular by strong SaaS business, as well as positive effects and increased 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 operating margin on adjusted EBIT to between 13% and 15% 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.

Research and development

In 2021, USU Software AG was again awarded the Deutschlandtest seal of quality as one of "Germany's most innovative companies". The study recognized the Group's wide range of R&D activities in innovative technological fields such as artificial intelligence and cloud management. USU has made above-average investments in research and development for a number of years now. In the first quarter of 2021, R&D expenditure amounted to EUR 4,242 thousand (Q1 2020: EUR 3,984 thousand) or 15.6% (Q1 2020: 15.2%) of consolidated sales. The number of employees in this area was 211 as of March 31, 2021 (March 31, 2020: 201). The USU Group's R&D expenses do not typically meet the criteria for recognition and are therefore not capitalized.

In the USU Service Management division, the R&D team improved the software architecture and continued its work on the new shop module, the platform and new web components. In addition, development processes were adjusted and optimized and the new version of the IT analysis tool was approved.

R&D activities of the IT & Service Monitoring solution involve the continuous improvement of the software for business service monitoring. In the first months of 2021, activities focused on the expansion of the module for end-to-end monitoring and the alarm functions in IT alerting, as well as work on predictive analytics and system operation under Linux.

In the context of further development for the area of software license management, the R&D team primarily worked on improvements to user friendliness, e.g. the addition of graphical elements, and the expansion of the reporting functions with a view to enabling quick, simple and comprehensive analyses. From now on, key elements of the comprehensive software license catalog will be generated automatically using USU AI technologies, thus accelerating the process while also minimizing resources.

One focal point of R&D in the USU Knowledge Management division was the enhancement of chatbot technology, including the proactive, AI-supported recognition of user desires and intentions as well as “Bot Universe”, in which various bots cooperate in order to process a more extensive range of tasks. Among other things, the scalability of the knowledge database was also optimized to reflect the fact that USU has won a number of major international projects in recent years, and hence has to be able to process large numbers of users and accesses.

In the AI Services division, the R&D team enhanced AI-supported ticket routing in collaboration with the Service Management division, as well as improving chatbot functions. The new version of AI Industrial Analytics was also completed, including an internally developed algorithm library that contains solutions to typical problems when working with machine data.

Since July 2020, a new USU development unit has been working on an overarching hybrid cloud management solution that integrates the majority of USU's products, including IT service management, software license management and business service monitoring. The first version is expected to be available for marketing in early summer 2021. In the first quarter, it again focused on linking defined cloud resources from Azure, AWS, or Google Cloud with business services, connecting a configuration management database (CMDB), and analyzing and presenting the financial status and deviations from planning. Using analyses in the form of dashlets, the information obtained is presented in the USU portal as the central user interface of the USU hybrid cloud management solution.

USU's research department is currently assisting with various major collaborative products for which the scheduled interim reports and supporting figures were prepared and presented to

the project owners in the first quarter. There was a particular focus on the “Service Master” flagship project from the German Federal Ministry of Economics and Energy for the development of an AI-based service platform for German SMEs. The research team also worked across divisions on proposals for in-house innovations in connection with the Research and Development Tax Incentives Act instigated by the German Federal Ministry of Economics and Technology.

Economic report

Overall economic development

According to an initial report from the German Federal Statistical Office (“destatis”)¹ on April 30, 2021, gross domestic product (GDP) for the first quarter of 2021 was again more heavily impacted by the measures taken to curb the coronavirus pandemic. Having begun to recover slightly in the second half of 2020, German economic output declined in early 2021 as a result of the coronavirus crisis according to the destatis figures. Private consumer spending was particularly hard hit by this development, while exports of goods shored up the economy. destatis’s calculations show that, adjusted for inflation, seasonal and calendar effects, GDP fell by 1.7% compared with the fourth quarter of 2020. In a year-on-year comparison, GDP in the first quarter of 2021 was 3.3% lower than in the first quarter of 2020, or 3.0% lower after adjustment for inflation and calendar effects. According to destatis, GDP in the first quarter of 2021 was 4.9% lower than in the fourth quarter of 2019, the last full quarter before the onset of the coronavirus crisis. The euro area also saw a quarter-on-quarter decline in GDP of 0.6% in the first quarter of 2021 according to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat)². Meanwhile, seasonally adjusted euro area GDP was down by 1.8% as against the first quarter of the previous year.

