

THE POWERS OF USU

2021
Annual Report of
USU Software AG

Who owns the world?

The future or the present?

Nobody or all of us?

The markets or the plans?

Democracy owns the world.

The powers of us.

CONTENT

Key figures	5
USU Software AG: In the 2021 fiscal year	6–33
Case Studies	34–39
Advisory Board of the USU Group	40
Report of the Supervisory Board of USU Software AG	41–44
Compensation report 2021	46–51
Report of the independent auditor on the audit of the compensation report	52
Management Report on the Company and the Group for the 2021 Fiscal Year	54–82
Responsibility Statement	83
Consolidated Financial Statements	84–127
Consolidated Balance Sheet	84–85
Consolidated Statement of Comprehensive Income	86
Consolidated Statement of Cash Flows	87
Consolidated Statement of Changes in Equity	88–89
Notes to the Consolidated Financial Statements	90–127
Report on the Audit of the Consolidated Financial Statements and the Combined Management Report	128–134
Single-Entity Financial Statements	136–147
Statement of Financial Position	136–137
Statement of Profit or Loss	138
Notes to the Annual Financial Statements	139–147
Report on the Audit of the Annual Financial Statements and the Combined Management Report	148–153
Management Board and Supervisory Board of USU Software AG	154
Financial Calendar	155
Glossary	156–158
Imprint	159

KEY FIGURES

The 2021 fiscal year for USU: IFRS figures in EUR thousand

	2021	2020
Sales	111,904	107,327
Adjusted EBIT	10,184	9,244
Adjusted consolidated earnings	7,181	7,611
Adjusted earnings per share	0.68	0.72
EBITDA	14,391	13,377
EBIT	9,665	7,021
Net profit	6,758	5,484
Earnings per share	0.64	0.52
Shareholders' equity	64,444	61,770
Total assets	116,016	115,466
Equity ratio	55.5 %	53.5 %
Cash and cash equivalents	24,286	18,534
Net cash from operating activities	13,346	17,736
Number of employees at year-end	750	732



FOREWORD

Perfectly shouldered.

He was himself one of the giants on whose shoulders we stand today. Isaac Newton is among the most important scientists of all time. He lived at the time of the plague, which forced him to live through years of isolation. He was banished to his home office, so to speak, with the result that he made his first great scientific breakthroughs there.

“If I have seen further it is only by standing on the shoulders of giants.”

Isaac Newton (1643–1727), English mathematician, physicist and astronomer

Three hundred years after his death, we don't yet know which revolutionary insights will emerge from the pandemic of our time. But what we do know is that we all have to make far-reaching decisions every day. And that will remain the case when we eventually overcome the pandemic.

Coronavirus did not paralyze us – quite the opposite. It constantly spurred us on. 2021 was the best year in our long and exciting history, which will soon span five decades. Future every day. Every day for our customers, our shareholders, our partners – and of course for us ourselves. Having confidence in our own plans and our markets.

We know how important laws are – there is nothing we can do about the laws of gravity that Isaac Newton discovered, in any case. Except when it comes to software, where we put all our ideas. And we have an awful lot of them. Our customers use them for their systems, naturally supplemented by their own ideas and requirements (which we are of course pleased to help realize).

Managing and multiplying knowledge – that's somehow at the center of everything we do. Knowledge is full of giants on whose shoulders we like to stand – and whom we also reference heavily in this annual report. Because they inspire new ideas of our own. Beyond that, ideas can emerge from anywhere: from our customers, our head office in Möglingen, our local offices – or even our home offices. Because knowledge is everywhere – we make sure of that.

It isn't every day that an apple falls on our heads and helps us discover something as serious as gravity. Coincidence gave inspiration a helping hand there. It's just that this happened to many other people before Newton, only



they didn't discover the law of gravity. Ideas can emerge from anywhere – but you also have to give them and yourself a chance. Then that's what you call a corporate culture that allows you to follow your inspiration. And then you can't be surprised if people sometimes also poke fun at what is happening around them or take things to the point of absurdity, such as in the current marketing campaign of the state of Baden-Württemberg, which has recently become world famous, especially at home, as “The Länd.”

