



**3-Month Financial
Report/Report on the First
Quarter of 2024**

USU Software AG

USU AT A GLANCE

3-Month Report 2024	2024	2023
<i>in EUR thousand, except earnings per share and number of employees</i>	Jan. 1-Mar. 31, 2024	Jan. 1-Mar. 31, 2023
SALES	35,420	33,307
Adjusted EBITDA	4,607	3,820
EBITDA	4,607	3,820
EBIT	3,429	2,658
CONSOLIDATED NET PROFIT	2,458	1,732
EARNINGS PER SHARE (EUR)	0.24	0.17
CASH FLOW FROM OPERATING ACTIVITIES	11,635	3,925
NUMBER OF EMPLOYEES AS AT MAR. 31	806	797
	Mar. 31, 2024	Dec. 31, 2023
CASH AND CASH EQUIVALENTS	23,962	13,494
SHAREHOLDERS EQUITY	59,581	57,215
TOTAL ASSETS	123,306	108,063
EQUITY RATIO	48.3%	53.0%

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LETTER TO SHAREHOLDERS

Dear Shareholders and Readers,

Thanks to several major orders and a new record order backlog of almost EUR 97 million, USU was once again able to report a positive 1st quarter of 2024. This welcome business development was driven in particular by the license business, which increased significantly from EUR 1.3 million to EUR 4.5 million compared to the same period of the previous year. At the same time, we were also able to increase SaaS sales, i.e. business with rental software, to EUR 4.4 million. Accordingly, USU increased its adjusted EBITDA from EUR 3.8 million to EUR 4.6 million. The balance sheet ratios also remain solid. USU has extensive liquidity of almost EUR 24 million with no bank liabilities and a high equity ratio at the same time.

The company continues to benefit from the trend towards digitalization and the ongoing strong demand for solutions that automate IT and service management processes and thus increase quality and productivity – especially in the public sector. On the customer side, the use of AI is also being evaluated in specific use cases. With our knowledge management solutions, we also believe we are very well positioned in this exciting future-oriented field. Despite the challenging overall economic and political environment, we are therefore optimistic that we will achieve our growth targets for the current fiscal year.

As announced in the ad hoc announcement of 12 March 2024, USU Software AG plans to delist its shares. To this end, the company has entered into an agreement with AUSUM GmbH and its subsidiary NUNUS GmbH under which NUNUS GmbH will submit a public delisting takeover offer to USU shareholders, which was made on 16 May 2024. Accordingly, the offer price set by NUNUS GmbH amounts to EUR 18.50 per share in USU and corresponds to a premium of EUR 1.74 or 10.4% on the minimum price to be paid in accordance with the statutory provisions. The acceptance period ends on 13 June 2024 at 24:00 (CEST), subject to the additional acceptance period. At the same time, the company is looking for a strategic partner for the product business. This supports USU's strategy of significantly expanding its product business and financing it through strategic partnerships.

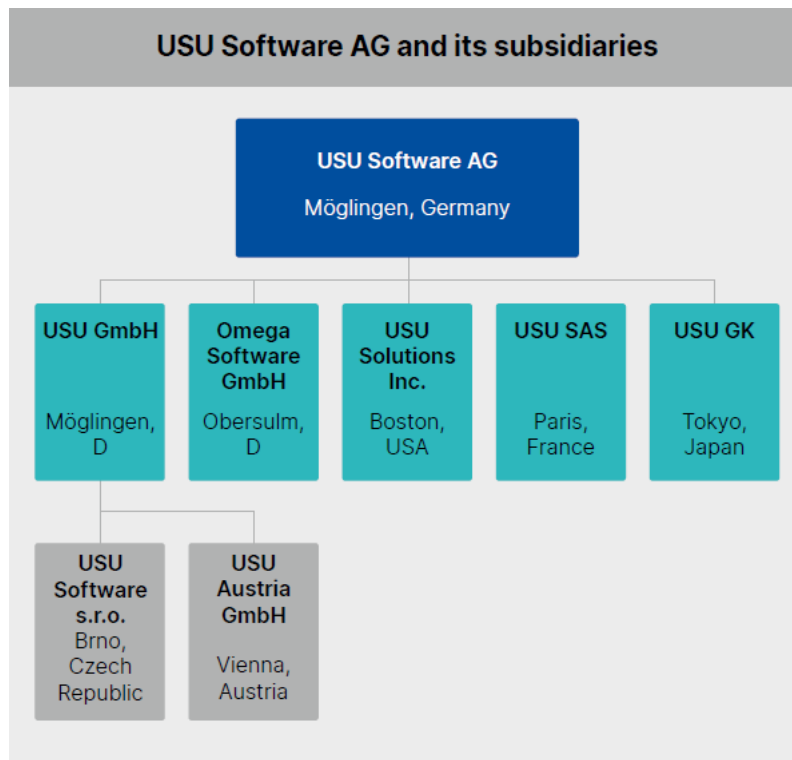
The management board and supervisory board consider delisting to be advantageous, as the costs of being listed on the stock exchange are no longer justified due to increasing regulation. The revocation of the listing is still being decided by the Frankfurt Stock Exchange. Following approval, USU will no longer be traded on regulated or comparable markets.