Sector development

In contrast to the wider economy, studies by the digital industry association Bitkom³ found that the business climate in the digital sector developed positively in the first quarter of 2021. Bitkom recorded improved sentiment in the digital industry in Q1 2021, with the strong upturn continuing in April 2021. The Bitkom-ifo Digital Index – which reflects the business situation and business expectations of companies in the digital sector – climbed by 31.7 points in the period to April 2021, putting it at a higher level than before the start of the coronavirus pandemic.

¹ cf. Destatis press release no. 211 dated April 30, 2021, published at <https://www.destatis.de>

² cf. Eurostat press release 53/2021 dated April 30, 2021, published at <http://ec.europa.eu/eurostat>

³ cf. Bitkom press release dated April 29, 2021, published at www.bitkom.org

Business performance in the first three months of fiscal 2021

Development of sales and costs

Consolidated sales

In spite of the resurgent coronavirus crisis, USU Software AG and its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) acquired numerous major orders and recorded positive operating performance in the first quarter of fiscal 2021. In the first three months of 2021, USU thus increased its consolidated sales by a further 3.7% to EUR 27,180 thousand compared with the strong prior-year figure (Q1 2020: EUR 26,210 thousand). This was due in particular to new domestic digitalization projects, which are enjoying particularly strong demand during the coronavirus pandemic. Accordingly, the USU Group increased its sales in Germany by 5.2% to EUR 19,297 thousand (Q1 2020: EUR 18,343 thousand). Although USU also acquired several major projects outside Germany, its international sales declined by 6.5% compared with the extremely strong prior-year period, amounting to EUR 7,355 thousand (Q1 2020: EUR 7,867 thousand). As a result, international business accounted for 27.1% of USU’s consolidated sales in the first three months of 2021 after 30.0% in the same period of the previous year.

Broken down by sales type, USU generated a particularly high year-on-year increase in consulting income of 11.6% to EUR 16,555 thousand thanks to the new orders acquired (Q1 2020: EUR 14,830 thousand). At the same time, it benefited from the sustained growth in cloud and maintenance business. Maintenance sales including sales from Software-as-a-Service (SaaS) business increased by 5.6% year-on-year to EUR 8,202 thousand (Q1 2020: EUR 7,767 thousand), of which EUR 2,444 thousand (Q1 2020: EUR 2,182 thousand) was attributable to SaaS sales alone. This represents an increase in SaaS sales of 12.0% as against the previous year. As a result of the comparatively high share of new contracts attributable to SaaS business, license sales in the first quarter of 2021 were down 37.7% on the very strong prior-year figure at EUR 2,177 thousand (Q1 2020: EUR 3,492 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 246 thousand (Q1 2020: EUR 224 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 Katana (since 2021: 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 19,359 thousand in the first three months of 2020 (Q1 2020: EUR 19,508 thousand), down slightly by 0.8% compared with the previous year. This was due in particular to the downward trend in license business, which the growth in SaaS sales was insufficient to offset in the first quarter of 2021. By contrast, consulting-related sales in the Service Business segment increased by 16.9% year-on-year to EUR 7,792 thousand in the same period (Q1 2020: EUR 6,665 thousand). USU benefited in particular from the sustained demand trend for digitalization solutions. Sales not allocated to the segments totaled EUR 29 thousand in the first three months of fiscal 2021 (Q1 2020: EUR 37 thousand).