Just for the pure fun of it. Because laughter and joyfulness are part of being human. Especially in times of pandemic. And our success has proven us right. We are “just different” to machines in that respect. Emotion is one of the many powers that make us successful and also make for many a vision.

In true, serious English we would say:

THE POWERS OF USU



*Bernhard Oberschmidt and Dr. Benjamin Strehl
Members of the Management Board of USU Software AG*

Äxcellent. Bräthtäking. Marvelläs. Fäbuläs. Tärific. Grät. Fäntästic. Imäzing. Glorias. Perfäct.

THE ■ ■
BRAND

USU Softwär AG

USU Means Service.

In the year USU Software AG was founded, a nine-minute film came out whose images panned far out into the universe and at the same time explored in infinite depth – a space between 10^{24} and 10–16 meters. So large and so small that we can't take it in with our own eyes at all. "Powers of Ten" was what the two authors, spouses Charles and Ray Eames, named their film. "What discoveries still lie before us?" asked the German commentator, Wolfgang Hess, at the end. That was 1977.

Now – this new discovery was cyberspace, a cosmos consisting only of intellectual matter; a giant artificial realm made up of trillions and trillions of data and software commands that can take effect at any moment – between humans, machines, things, humans and machines, companies and their customers, and governments and citizens. And so on. Ultimately between everything that exists.

"Eventually everything connects."

Charles Eames (1907–1978), American designer and architect

This "between", which is reflected in an infinite number of everyday processes in government, business and society, is simply what we call service. Everything we do needs service. Indeed, what we do, what we create, is itself service. Software – in whatever form – provides us with a service, as do the networks we navigate through, streets, means of transport, workplaces, the environment: Everything provides us with a service. More and more through software, through service.

"IBM Means Service," went the slogan of 1949. It is considered this renowned computer manufacturer's best advertising slogan. We would like people to say that about us, too. That's what our 750 employees stand for, in any case. "USU means service." That's what we live.

At USU, we have integrated this understanding into our business model. We want to make sure the service levels our customers use to manage all aspects of their companies work smoothly – especially when something doesn't work. That's when we are there. With our products. With all our power. We help ensure everything is connected – through the most important power there is. Through service.

We deliver service for service. Especially where people and systems come together. Not all service is born equal – it can even make a difference like the one between apples and pears. In the end, it depends on the gardener, who holds everything together and shapes it. There are many powers at work here. That's service.

THE POWERS OF USU



Ray and Charles Eames

Service. Wow!



On Track.

Konrad Zuse invented the computer and had to wait 30 years until he was at least recognized as its creator. He was also the man who wrote the first algorithm, Plankalkül (“Plan Calculus”). And it was 120 years before the electric car, first initiated in 1881 by a Frenchman by the name of Gustave Trouvé, could finally get started.

In each case it was range that was the handicap. It was initially 26 kilometers for the electric car, which was too little. Only suitable for scientific-technical calculations: That was not just the opinion of Konrad Zuse, but also that of Thomas J. Watson, the founder of IBM. In 1943, as we now all register with a smile, he saw a global demand for just five machines – for the same reason as Zuse. He had invented the computer because he was too lazy to do calculations. Then it was the commercial people, as he once said, that changed everything. It was they who recognized the true benefits and made sure these machines would be used company-wide right from the start. First as a centralized, then decentralized and now networked solution.

“If a wire goes from the calculator to the program, you no longer have an overview of where it’s going.”

Konrad Zuse (1910–1995), inventor of the computer in the 1980s ^[3]

This is the reason IT is part of the finance department in most companies to this day. There, they of course want to know how much the whole thing costs – and what it contributes. The greater the range of the systems, the greater the benefit for the company and the individual. That’s how the calculator turned into a company-wide network. And the journey goes in all directions from there. To home. To the office at home. Not only through wires, but also through the air. It is mobile.