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 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.



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”) set standards for better service quality. USU enables companies to respond to 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 solution 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.

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.

Research and development

USU attaches great importance to innovation and investment in research & development (R&D) in order to maintain its position in a rapidly changing market. Through regular updates and new software products, the company responds to customer needs, increases satisfaction and opens up new markets. USU is making above-average investments in cloud and AI technologies in particular in order to expand its portfolio and develop attractive solutions.

In the 1st quarter of 2023, USU invested a total of EUR 5,372 thousand (Q1 2023: EUR 5,175 thousand) and 15.2% (Q1 2023: 15.5%) of consolidated sales in research & development (R&D). The total number of employees in this area as at March 31, 2024 was 275 (March 31, 2023: 266). The USU Group's R&D expenses do not typically meet the criteria for recognition and hence are not capitalized.

The USU-wide R&D strategy focuses on gradually building a comprehensive SaaS-based platform that will integrate the entire portfolio for IT asset management, service management and IT operations management over the next few years. The first solutions will be available as modular apps by the end of 2024. At the same time, the existing portfolio of the individual divisions is being continuously developed and supplemented with innovations.

The R&D team of the USU Service Management business division completed a new version in the 1st quarter. In addition to the new user interface and dashboards for the Technology Business Management (TBM) service model, AI support has also been further expanded through integration with change management.

A new release was also published in the IT Monitoring business division during the reporting period. In addition to performance benefits, the most notable enhancements are in the area of “Smart Baselining”, an AI-supported dynamic calculation of threshold values, as well as improvements to the Service Level Monitoring module.

The current R&D activities in the area of USU Software Asset Management (SAM) focus primarily on the integration of the SaaS management solution into the new USU platform. The system was integrated into the platform's new user management, for example, and tests were carried out for harmonized user interface. In addition to functional additions to the other SAM solutions, these were also prepared for integration.

The focus of development for USU Knowledge Management in the first few months of 2024 was on the integration of GenAI components. To this end, several proof of concepts were carried out to gain practical experience with the technology. The aim is to fully implement these GenAI functions in the new version by October 2024. In the self-service area (chatbot and HelpCenter), the focus was on increasingly better integration into customer portals.

The R&D team of the USU AI Services develops new AI-based technology modules for the existing USU portfolio. For service management, the new Incident Summary module has been released, which summarizes the current status of an incident with the help of language models such as ChatGPT. Furthermore, a prototype was created for the area of software asset management, which summarizes and compares various EULAs (End User License Agreements). Differences and similarities between the documents are analyzed.

Two research projects are currently active: AutoQML and KISS. The AutoQML project is working on the development of Automated Machine Learning and the USU AI Wizard, a tool for the automated creation of data-driven services. Practical tests for AI applications in transportation and logistics are to be carried out at project partner KEB in the coming months. In the KISS research project, work is continuing on chatbot solutions to make critical infrastructures more resilient in crisis situations, with a focus on generative AI in the area of self-service.

Economic report

Overall economic development

According to an initial flash report from the German Federal Statistical Office (“Destatis”)¹ dated April 30, 2024, gross domestic product (GDP) in the 1st quarter of 2024

¹ Cf. Destatis press release dated April 30, 2024, published at <https://www.destatis.de>

compared to the 4th quarter of 2023 – adjusted for price, seasonal and calendar effects – increased by 0.2% after falling at the end of the year 2023 (revised -0.5% in the 4th quarter of 2023 compared to the previous quarter; previously: -0.3%). According to Destatis, the slight growth was driven by increases in construction investment and exports. Private consumer spending, on the other hand, declined. Compared to the previous year, GDP in the 1st quarter of 2024 price-adjusted was 0.9% lower than in the 1st quarter of 2023. Adjusted for price and calendar effects, the decline was lower at -0.2%, as there were 1.6 fewer working days available than in the same period of the previous year.

According to a preliminary flash estimate by the statistical office of the European Union (Eurostat)², GDP in the Eurozone grew by 0.3% in the 1st quarter of 2024 compared to the previous quarter, after it fell in the 4th quarter of 2022 by 0.1% compared to the previous quarter. Compared to the same quarter of the previous year, seasonally adjusted GDP in the Eurozone rose by 0.4% in the 1st quarter of 2024.

Sector development

According to studies by the digital industry association Bitkom, the digital sector³ was in good shape at the end of the 1st quarter of 2024 again. At 15.5 points, the figure for the assessment of the current business situation of IT and telecommunications companies was 1.2 points above the February figure. This is the first month-on-month increase since July 2023. Business expectations for the rest of the year have improved even more significantly compared to February, from -10.2 to -2.2 points. This is shown by the current Bitkom-ifo digital index. The index reflects the current business situation and business expectations for the next three months and uses this to calculate the business climate. Compared to February, this improved by 1.6 points to 6.4 points (February 2024: 4.8 points).