Operating costs

The USU Group's operating cost base increased by just 2.2% year-on-year to EUR xx,xxx thousand in the first quarter of 2021 (Q1 2020: EUR 24,843 thousand). In addition, central Group expenses were reallocated to the respective operating segments in the quarter under review as part of the reorganization of the USU Group's units. This led to lower general and administrative expenses, while the cost of sales, sales and marketing expenses and research and development expenses increased accordingly.

The cost of sales rose by 7.3% as against the previous year to EUR 13,606 thousand in the period under review (Q1 2020: EUR 12,680 thousand); this was due in particular to the higher fees paid to the additional freelancers employed in connection with the business growth. The cost of sales as a percentage of consolidated sales thus increased slightly year-on-year to 50.1% (Q1 2020: 48.4%). At the same time, gross income rose from EUR 13,530 thousand in the first quarter of 2020 to EUR 13,574 thousand in the quarter under review. However, the gross margin declined slightly to 49.9% (Q1 2020: 51.6%).

Marketing and selling expenses increased by 5.0% year-on-year to EUR 4,864 thousand in the period under review (Q1 2020: EUR 4,631 thousand). In particular, this reflects the workforce expansion in this area to 119 employees (Q1 2020: 103) and the resulting growth in staff costs. Marketing and selling expenses as a share of sales thus rose slightly, from 17.7% in the first quarter of 2020 to 17.9% in the first quarter of 2021.

General and administrative expenses fell by 24.3% year-on-year to EUR 2,687 thousand in the period under review (Q1 2020: EUR 3,548 thousand), mainly as a result of the reallocation of central costs to the operating segments as part of the reorganization as well as the lower level of non-staff operating costs. Accordingly, the ratio of administrative expenses to consolidated sales decreased to 9.9% in the reporting period (Q1 2020: 13.5%).

Due to higher staff costs and increased expenditure in connection with the reorganization, research and development expenses rose by 6.5% year-on-year to EUR 4,242 thousand (Q1 2020: EUR 3,800 thousand). Accordingly, the ratio of research and development expenses to consolidated sales increased to 15.6%. 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 258 thousand in the first quarter of 2021 (Q1 2020: EUR 381 thousand).

Results of operations

As a result of the business growth and the below-average increase in Group expenses by comparison, the USU Group recorded a further year-on-year improvement in profitability in Q1 2021. Thus, USU's EBITDA increased by 4.0% as against the previous year to EUR 3,188 thousand (Q1 2020: EUR 3,064 thousand). Adjusted for total depreciation and amortization of EUR 1,149 thousand (Q1 2020: EUR 1,316 thousand), USU generated EBIT of EUR 2,039 thousand in the first quarter of 2021 (Q1 2020: EUR 1,748 thousand).

Net finance costs amounted to EUR 173 thousand in the first quarter of 2021 (Q1 2020: EUR -16 thousand). This also includes interest expenses from leases (IFRS 16). Income taxes amounted to EUR -180 thousand in the first quarter of 2020 (Q1 2020: EUR -162 thousand).

All in all, USU improved its consolidated earnings by 29.4% year-on-year to EUR 2,032 thousand in the first quarter of 2021 (Q1 2020: EUR 1,570 thousand). With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.19 (Q1 2020: EUR 0.15).

Adjusted consolidated net profit

Starting with EBIT, the table below shows the reconciliation to the non-IFRS key earnings ratios of adjusted EBIT, adjusted consolidated net profit and adjusted earnings per share. These are provided for information purposes and represent the USU Group's key figures adjusted for extraordinary effects relating to acquisitions. Adjusted EBIT is also the principal key performance indicator for the USU Group.