Konrad Zuse

We would like our systems to have services that correspond with everything that happens in a company. And IT – as we know from USU – was the first sector that wanted to use technology to ensure exactly that. Service for all. And what IT did also needed to be mapped in the computer, of course. We have been providing appropriate software for that for 30 years.



No wonder the spark leaped over to other departments. The HR department, providing loyal service to all employees at all times, thought about how it could make its centralized services available to every employee. This thought process came via IT and ended up with us. Why not? Our tools are universally applicable – not just for our IT services. That then also gave Facility Management, which provides centralized services and diverse resources to each company, the idea to make its services accessible on the network. And so it goes on.

For example, USU uses its own tools for fleet management, which is itself in the midst of a transformation process due to the electric car. And that’s only one aspect.

To be honest, we still don’t know exactly where else this fantastic journey will lead us. Our customers are very creative in that respect – and quite quick on their feet. They will surprise us with their ideas. We simply call it Enterprise Service Management. It doesn’t sound especially exciting, but it is. Ask our customers!

They will tell you something about **THE POWERS OF USU**



More car(e)s!



Over the Course of a Century

Around a hundred years ago, the American inventor of the punch card system, Herman Hollerith, explained in a letter to a friend that he built two sorting facilities for his census projects that he neither sold nor leased to the government, but merely charged for their use. 17 cents per 1,000 cards, which his machines processed at a rate of 400 units per minute. A brilliant idea, because this enabled him to have sole access to this equipment, which was very complicated to build and operate, at all times – like a cloud, today, whose management also requires the highest level of expertise. Indeed, as the Hollerith systems had to work with other machines that usually belonged to and were used by the customers themselves, this was even the precursor of a hybrid cloud. That was actually only a short century away from the world of today.

Back then, punch cards were what apps are today: ubiquitous and universally applicable. On smartphones and tablets, laptops and desktops, servers and mainframes. Software is everywhere. Sorting in the widest variety of combinations, Hollerith, an American of German heritage, would say.



And that raises – among other things – immense legal problems in terms of licensing:

Who owns what? Where is each application running? How will its use be priced? Questions that could barely be resolved at all were it not for software – of German heritage – that is available all over the world. Our software. USU software.

“That was a good deal.”

Herman Hollerith (1860–1929), American entrepreneur and inventor, in a letter about the precursor of all clouds in 1919.

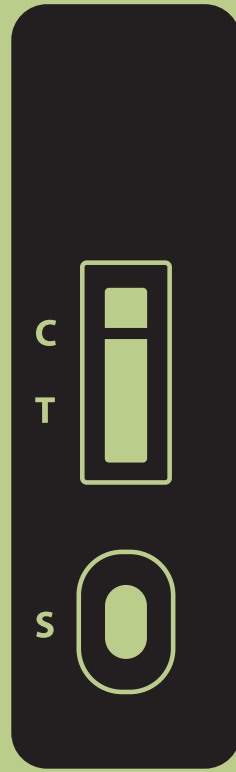
Herman Hollerith, whose company was to become IBM 111 years ago, would strongly recommend what this software achieves to each of his customers. For the benefit of all. Because it answers questions about the correct billing of software licenses for all the parties involved. What would otherwise have to be regulated in tedious, lengthy audits between providers and users, is thus managed swiftly and accurately between the parties. Without stress. Almost completely automatically.

Incidentally, Herman Hollerith had previously concluded a contract with the US government that promised him a 10% to 20% share of profits for the use of his machinery. “I believe this was my most serious business mistake,” he wrote to his friend. “You see, I lost the right to this machinery, which wasn’t in line with my current policy.”