“Despite the ongoing tense global situation and the overall economic slowdown, the Bitkom sector is developing steady. Companies in the digital sector are holding their own in a challenging environment and are proving to be a pillar of the German economy,” says Bitkom President Dr Ralf Wintergerst.

Development of sales and costs

Consolidated sales

USU Software AG, together with its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”), continued its positive growth trend in the 1st quarter of 2024 and increased consolidated sales by 6.3% year-on-year to EUR 35,420 thousand (Q1 2023: EUR 33,307

² Cf. Eurostat press release dated April 30, 2024, published at <http://ec.europa.eu/eurostat>

³ Cf. Bitkom press release dated April 5, 2023, published at www.bitkom.org

thousand). This increase in turnover is mainly the result of major domestic orders from the public sector and several small to medium-sized orders from the private sector, which also led to a new record order backlog. As USU primarily obtained orders from the German domestic market, domestic business in the reporting quarter increased by 9.6% to EUR 28,746 thousand (Q1 2023: EUR 26,234 thousand), while international sales outside Germany fell by 5.6% to EUR 6,674 thousand (Q1 2023: EUR 7,073 thousand) compared with the same quarter of the previous year which was relatively strong. Accordingly, at 18.8% (Q1 2023: 21.1%), the share of international business in USU's consolidated sales in the 1st quarter of 2024 fell short of the previous year's figure.

Broken down by types of sales, USU increased year-on-year license sales in particular, more than tripling them in the 1st quarter of 2024 to EUR 4,494 thousand (Q1 2023: EUR 1,298 thousand) thanks to several on-premise orders compared with the same quarter of the previous year which was weaker. Thanks to new SaaS agreements and the existing SaaS order backlog, USU also increased SaaS revenues year-on-year by an above-average amount of 10.4% to EUR 4,420 thousand (Q1 2023: EUR 4,003 thousand). As a result of the positive license agreements, the USU Group's maintenance income also increased in the reporting quarter by 2.8% to EUR 6,525 thousand compared to the previous year (Q1/2023: EUR 6,345 thousand). Accordingly, USU increased recurring revenue (recurring sales revenue = maintenance revenue plus SaaS revenue) in the Q1 2024 reporting quarter by 5.8% to EUR 10,945 thousand (Q1 2023: EUR 10,348 thousand) compared to the previous year. Following record sales in the consulting business in the previous quarters, consulting sales in the reporting quarter were 7.4% lower than in the same quarter of the previous year at EUR 19,895 thousand (Q1 2023: EUR 21,485 thousand), partly due to the fewer working days available compared to the previous year. Other income, which mainly comprises merchandise sales with hardware and software purchased from third parties, amounted to a total of EUR 86 thousand (Q1 2023: EUR 176 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 increased in the 1st quarter of 2024 in particular, thanks to higher license and SaaS revenues of segment sales by 8.5% year-on-year to EUR 24,598 thousand (Q1 2023: EUR 22,662 thousand), while USU increased consulting-related sales in the Service Business segment by 1.7% year-on-year to EUR 10,822 thousand (Q1 2023: EUR

10,645 thousand), despite the fewer working days available compared with the previous year. The USU service segment continued to benefit from the demand trend for digitalization solutions.

Operating costs

The USU Group's operating expense base increased year-on-year in the 1st quarter of the current fiscal year 2024 by 3.3% to EUR 32,072 thousand (Q1 2023: EUR 31,056 thousand). This increase mainly reflects the expansion of the personnel and the associated cost increases as well as the inflation-related increase in staff salaries.

The increase in the cost of sales by 8.4% to EUR 18,635 thousand (Q1 2023: EUR 17,194 thousand) is in particular, due to higher personnel expenses as a result of the expansion of the team of salaried consultants from 321 employees in the previous year to 326 employees and the inflation-related increase in salaries for the team of consultants. The cost of sales ratio in relation to Group sales rose slightly from 51.6% in the same quarter of the previous year to 52.6%. At the same time, gross profit increased from EUR 16,113 thousand in the 1st quarter of 2023 to EUR 16,785 thousand in the 1st quarter of 2024, which corresponds to an increase of 4.2%. Accordingly, the gross margin in the Q1 2024 reporting quarter amounted to 47.4% (Q1 2023: 48.4%).

Marketing and sales expenses fell in the reporting period by 8.8% to EUR 5,291 thousand (Q1 2023: EUR 5,803 thousand) compared to the previous year. This decline mainly reflects reduced non-staff operating costs as a result of the cost-cutting measures introduced. As USU increased sales at the same time, the sales-related cost ratio for marketing and sales at 17.4% fell to 14.9% in the 1st quarter of 2023.

As a result of reduced non-staff operating costs, general administrative expenses also fell by 3.8% year-on-year from EUR 2,884 thousand in the 1st quarter of 2023 to EUR 2,775 thousand in the Q1 2024 reporting quarter. In relation to Group sales, the administrative cost ratio fell to 7.8% (Q1 2023: 8.7%) as a result of the increase in sales recorded at the same time.