| Adjusted consolidated net profit <i>EUR thousand</i> | Jan. 1, 2021 MAR. 31, | Jan. 1, 2020 MAR. 31, |
|---|--|--|
| Profit from ordinary activities (EBIT) | 2,039 | 1,748 |
| Amortization of intangible assets recognized in connection with company acquisitions | 130 | 219 |
| Amortization of goodwill | 0 | 0 |
| Non-recurring effects relating to acquisitions | 0 | 0 |
| Adjusted EBIT | 2,169 | 1,967 |
| Finance income (as per consolidated income statement) | 204 | 5 |
| Finance expenses (as per consolidated income statement) | -31 | -21 |
| Income taxes (as per consolidated income statement) | -180 | -162 |
| Tax effects relating to adjustments | -24 | -24 |
| - from amortization | -24 | -24 |
| - from deferred taxes on tax loss carryforwards | 0 | 0 |
| Adjusted consolidated net profit | 2,138 | 1,765 |
| Adjusted earnings per share (in EUR): | 0.20 | 0.17 |
| Number of underlying shares | | |
| Basic and diluted | 10,523,770 | 10,523,770 |

As a result of its business growth, USU increased its adjusted EBIT by 10.3% year-on-year to EUR 2,169 thousand in the first three months of 2021 (Q1 2020: EUR 1,967 thousand). Adjusted consolidated earnings increased by 21.1% to EUR 2,138 thousand in the same period (Q1 2020: EUR 1,765 thousand). Adjusted earnings per share thus improved from EUR 0.17 in the previous year to EUR 0.20.

Net assets and financial position

On the assets side of the balance sheet, the USU Group's non-current assets rose slightly to EUR 72,583 thousand as of March 31, 2021 (December 31, 2020: EUR 71,923 thousand). This was primarily due to the increase in right-of-use assets in accordance with IFRS 16 to EUR 17,244 thousand (December 31, 2020: EUR 16,280 thousand).

Over the same period, current assets increased from EUR 43,543 thousand as of December 31, 2020, to currently EUR 49,579 thousand, primarily as a result of the rise in Group liquidity (cash on hand and bank balances including securities) to EUR 22,748 thousand as of March 31, 2021 (December 31, 2020: EUR 18,534 thousand).

On the equity and liabilities side of the statement of financial position, the USU Group's equity increased from EUR 61,770 thousand as of December 31, 2020, to EUR 63,623 thousand as of March 31, 2021, as a result of the positive consolidated earnings. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 58,541 thousand as of March 31, 2021 (December 31, 2020: EUR 53,696 thousand). This increase essentially 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, and from increased lease liabilities in accordance with IFRS 16.

With total assets of EUR 122,162 thousand (December 31, 2020: EUR 115,466 thousand), the equity ratio was 52.1% as at March 31, 2021 (December 31, 2020: 53.5%). 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 (excluding securities) of EUR 22,747 thousand as of March 31, 2021 (Q1 2020: EUR 17,561 thousand). This represents an increase of EUR 5,186 thousand or 29.5% as compared to the previous year. Accordingly, USU increased its Group liquidity compared to December 31, 2020, when USU had liquidity of EUR 18,534 thousand, by 22.7%.

USU's cash flow from operating activities was again clearly positive in the reporting quarter Q1 2021 at EUR 4,863 thousand (Q1 2020: EUR 8,593 thousand), which was mainly due to the quarterly profit generated by USU.

Net cash used in investing activities of EUR -187 thousand (Q1 2020: EUR -743 thousand) primarily includes investments in property, plant and equipment.

As in the previous year, the net cash used in financing activities of EUR -682 thousand (Q1 2020: EUR -682 thousand) resulted from repayments of lease liabilities.

Orders on hand

The USU Group's orders on hand totaled EUR 64,547 thousand at the end of the first quarter of 2021, up EUR 6,705 thousand or 11.6% on the previous year (March 31, 2020: EUR 57,842 thousand), thus marking another new record. The increase primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders. USU also increased its orders on hand by a further 4.3% as against the end of the previous year (December 31, 2020: EUR 61,891 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 1.7% or 12 employees year-on-year to 732 employees as of March 31, 2021 (March 31, 2020: 720). Broken down by functional unit, USU employed a total of 298 people in consulting and services as of the end of the first quarter of 2021 (March 31, 2020: 316), 211 in research and development (March 31, 2020: 201), 119 in sales and marketing (March 31, 2020: 103) and 106 in administration (March 31, 2020: 100). Broken down by segment, USU had 514 (March 31, 2020: 513) employees in the Product Business segment, 112 (March 31, 2020: 107) in the Service Business segment, and 106 (March 31, 2020: 100) in USU Group central functions. USU therefore again slightly expanded the Group workforce as planned in accordance with its medium-term planning in the first quarter of 2021 despite the shortage of qualified staff in the IT sector and the sustained coronavirus crisis.