Licenses secure such rights for software providers – through use of our software. And our license management ensures that none of the users pays too much – so that everyone can say: “That was a good deal.” Including for us. **THE POWERS OF USU**



Herman Hollerith



**Trust takes courage,
control takes measurement.**

No Mercy for Bugs.

The thing comprised 765,299 individual parts. It was 15.5 meters long and 2.5 meters high. A monster. It was controlled by “Amazing Grace” – American woman Grace Murray Brewster Hopper, a navy lieutenant. That was in 1943, in the midst of war. It was the world’s first main-frame computer, called Mark I. And Grace, who became the mother of all programmers, taught the 3,304 relays to click.

IT monitoring had yet to be invented. No screen for monitoring the gigantic system. None of the things USU Software AG offers its customers for controlling and monitoring their IT installations today. After all, IT is everywhere now – between heaven and earth, constantly moving, around the clock, filled to the gills with software and data. Everything has to work. Grace Hopper, who died in advanced years at the rank of brigadier general on January 1, 1992, would have taken great delight in that – but especially in that we still talk of “bugs” when it comes to software faults, all around the world and in all languages.

“You manage things, you lead people.”

*Grace Murray Brewster Hopper (1906–1992),
American brigadier general and programming queen*

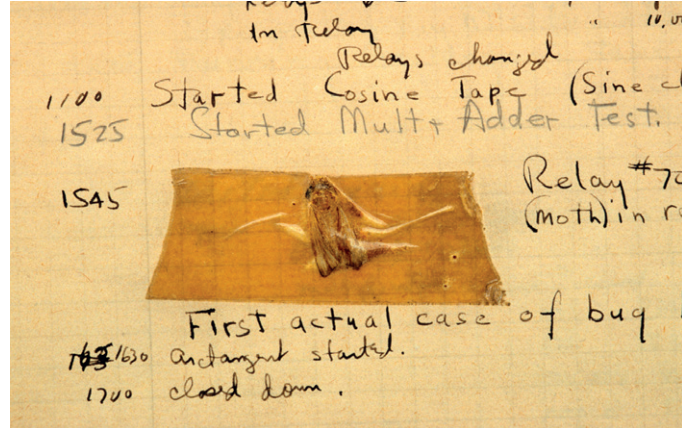
For it was she – having since moved up to the rank of captain – who coined the term “bug” for the computer industry on September 9, 1947. A moth had become trapped in a relay, disrupting the operation of the Mark II-type computer. Someone freed the dead critter from the computer using tweezers and Grace entered the event in the logbook.

The moth became a bug; a louse. This term had previously been used for the sources of errors in other areas. It was also aimed less at faults in the hardware; it is consistently used in the area of software development today. But it was “Amazing Grace” who made it popular.



Captain Grace Murray Brewster Hopper

Now systems write their own logbooks, alert their attendants and show them where the fault is – and the systems consist of far more parts than the computers of 75 years



Grace Hopper's entry in the Harvard Mark II computer's logbook on September 9, 1947 (US Navy Cryptology and Technology)

ago. Indeed, those were lousy times, when every error brought systems to a standstill. Users today don't even notice if there is a fault somewhere, because we ensure our software catches a moth, so to speak, even before it settles in the computer.

By the way, we can also thank this wonderful woman for the fact that there is so much for our systems to do today. She played a key part in what was once the most widely used computer language, which was called Cobol and came about in the 1950s. And this is the astounding part: Programmers who have mastered this language are in extremely high demand, even today. On the hunt for software bugs.

It is good if our monitoring tools can be used to search for errors in the system, because this has not been done with tweezers for quite some time. “Life was simple before World War II. After that, we had systems,” Grace Hopper once joked.

Okay, okay. But now we have USU Software AG, which helps make the world of systems elegant and easy to control. Without bugs, of course, but with something very special instead – with **THE POWERS OF USU**



**The
broadcast
with the
louse**

Well, What Do You Know?