The research and development expenses rose by a total of 3.8% year-on-year to EUR 5,372 thousand (Q1 2023: EUR 5,175 thousand) in the reporting quarter due to inflation-related salary increases and the expansion of the development team to 275 (Q1 2023: 266) employees to drive forward the development of a central Group product platform and the associated increase in personnel costs. However, the ratio of research and development expenses to consolidated sales fell from 15.5% in the same quarter of the previous year to 15.2% in the 1st quarter of 2024 as a result of the disproportionately high increase in sales. USU is constantly investing in new products and further developed products of its product portfolio and always working on innovative, market-driven software solutions. In the medium term, USU plans to increase R&D expenses in absolute terms, but to reduce the expense ratio in relative terms as a result of the disproportionate increase in revenue.

Net other operating income and expenses totaled EUR 81 thousand in the 1st quarter of 2024 (Q1 2023: EUR 407 thousand).

Results of operations

Thanks to the significant expansion of high-margin license and SaaS revenues, the USU Group increased its adjusted EBITDA by 20.6% year-on-year to EUR 4,607 thousand in the reporting quarter (Q1 2023: EUR 3,820 thousand). As USU increased adjusted EBITDA disproportionately compared to sales in the 1st quarter of 2024 the adjusted EBITDA margin rose accordingly to 13.0% (Q1 2023: 11.5%) in the reporting period. As there were no extraordinary effects or adjustments in the 1st quarter of 2024, EBITDA in the 1st quarter of 2024 corresponded to adjusted EBITDA and therefore amounted to EUR 4,607 thousand (Q1 2023: EUR 3,820 thousand). Including write-offs totaling EUR 1,178 thousand (Q1 2023: EUR 1,162 thousand), in the 1st quarter of 2024 USU reached EBIT of EUR 3,429 thousand (Q1 2023: EUR 2,658 thousand). This corresponds to a year-on-year increase in EBIT by 29.0%.

Due to the return to a positive interest rate environment, USU generated positive interest income in the reporting quarter, while at the same time exchange rate-related expenses from currency differences on financial instruments were eliminated. Accordingly, the financial result in the 1st quarter of 2024 amounted to EUR 77 thousand (Q1 2023: EUR -277 thousand). Taxes on income and profit increased from EUR 649 thousand in the 1st quarter of 2023 to EUR 1,048 thousand in the Q1 2024 reporting quarter as a result of the increase in profits. In total, USU's consolidated profit or loss increased by 41.9% year-on-year to EUR 2,458 thousand in the 1st quarter of 2024 (Q1 2023: EUR 1,732 thousand). With an average number of 10,523,770 shares in circulation (Q1 2023: 10,523,770), this corresponds to diluted earnings per share of EUR 0.23 (Q1 2023: EUR 0.17), while basic earnings per share amounted to EUR 0.24 (Q1 2022: EUR 0.17) with an average number of 10,036,484 shares in circulation (Q1 2023: 10,000,000).

Net assets and financial position

On the assets side of statement of financial position, the USU Group's non-current assets at EUR 61,627 thousand as of March 31, 2024 were slightly below the level as of the balance sheet date of December 31, 2023 (December 31, 2023: EUR 62,796 thousand), while the current assets increased significantly in the same period from EUR 45,267 thousand as of December 31, 2023 to EUR 61,679 thousand. This increase is primarily the result of higher contract assets, which increased due as of the reporting date to EUR 7,447 thousand as at the end of the 1st quarter of 2024 (December 31, 2023: EUR 3,208 thousand), the increase in trade receivables from EUR 24,379 thousand as at December 31, 2023 to EUR 25,452 thousand and the simultaneous significant increase in Group liquidity, which amounted to EUR 23,962 thousand as at March 31, 2024 (December 31, 2023: EUR 13,494 thousand).

On equity and liabilities side of statement of financial position, the USU Group's equity rose from EUR 57,215 thousand as of December 31, 2023 to EUR 59,581 thousand as of March 31, 2024 as a result of the increase in profits. At the same time, the USU Group's debt in the form of current and non-current liabilities increased to EUR 63,725 thousand as at March 31, 2024 (December 31, 2023: EUR 50,848 thousand). This increase is mainly the result of an increase in deferred income to EUR 24,660 thousand (December 31, 2023: EUR 10,909 thousand), which stems from maintenance and SaaS agreements invoiced at the beginning of the year for which the associated services will be rendered and sales will be recognized later in the year, as well as an increase in liabilities from advance payments received, which increased as of the reporting date from EUR 1,354 thousand as at December 31, 2023 to EUR 3,985 thousand as at March 31, 2024.

With total equity and liabilities of EUR 123,306 thousand (December 31, 2023: EUR 108,063 thousand), the equity ratio as at March 31, 2024 was 48.3% (December 31, 2023: 52.9%). With this equity ratio, the significant increase in Group liquidity and no bank liabilities, the USU Group still has extremely sound and secure financing.