Forecast, report on risks and opportunities

Forecast

General economy

According to the Joint Economic Forecast #1-2021⁴ of April 14, 2021 issued by the leading economic research institutes, the coronavirus pandemic is delaying the economic upturn. In their spring report, the institutes are forecasting GDP growth of 3.7% in the current year (2020: -4.9%). Although the renewed shutdown is setting back the economic recovery, a dynamic upturn is expected to commence as soon as the risk of infection has been successfully brought under control. To this end, the economic research institutes expect the German economy to return to normal utilization levels around the start of next year.

By contrast, the institutes believe the world economy remains on course for growth despite the impact of the coronavirus pandemic. Although some parts of the European economy have been paralyzed again, the economy outside Europe is enjoying an upturn. In East Asia, for example, the pandemic has been largely under control for some time now, while infection rates in the US have also declined significantly since January.

The institutes expect to see rapid economic growth as soon as the pandemic has been conclusively warded off, although the timing of this development will differ from region to

⁴ cf Joint Economic Forecast #1-2021, April 14, 2021, published at <https://www.gemeinschaftsdiagnose.de>

region. Accordingly, global economic output is forecast to increase by 6.3% as an average for 2021 as a whole, compared with a downturn of 3.6% in 2020.

Sector

According to information from the digital industry association Bitkom⁵, the German digital sector is continuing to enjoy an upswing and will see further sales growth in 2021. According to Bitkom, expenditure for information technology, telecommunications and consumer electronics is expected to increase by 2.7% compared with 2020 to a total volume of EUR 174.4 billion (2020: EUR 169.8 billion). Following a slight contraction of 0.7% in 2020, Bitkom's calculations show that the German IT market is set to grow by 4.2% to EUR 98.6 billion in 2021 (2020: EUR 94.6 billion). Within this, the software market segment is expected to see above-average growth of 4.1% (2020: -1.0%) to EUR 27 billion (2020: EUR 25.9 billion), while expenditure for IT services are forecast to rise by just 1.1% (2020: -3.2%) to EUR 40.0 billion (2020: EUR 39.6 billion).

In its latest "IT Spending Forecast" published on April 7, 2021, the market research company Gartner⁶ is also forecasting growth in global IT expenditure of 8.4% in 2021 (2020: -2.2%) to USD 4,073 billion (2020: USD 3,757 billion). According to Gartner, the source of funds for new digital business initiatives will more frequently come from business departments outside IT. "IT no longer just supports corporate operations as it traditionally has, but is fully participating in business value delivery," said John-David Lovelock, Vice President at Gartner. "Not only does this shift IT from a back-office role to the front of business, but it also changes the source of funding from an overhead expense that is maintained, monitored and sometimes cut, to the thing that drives revenue." According to Gartner, the market segments of software and IT services will therefore enjoy above-average growth of 10.8% (2020: -2.1%) to USD 517 billion (2020: USD 467 billion) and 9.0% (2020: -1.8%) to USD 1,113 billion (2020: USD 1,021 billion) respectively.

Outlook

For fiscal 2021, the Management Board expects the USU Group to record slight growth in sales and an improvement in adjusted EBITDA to at least EUR 9-10 million. This development will be driven in particular by strong SaaS business, as well as positive effects and increased 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 operating margin on adjusted EBIT to between 13% and 15% by

⁵ cf. BITKOM press release dated January 13, 2021, published at www.bitkom.org

⁶ cf. Gartner press release dated April 7, 2021, published at www.gartner.com

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.