What do we know about knowledge – especially in those moments when it is thrown to the wind. Like a hundred years ago, when quantum physics continuously presented physicists with new puzzles. Such as in Göttingen in June 1922, when Niels Bohr and Werner Heisenberg bumped into one another at a conference described as a “Bohr festival” – and, despite all the tragic misunderstandings, became friends for life. Both became Nobel Prize winners: one in 1922, the other ten years later in 1932.

Someone who witnessed this was the no less legendary physicist Friedrich Hund. He became part of this revolution: “It was a completely new world,” he remembered decades later. There he was, in 1996, the only surviving witness of the time of this legendary encounter, at one hundred years of age.

“Not everything is controllable.” ^[1]

Friedrich Hund (1896–1997), German physicist

We are all living in a new world in which we are actually completely overwhelmed by the massive accumulation of knowledge every day, but have no Niels Bohr or Werner Heisenberg at our sides, no Nobel Prize winners, to show us everything and explain what we want to know.

And we couldn't go to conferences in the last two years, either. A virus held us back – so the very species from which Hund said in 1992, 30 years ago, “the great disasters of the future” would come. Not from nuclear power.

Now, with all due criticism and caution, we have managed our disasters really well up to now. Particularly because we constantly expand our knowledge, even though we know we can no longer know everything.

Today, however, all knowledge is available to each of us to an extent that would have been unimaginable a hundred years ago. And that doesn't just apply to groundbreaking discoveries like those in quantum mechanics, but also to rather everyday, even quite trivial knowledge. For more specialized knowledge – were we to make a distinction here – companies have USU.



The library at the Strahov Monastery in Prague is over 800 years old

Because the whole “knowledge management” issue that has been spurring us on at USU Software AG for 25 years is something that came from our customers in the sector that has probably been most responsible for changing knowledge this century: information technology, or IT. It has spread ever wider from there – for example into the administration category.

Digitalization begins with knowledge. With all our knowledge. **THE POWERS OF USU**



(f.l.) Niels Bohr, Friedrich Hund and Werner Heisenberg

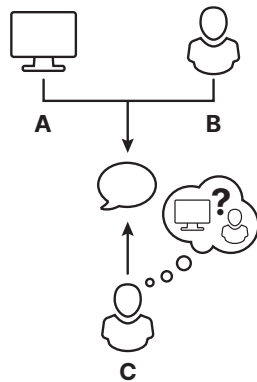
WOW, WOW.



**On the Internet, nobody knows
you're a dog.**

Computers Are Becoming Human.

Some would like it, others fear it. Absurd, says science. Computers lack consciousness. Indeed, we don't even know how consciousness comes about. That doesn't matter, say brain researchers and other bright minds. As long as we humans believe that the computers we are communicating with are human and not machines, there is artificial intelligence. That's the famous, now also more than 70-year-old Turing test: the AI jackpot. Named after Alan Turing. This Paulus of AI started what the philosopher Hans-Georg Gadamer called "the race against the machine" in 2000 on his 100th birthday. It's a friendly race.



Turing test: A and B try to convince C they are human.

So, at USU Software AG, we are pleased to take up the challenge. We are developing chatbots for the strangest topics and tasks for our customers everywhere. You can talk to them the way you would talk to – how can we put this – a stupid person. However, they are anything but that. There

**“Cogito quia absurdum est.
I think, because it is absurd.”**

Common quotation, author unknown

are a lot of grips behind them – an unbelievable amount of expertise and knowledge of human nature. Above all, they are getting better and better. You can have a very good conversation with them. Because they learn – from us. They are good, but – to be honest – we are still better. But they are very helpful initially. For example, to quickly find out where one of our customers' customers has a problem.