Cash flows and capital expenditure

On the assets side of statement of financial position, the USU Group's non-current assets at EUR 61,627 thousand as of March 31, 2024 were slightly below the level as of the balance sheet date of December 31, 2023 (December 31, 2023: EUR 62,796 thousand), while the current assets increased significantly in the same period from EUR 45,267 thousand as of December 31, 2023 to EUR 62,949 thousand. This increase is primarily the result of higher contract assets, which increased due as of the reporting date to EUR 7,447 thousand as at the end of the 1st quarter of 2024 (December 31, 2023: EUR 3,208 thousand), the increase in trade receivables from EUR 24,379 thousand as at December 31, 2023 to EUR 25,452 thousand and the simultaneous significant increase in Group liquidity, which amounted to EUR 23,962 thousand as at March 31, 2024 (December 31, 2023: EUR 13,494 thousand).

On equity and liabilities side of statement of financial position, the USU Group's equity rose from EUR 57,215 thousand as of December 31, 2023 to EUR 59,581 thousand as of March 31, 2024 as a result of the increase in profits. At the same time, the USU Group's debt in the form of current and non-current liabilities increased to EUR 64,995 thousand as at March 31, 2024 (December 31, 2023: EUR 50,848 thousand). This increase is mainly the result of an increase in deferred income to EUR 25,930 thousand (December 31, 2023: EUR 10,909 thousand), which stems from maintenance and SaaS agreements invoiced at the beginning of the year for which the associated services will be rendered and sales will be recognized later in the year, as well as an increase in liabilities from advance payments

received, which increased as of the reporting date from EUR 1,354 thousand as at December 31, 2023 to EUR 3,985 thousand as at March 31, 2024.

With total equity and liabilities of EUR 124,576 thousand (December 31, 2023: EUR 108,063 thousand), the equity ratio as at March 31, 2024 was 47.8% (December 31, 2023: 52.9%). With this equity ratio, the significant increase in Group liquidity and no bank liabilities, the USU Group still has extremely sound and secure financing.

Orders on hand

At the end of the 1st quarter of 2024, the USU Group set a new record for orders on hand. Thanks to the acquisition of several major orders, particularly from the public sector, and numerous medium-sized orders from the private sector, the USU Group significantly increased its Group-wide order backlog by 8.3% or EUR 7,387 thousand year-on-year to EUR 96,855 thousand as of March 31, 2024 (March 31, 2023: EUR 89,468 thousand) and thus almost reached the EUR 100 million mark. The increase primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders. Compared with the previous year's balance sheet date (December 31, 2023: EUR 84,367 thousand), USU increased its order backlog even more significantly by 14.8% or EUR 12,488 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

At the end of the 1st quarter of 2024, the USU Group had increased its workforce by 1.1% or 9 employees to 806 employees (March 31, 2023: 797) compared with the previous year. Broken down by functional area, USU employed a total of 326 (March 31, 2023: 321) people in consulting and services, 275 (March 31, 2023: 266) people in research and development, 114 (March 31, 2023: 82) people in sales and marketing and 91 (March 31, 2023: 128) people in administration at the end of the 1st quarter of 2024. Broken down by segment, 584 (March 31, 2023: 536) employees worked in the Product Business segment, 131 (March 31, 2023: 133) employees worked in the Service Business segment and 91 (March 31, 2023: 128) employees worked in the USU Group's central functions. USU therefore slightly expanded its Group workforce at the start of 2024 in line with its medium-term planning and currently has just over 800 employees in the Group as a whole, as announced.

Forecast, report on risks and opportunities

Forecast

General economy

According to the Joint Economic Forecast 1/2024 published⁴ by the leading economic research institutes on March 25, 2024, the German economy is struggling. A phase of economic weakness that has persisted until recently is accompanied by dwindling growth forces. Economic and structural factors are therefore overlapping in the sluggish overall economic development. Although a recovery is likely to set in from the spring, the overall momentum will not be too strong.

In their spring report, the institutes therefore revised their forecast for the current year significantly downwards and now only expect economic performance to grow by 0.1%. The fall report still held out the prospect of 1.3%. According to the institutes, private consumption will be the most important driving force for the economy in the current year. After the surge in inflation that set in from the middle of 2021 drastically reduced mass purchasing power for two years, real disposable incomes are now rising again significantly.

As far as the global economy is concerned, the institutes believe that although the outlook for the global economy has somewhat improved recently, they expect economic expansion to remain moderate. In the Eurozone, higher real wages would boost private consumption and the economy would pick up noticeably. However, a strong upturn is not to be expected, as the higher energy costs resulting from the loss of Russian gas have reduced the international competitiveness of companies. For the USA, the fact that the restrictive monetary policy there has so far had surprisingly little dampening effect is cause for optimism, especially as the degree of restriction is likely to fall from the middle of the year. However, the expansion in private consumption is likely to lose momentum because the extra savings accumulated during the pandemic are gradually running out. There would also be no further impetus from financial policy. In the emerging markets as a whole, economic performance is likely to increase at a slightly different pace. In China, persistent problems in the real estate sector, a continued subdued consumer sentiment, deflationary trends and the ongoing trade tensions with the USA would be a burden. All in all, the institutes expect global production to grow by 2.5% in 2024, after 2.7% growth in 2023.