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 balance sheet date December 31, 2020. For more information please see the report on risks and opportunities in the 2020 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.

In the first weeks of 2021, the stock markets trended clearly positive in the wake of the waning Corona pandemic and the associated hopes of an economic recovery, before emerging inflation concerns dampened the positive market sentiment again from mid-February onwards and accordingly led to price declines for the most part. As of March 31, 2021, the German share index (DAX) on the XETRA electronic trading platform was up 9.4% on the previous quarter to 15,008.34 points (December 31, 2020: 13,718.78 points). The Technology All Share index also recorded a price gain of 6.3% to 4,762.54 points on XETRA compared with the same reporting date in the previous quarter (December 31, 2020: 4,479.20 points). And USU shares also posted another quarterly performance of +2.9%, ending trading on XETRA on March 31, 2021 at EUR 28.00 (December 31, 2020: EUR 27.2).

Compared with the previous year's reporting date of March 31, 2020, the DAX recorded significant price growth of 51.1% (March 31, 2020: 9,935.84 points), while the Technology All Share Index gained almost the same amount, by 46.2% (March 31, 2020: 3,258.36 points). USU's share price really boomed in the same period, recording a positive share price performance of +122.2% (March 31, 2020: EUR 12.60) in the wake of the company's successful business performance.

Möglingen, May 14, 2021

USU Software AG

Bernhard Oberschmidt
Chairman of the Management

Dr. Benjamin Strehl
Management Board

| ASSETS <i>EUR thousand</i> | 3-month report MAR. 31, 2021 | Annual report DEC. 31, 2020 |
|--------------------------------------|---|--|
| Non-current assets | | |
| Intangible assets | 3,488 | 3,644 |
| Goodwill | 40,392 | 40,392 |
| Property, plant and equipment | 3,355 | 3,464 |
| Right-of-use assets IFRS 16 | 17,244 | 16,280 |
| Financial assets | 827 | 846 |
| Prepaid expenses | 300 | 320 |
| Deferred taxes | 6,977 | 6,977 |
| Non-current assets | 72,583 | 71,923 |
| Current assets | | |
| Inventories | 430 | 351 |
| Unbilled work in progress | 6,317 | 4,606 |
| Trade receivables | 17,190 | 16,725 |
| Income tax receivables | 134 | 179 |
| Financial assets | 668 | 570 |
| Other assets | 246 | 694 |
| Prepaid expenses | 1,846 | 1,884 |
| Cash on hand and bank | 22,748 | 18,534 |
| Current assets | 49,579 | 43,543 |
| Total assets | 122,162 | 115,466 |