By the way, from an IT perspective the idea behind it is ancient. It was American professor Joseph Weizenbaum, who was born (and died) in Berlin, who wrote the first chatbot at the world-renowned Massachusetts Institute of Technology in 1966. The cyberlady was called “Eliza” and answered no one, even if this led nowhere. That's absurd, thought the professor at that time when he saw that his students were using it for psychotherapy. Then that was that for the time being. However, even back then Eliza was well on the way to winning the jackpot and cracking the Turing test, which has still never been passed. But then Eliza fell into oblivion, until we – that is, bright minds like those at USU – opened the jackpot and started to develop chatbots in a targeted way. Their purpose is to help (and they do).

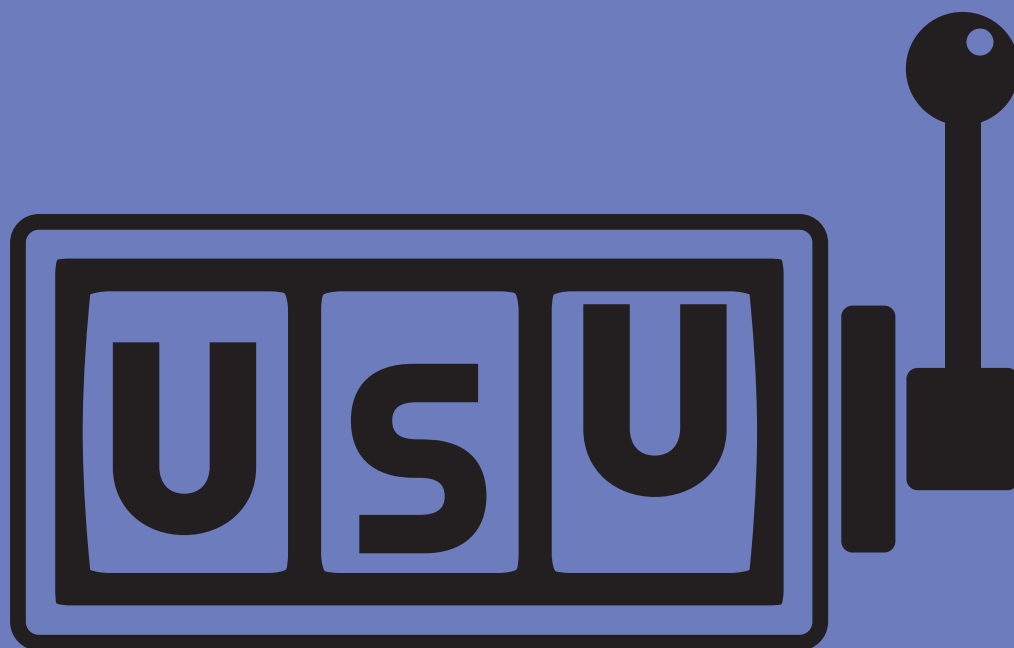
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=====
EEEEEEEE L          IIIIIII ZZZZZZZ      AAA
E         L         I           Z         A  A
E         L         I           Z         A  A
EEEEEE   L         I           Z         A  A
E         L         I           Z         A  A
E         L         I           Z         A  A
EEEEEEEE LLLLLLLL IIIIIII ZZZZZZ      A  A
=====
ELIZA > (PLEASE TYPE IN ALL CAPS) WHAT'S YOUR NAME DEAR ?
AMIT
ELIZA > HI. I'M ELIZA. WHAT DO YOU WANT TO TALK ABOUT ?
AMIT > CAN I TALK ABOUT MY PROBLEM ?
ELIZA > SURE... !
AMIT > DUE TO ON GOING EXAMS IN COLLEGE, I HAVE A LOT OF STRESS.
ELIZA > PLEASE RELAX A LITTLE. SLEEP WELL.
AMIT > THANKS FOR YOUR ADVICE.
ELIZA > NO MENTION.
AMIT > BYE
ELIZA > BYE AND KEEP IN TOUCH...
=====
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Of course, chatbots don't have their own consciousness. However, they are like a smart book that knows so much but knows nothing of itself. Only we can recognize that. In this respect, the biggest jackpot is still human beings.