Sector

According to the latest Bitkom⁵ information, Germany's digital economy is set on the growth course. Despite a difficult economic environment, the digital industry association Bitkom

⁴ Cf. Joint Economic Forecast 1/2024 dated March 25, 2024, published at www.gemeinschaftsdiagnose.de

⁵ Cf. Bitkom press release dated January 10, 2024, published at www.bitkom.org

expects sales for companies in the IT and telecommunications (ICT) sector to increase by 4.4% to EUR2 24.3 billion for 2024. The ICT sector would therefore grow three to four times faster than the economy as a whole. Last year, ICT sales increased by 2.0% to EUR 215 billion. “Most companies in the Bitkom sector are resilient to the crisis. Even under difficult economic conditions, characterized by geopolitical crises and budget cuts, sales and employment are increasing. Job growth in particular could be significantly higher, and the shortage of skilled workers is proving to be a stumbling block,” says Bitkom President Dr Ralf Wintergerst. “Digitalization is the answer to the current challenges facing the economy, society and the state. Our resolution for 2024 must be: More determination in digitalization and more freedom for innovation.”

According to Bitkom, information technology will also be the most important growth driver at 2024. After a slight dip in growth last year (+2.2% to EUR 142.9 billion), 2024 is expected to generate sales of EUR 151.5 billion according to the current forecast, which corresponds to an increase of 6.1%. The software business in particular is growing strongly (+9.4% to EUR 45.5 billion). According to Bitkom, this also reflects the current boom in artificial intelligence. “Artificial intelligence will remain a hot topic in 2024. Companies should get to grips with AI now, set up corresponding projects and also invest in the technology,” says Wintergerst. “Politicians must demonstrate a sense of proportion when implementing the AI Act and ensure that AI can both continue to be used and developed in Germany and Europe.” According to Bitkom 2024, sales of IT services will increase by 4.8% to EUR 51.7 billion. Cloud-related services are growing particularly strongly, accounting for EUR 17.7 billion of the total IT service market and increasing by 17%. According to Wintergerst: “The overall strong IT growth shows that the German economy is seriously embracing digitalization. The willingness to invest remains high even under difficult conditions.”

According to the IT Spending Forecast⁶ published on April 17, 2024, the market research company Gartner expects IT spending in the global IT market to increase by 8.0% in 2024 (2023: 3.8%) year-on-year to USD 5.061 billion (2023: USD 4.687 billion), with the software and IT services market segments also growing disproportionately worldwide with growth rates of 13.9% (2023: 12.6%) and 9.7% (2023: 6.1%) to USD 1,042.2 billion (2023: USD 914.7 billion) and USD 1,519.9 billion (2023: USD 1,385.1 billion) respectively.

Outlook

Following the successful start to the current fiscal year 2024 and against the backdrop of the new record order backlog of almost EUR 97 million, the Management Board confirms its planning for the full year 2024, which envisages revenue growth to EUR 143-146 million, which is to be achieved in particular through the further significant expansion of SaaS revenue. The

⁶ Cf. Gartner press release dated April 17, 2024, published at www.gartner.com

earnings target for 2024 is also confirmed, according to which adjusted EBITDA is expected to increase to EUR 14-16 million as a result of the targeted further expansion of the high-margin SaaS business.

At the same time, the Management Board confirms the current medium-term planning, which envisages average organic sales growth of 10% for the coming years and, with a view to the increasing SaaS business, the expansion of the adjusted EBITDA margin to 17-19% by the end of 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.

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, 2023. For more information please see the report on risks and opportunities in the 2023 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.

Despite the ongoing war in Ukraine and the rather subdued macroeconomic outlook, the stock market indices trended positively overall in the 1st quarter of the current fiscal year 2024 thanks to ongoing hopes for interest rate cut, with the major blue chips in the German share index (DAX) in particular posting gains, while second-line stocks such as the USU share were unable to benefit. Accordingly, as of the reporting date of March 31, 2024, on the electronic trading platform XETRA, the DAX recorded a significant overall price gain of 10.4% to 18,492.49 points (December 31, 2023: 16,751.64 points) compared to the reporting date of the previous quarter, while the Technology All Share Index recorded only a slight price increase of 1.2% to 4,102.22 points (December 31, 2023: 4,051.77 points) compared to the reporting date of the previous quarter on XETRA. By contrast, the USU share once again significantly underperformed the indices with a negative quarterly performance of -1.8% on XETRA and closed trading at EUR 16.55 at the end of the 1st quarter of 2024 (December 31, 2023: EUR 16.85).