| EQUITY AND LIABILITIES <i>EUR thousand</i> | 3-month report MAR. 31, 2021 | Annual report DEC. 31, 2020 |
|--|---|--|
| Equity | | |
| Issued capital | 10,524 | 10,524 |
| Capital reserves | 52,792 | 52,792 |
| Other retained earnings | 313 | -1,719 |
| Other comprehensive income | -8 | 173 |
| Equity | 63,621 | 61,770 |
| Non-current liabilities | | |
| Pension provisions | 1,333 | 1,316 |
| Lease liabilities IFRS 16 | 14,860 | 14,036 |
| Deferred income | 2,004 | 2,040 |
| Deferred taxes | 1,315 | 1,339 |
| Non-current liabilities | 19,512 | 18,731 |
| Current liabilities | | |
| Income tax liabilities | 348 | 347 |
| Financial liabilities | 871 | 837 |
| Lease liabilities IFRS 16 | 2,552 | 2,396 |
| Personnel-related liabilities | 7,478 | 9,538 |
| Other provisions and liabilities | 1,029 | 3,062 |
| Liabilities from advance | 4,596 | 5,057 |
| Trade payables | 4,198 | 4,171 |
| Deferred income | 17,957 | 9,557 |
| Current liabilities | 39,029 | 34,965 |
| Total equity and liabilities | 122,162 | 115,466 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| STATEMENT OF COMPREHENSIVE INCOME <i>EUR thousand</i> | Quarterly report | Quarterly report | 3-month report | 3-month report |
|--|------------------|------------------|----------------|----------------|
| | Q1 2021 | Q1 2020 | | |
| | Jan. 1, 2021 | Jan. 1, 2020 | Jan. 1, 2021 | Jan. 1, 2020 |
| | MAR. 31, 2021 | MAR. 31, 2020 | MAR. 31, 2021 | MAR. 31, 2020 |
| Sales | 27,180 | 26,210 | 21,975 | 26,210 |
| Cost of sales | -13,606 | -12,680 | -10,981 | -12,680 |
| Gross profit | 13,574 | 13,530 | 10,994 | 13,530 |
| Selling and marketing expenses | -4,864 | -4,631 | -4,674 | -4,631 |
| General and administrative exp. | -2,687 | -3,548 | -2,865 | -3,548 |
| Research and development exp. | -4,242 | -3,984 | -3,800 | -3,984 |
| Other operating income | 563 | 473 | 255 | 473 |
| Other operating expenses | -305 | -92 | -93 | -92 |
| Profit from ordinary activities (EBIT) | 2,039 | 1,748 | -183 | 1,748 |
| Finance income | 204 | 5 | 19 | 5 |
| Finance expenses | -31 | -21 | -19 | -21 |
| Earnings before taxes (EBT) | 2,212 | 1,732 | -183 | 1,732 |
| Income taxes | -180 | -162 | -453 | -162 |
| Consolidated net earnings | 2,032 | 1,570 | 1,570 | 1,570 |
| <i>Items that can be reclassified to profit or loss in future periods:</i> | | | | |
| Currency translation difference | 141 | -169 | -169 | -66 |
| Other comprehensive income | 141 | -169 | -169 | -66 |
| Total comprehensive income | 2,173 | 1,401 | 1,401 | -702 |
| Earnings per share (in EUR) Basic and diluted | 0,21 | 0,13 | 0,21 | 0,13 |
| 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, 2021 - MAR. 31, 2021 | 3-month report Jan. 1, 2020 - MAR. 31, 2020 |
|---|---|---|
| NET CASH FROM OPERATING ACTIVITIES | | |
| Consolidated net profit | 2,032 | 1,570 |
| +/- depreciation, amortization and write-downs of non-current assets and reversals of | 451 | 637 |
| +/- depreciation, amortization and write-downs of right-of-use assets under IFRS 16 | 698 | 679 |
| +/- other non-cash expenses/income | -222 | -120 |
| -/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities | -1,828 | 2,888 |
| +/- increase/decrease in trade payables and other liabilities not related to investing or financing activities | 3,888 | 2,959 |
| -/+ interest expenses/income | -173 | 16 |
| +/- income taxes received/paid | -142 | -186 |
| -/+ interest paid/received | -21 | -12 |
| -/+ income tax expenses/income | 180 | 162 |
| NET CASH FROM OPERATING ACTIVITIES | 4,863 | 8,593 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| - purchase of intangible assets | -2 | 0 |
| + proceeds from disposals of property, plant and equipment | 12 | 7 |
| - purchase of property, plant and equipment | -198 | -750 |
| NET CASH USED IN INVESTING ACTIVITIES: | -187 | -743 |
| NET CASH USED IN FINANCING ACTIVITIES: | | |
| - dividends paid to shareholders of the parent company | 0 | 0 |
| - repayments of lease liabilities | -682 | -682 |
| NET CASH USED IN FINANCING ACTIVITIES: | -682 | -682 |
| Change in cash and cash equivalents | 3,994 | 7,188 |
| +/- effect on cash and cash equivalents of exchange rate movements and remeasurement | 220 | -40 |
| + cash and cash equivalents at the start of the period | 18,534 | 10,413 |
| Cash and cash equivalents at the end of the period | 22,747 | 17,561 |
| Cash and cash equivalents | | |
| Cash and cash equivalents | 22,747 | 17,561 |
| | 17,561 | 17,561 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| Development of Group equity | Issued capital | | Capital reserves EUR thousand | Other retained earnings EUR thousand | Other comprehensive income | | Equity EUR thousand |
|--|----------------|--------------|----------------------------------|---|-------------------------------|--------------------------------------|------------------------|
| | Number | EUR thousand | | | Pension plans EUR thousand | Currency translation EUR thousand | |
| | | | | | | | |
| Consolidated equity as of January 1, 2020 | 10,523,770 | 10,524 | 52,792 | -3,003 | -116 | 1 | 60,198 |
| Consolidated net Other comprehensive after taxes | | | | 1,570 | | -169 | -169 |
| Total comprehensive | 0 | 0 | 0 | 1,570 | 0 | -169 | 1,401 |
| Dividend payment | | | | | | | 0 |
| Consolidated equity as of March 31, 2020 | 10,523,770 | 10,524 | 52,792 | -1,433 | -116 | -168 | 61,599 |
| Consolidated equity as of January 1, 2021 | 10,523,770 | 10,524 | 52,792 | -1,719 | -150 | 1 | 61,448 |
| Consolidated net Other comprehensive after taxes | | | | 2,032 | | 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 |