Compared to the previous year's reporting date of March 31, 2023, the DAX even recorded a price gain of 18.3% (March 31, 2023: 15,628.84 points), while the Technology All Share Index recorded a minimal price gain of 0.8% (March 31, 2023: 4,070.81 points). In the same period,

USU shares remained significantly below the previous year's level (March 31, 2023: EUR 22.60) with a price loss of 26.8% despite the overall positive business performance, taking into account the shift towards SaaS.

In view of this negative development, the Management Board of USU Software AG has decided, with the approval of the Supervisory Board, to plan a delisting of the company's shares. In the opinion of the Management Board, the admission or inclusion of USU shares on a stock exchange offered few advantages from a strategic and financial perspective in the past, so that the considerable costs associated with increasing regulation no longer seemed to justify a stock exchange listing. Considering the overall circumstances, delisting is in the interests of the company. According to Section 39 of the German Stock Exchange Act (BörsG), a delisting requires an offer to acquire all USU shares. The company's Management Board has asked its majority shareholder AUSUM GmbH (AUSUM) whether it would be prepared to make such a delisting offer.

On April 23, 2024, USU Software AG therefore concluded a delisting agreement with AUSUM GmbH and NUNUS GmbH, a 100% subsidiary of its main shareholder AUSUM GmbH. On the basis of this agreement, the company is to submit an application for revocation of the admission of the USU shares to the regulated market following publication of a public delisting tender offer by NUNUS GmbH (so-called delisting). USU will also apply for termination of trading on the OTC markets of the Stuttgart, Düsseldorf, Hamburg, Munich, Berlin and Bremen stock exchanges and the electronic trading platform Xetra. In the delisting agreement, NUNUS GmbH has undertaken to make a public delisting tender offer to the shareholders of USU in the form of a cash offer to acquire all shares in USU against payment of consideration in cash. NUNUS GmbH has prepared an offer document and submitted it to the German Federal Financial Supervisory Authority (BaFin) for audit and approval prior to its publication, which was on May 16, 2024. Accordingly, the offer price set by NUNUS GmbH amounts to EUR 18.50 per share in USU and corresponds to a premium of EUR 1.74 or 10.4% on the minimum price to be paid in accordance with the statutory provisions. The acceptance period ends on 13 June 2024 at 24:00 (CEST), subject to the additional acceptance period.

Möglingen, May 23, 2024

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Management Board

ASSETS <i>EUR thousand</i>	3-month report Mar. 31, 2024	Annual report Dec. 31, 2023
Non-current assets		
Intangible assets	2,874	2,788
Goodwill	40,092	40,092
Tangible assets	2,737	2,863
Right-of-use assets	14,939	15,530
Financial assets	63	57
Prepaid expenses	491	545
Deferred tax assets	431	921
Non-current assets	64,786	64,791
Current assets		
Inventories	434	442
Contract assets	7,447	3,208
Trade receivables	25,452	24,379
Income tax receivables	163	162
Financial assets	854	749
Other assets	147	369
Prepaid expenses	3,220	2,464
Cash on hand and bank	23,962	13,494
Current assets	61,679	45,267
Total assets	123,306	108,063

EQUITY AND LIABILITIES <i>EUR thousand</i>	3-month report Mar. 31, 2024	Annual report Dec. 31, 2023
Equity		
Issued capital	10,524	10,524
Treasury shares	-488	-488
Capital reserves	44,066	44,066
Other retained earnings	5,388	2,931
Other comprehensive income	91	182
Equity	59,581	57,215
Non-current liabilities		
Pension provisions	1,432	1,087
Lease liabilities	12,278	12,875
Deferred income	1,012	1,187
Deferred taxes	704	728
Non-current liabilities	15,426	15,877
Current liabilities		
Income tax liabilities	1,000	745
Financial liabilities	0	0
Lease liabilities	3,089	3,072
Personnel-related liabilities	6,204	7,909
Other provisions and liabilities	3,696	4,379
Liabilities from advance payments	3,985	1,354
Trade payables	5,665	6,603
Deferred income	24,660	10,909
Current liabilities	48,299	34,971
Total equity and liabilities	123,306	108,063

STATEMENT OF COMPREHENSIVE INCOME	Quarterly report	Quarterly report	3-month report	3-month report
<i>EUR thousand</i>	Q1 2024	Q1 2023		
	Jan. 1, 2024	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2023
	Mar. 31, 2024	Mar. 31, 2023	Mar. 31, 2024	Mar. 31, 2023
Sales	35,420	33,307	35,420	33,307
Cost of sales	-18,635	-17,194	-18,635	-17,194
Gross profit	16,785	16,113	16,785	16,113
Selling and marketing expenses	-5,291	-5,803	-5,291	-5,803
General and administrative expenses	-2,775	-2,884	-2,775	-2,884
Research and development expenses	-5,372	-5,175	-5,372	-5,175
Other operating income	292	559	292	559
Other operating expenses	-210	-152	-210	-152
Profit from ordinary activities (EBIT)	3,429	2,658	3,429	2,658
Finance income	144	7	144	7
Finance expenses	-67	-284	-67	-284
Earnings before taxes (EBT)	3,506	2,381	3,506	2,381
Income taxes	-1,048	-649	-1,048	-649
Consolidated net earnings	2,458	1,732	2,458	1,732
<i>Items that can be reclassified to profit or loss in future:</i>				
Currency translation difference	-92	5	-92	5
Other earnings	-92	5	-92	5
Total comprehensive income	2,366	1,737	2,366	1,737
Earnings per share (in EUR), diluted	0.23	0.17	0.23	0.17
Earnings per share (in EUR), basic	0.24	0.17	0.24	0.17
Number of underlying shares:				
Diluted	10,523,770	10,523,770	10,523,770	10,523,770
Basic	10,036,484	10,000,000	10,036,484	10,000,000

Consolidated statement of cash flows <i>EUR thousand</i>	3-month report Jan. 1, 2024 - Mar. 31, 2024	3-month report Jan. 1, 2023 - Mar. 31, 2023
NET CASH FROM OPERATING ACTIVITIES		
Consolidated net profit	2,458	1,732
+/- depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	369	438
+/- depreciation, amortization and write-downs of right-of-use assets under IFRS 16 Leases and reversals of write-downs of right-of-use assets under IFRS 16 Leases	805	724
+/- other non-cash expenses/income	198	-291
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-6,138	-9,704
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	13,226	10,740
-/+ interest expenses/income	-77	277
+/- income taxes received/paid	-302	-613
-/+ interest paid/received	48	-27
-/+ income tax expenses/income	1,048	649
NET CASH FROM OPERATING ACTIVITIES	11,635	3,925
NET CASH USED IN INVESTING ACTIVITIES:		
- purchase of intangible assets	-229	-215
+ proceeds from disposals of property, plant and equipment	12	12
- purchase of property, plant and equipment	-102	-529
NET CASH USED IN INVESTING ACTIVITIES:	-319	-732
NET CASH USED IN FINANCING ACTIVITIES:		
- repayments of lease liabilities	-799	-728
NET CASH USED IN FINANCING ACTIVITIES:	-799	-728
Change in cash and cash equivalents	10,517	2,465
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	-49	31
+ cash and cash equivalents at the start of the period	13,494	15,525
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23,962	18,021
Cash and cash equivalents		
Cash and cash equivalents	23,962	18,021

Changes in consolidated equity	Issued capital		Treasury shares	Capital reserves	Retained earnings	Other comprehensive income		Equity			
	Number	EUR thousand				EUR thousand	EUR thousand		Pension plans	Currency translation	EUR thousand
Consolidated equity as of January 1, 2023	10,523,770	10,524	-524	43,465	3,149	56	284	56,954			
Consolidated net profit					1,732			1,732			
Other comprehensive income after taxes							5	5			
Total	0	0	0	0	1,732	0	5	1,737			
Consolidated equity as of March 31, 2023	10,523,770	10,524	-524	43,465	4,881	56	289	58,691			
Consolidated equity as of January 1, 2024	10,523,770	10,524	-488	44,066	2,931	29	153	57,215			
Consolidated net profit					2,458			2,458			
Other comprehensive							-92	-92			
Total	0	0	0	0	2,458	0	-92	2,458			
Consolidated equity as of March 31, 2024	10,523,770	10,524	-488	44,066	5,389	29	61	59,581			

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, 2023. This unaudited three-month report for 2024 should therefore be read in conjunction with the audited consolidated financial statements for 2023.

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, 2024 EUR thousand	Jan. 1 - Mar. 31, 2023 EUR thousand
Consulting	19,895	21,485
Licenses/products	4,494	1,298
Maintenance	6,525	6,345
Software as a service (SaaS)	4,420	4,003
Other	86	176
	35,420	33,307

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, 2024	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2024	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2024	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2024	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2024	Jan. 1 - Mar. 31, 2023
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Sales	22,662	22,662	10,822	10,645	35,420	33,307	0	0	35,420	33,307
EBITDA	2,348	2,348	2,544	2,039	5,230	4,387	-623	-567	4,607	3,820
EBIT	1,483	1,483	2,264	1,764	4,074	3,247	-645	-589	3,429	2,658
Net finance	-28	-28	32	-9	50	-37	27	-240	77	-277
Taxes	-397	-397	-97	-478	-289	-875	-759	226	-1,048	-649
Consolidated net	1,086	1,086	2,199	1,277	3,835	2,335	-1,377	-603	2,458	1,732
No. of employees	536	536	131	133	715	669	91	128	806	797

The USU Group generated a total of 18.8% (Q1 2023: 21.2%) or EUR 6,674 thousand (Q1 2023: EUR 7,073 thousand) of its consolidated sales outside Germany in the first three months of the 2023 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, 2024:

Stock declarations by members of	Shares Mar. 31, 2024	Shares Mar. 31, 2023
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	2,000	1,000

* An additional 5,388,000 (2023: 5,366,888) 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).

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.

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

Möglingen, May 23, 2024

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Management Board

August 08

Annual General Meeting

August 29

Publication of six-month report 2024

November 21

Publication of nine-month report 2024