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, 2020. This unaudited three-month report for 2021 should therefore be read in conjunction with the audited consolidated financial statements for 2020.

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, 2021 EUR thousand | Jan. 1-Mar. 31, 2020 EUR thousand |
|-------------------|--------------------------------------|--------------------------------------|
| Consulting | 16,555 | 14,830 |
| Licenses/products | 2,177 | 3,389 |
| Maintenance/SaaS | 8,202 | 7,767 |
| Other | 246 | 224 |
| | 27,180 | 26,210 |

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, 2021 | Jan. 1-Mar. 31, 2020 | Jan. 1-Mar. 31, 2021 | Jan. 1-Mar. 31, 2020 | Jan. 1-Mar. 31, 2021 | Jan. 1-Mar. 31, 2020 | Jan. 1-Mar. 31, 2021 | Jan. 1-Mar. 31, 2020 | Jan. 1-Mar. 31, 2021 | Jan. 1-Mar. 31, 2020 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Sales | 19,359 | 19,508 | 7,792 | 6,665 | 27,151 | 26,173 | 29 | 37 | 27,180 | 26,210 |
| EBITDA | 2,387 | 3,727 | 1,533 | 1,015 | 3,920 | 4,742 | -732 | -1,678 | 3,188 | 3,064 |
| EBIT | 1,622 | 2,875 | 1,181 | 686 | 2,803 | 3,561 | -754 | -1,813 | 2,039 | 1,748 |
| Net finance | - | - | - | - | - | - | 173 | -16 | 173 | -16 |
| Taxes | -137 | - | -43 | - | -180 | 0 | 0 | -162 | -180 | -162 |
| Consolidated net | 1,622 | 2,875 | 1,138 | 686 | 2,623 | 3,561 | -591 | -1,991 | 2,032 | 1,570 |
| No. of employees | 514 | 513 | 112 | 107 | 626 | 620 | 106 | 100 | 732 | 720 |

The USU Group generated a total of 25.1% (Q1 2020: 30.0%) or EUR 6,812 thousand (Q1 2020: EUR 7,867 thousand) of its consolidated sales outside Germany in the first three months of the 2021 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, 2021:

| 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 | 0 | 0 |
| <p>* An additional 5,349,578 (2020: 5,347,013) 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 (2020: 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 14, 2021

USU Software AG

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

May 17-19, 2021

Equity Forum – German Spring Conference, Virtual

July 6, 2021

Virtual Annual General Meeting

August 31, 2021

Publication of six-month report 2021

September 10-11, 2021

17th IR Tour 2021, Rüttnauer Research,

November 18, 2021

Publication of nine-month report 2021

November 22-24, 2021

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