THE POWERS OF USU



Joseph Weizenbaum and Alan Turing



**Rather Chatbot
than Jackpot**

Imagine All the People!

We marvel at everything computers can do. Through us and with us. We are proud of everything machines achieve. For us and through us. We rave about everything algorithms learn. Without us and through us. Everything happens through us, because we have boundless amounts of something that even the best computers, the fastest machines and the most refined algorithms can't achieve: the power of imagination. For Einstein, it was more important than knowledge, because – as he once said – he owed everything he came up with to his imagination. It just so happens that he and his no less brilliant colleagues changed our knowledge about the world to an extent that – to be quite honest – exceeds our own imaginative capability.

“The brain is not a computer.”

1995: Gerald Edelman (1929–2014), American physician, Nobel Prize winner and pioneer in the field of neural networks.

Computers don't marvel. Neither are they proud of what we achieve. They don't rave about our power of imagination, either. They don't shine with us. But we do with them. Because they are our creation. Nevertheless, it is only artificial intelligence; the real thing, the original, that's us. And that's how it will stay, too.

“If a machine functioned like a brain, it wouldn't function at all,” said American Nobel Prize winner Gerald M. Edelman a quarter century ago. That has not changed to this day. That's why they tick differently. But, once again, they owe the fact that they do this to our brains – with their unbeatable versatility and power of imagination. Both are unlimited. That's our power.

When we deal with artificial intelligence here at USU, to introduce it into our products and projects, that is our services, a little of our power of imagination and versatility always finds its way in there too. Our customers then perceive this as a special quality, as something that evidently sets us apart from others who might shine just as much. And that's why they choose our products.

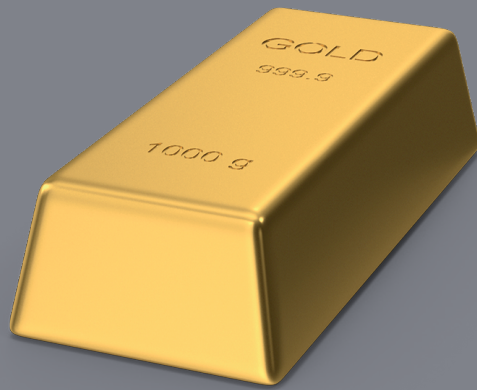


We are naturally then proud of everything our customers can do, what they achieve and learn. Through us. And sometimes we hear that they, our customers, are no less proud of us. Because they themselves have a vast amount of brainpower, of imaginative power. (Otherwise they wouldn't have chosen us, after all.)

For our part, we winkingly call it **THE POWERS OF USU**



Gerald Edelman



**All that glitters
is not USU.**

The Human Was the Computer.

Absurd, but true. In any case, that was still how it was when he was born in 1918, explained Herbert R.J. Grosch, who, incidentally, once considered himself the most intelligent person on earth. He was a nerd, and he was a computer. That's what mathematical geniuses and number crunchers were called back then. Humans, not machines. It was a time when computers existed in the minds of the cleverest visionaries at best, and not even in dictionaries. A particularly thick German-English dictionary from 1910 didn't use the term at all and another English-German and no less voluminous dictionary from 1936 only knew the verb "to compute." There was no such thing as the noun "computer." Two generations later, there was so much knowledge about computers that they even needed a dictionary as thick as the other dictionaries all to themselves.



1978: IBM dictionary with 1,514 pages

Nevertheless, it was the time when it all began – and Herbert R.J. Grosch had to recognize that there were people who were at least as intelligent as him. One of them – mathematician John von Neumann (1903–1957) – created architecture in 1944 that is the basis on which all computers still function today. He could divide eight-digit numbers in his head when he was as young as six. A nerd.

1998: "I'm a nerd myself."

Leonardo DiCaprio (born in 1974), American Oscar winner with a German mother and grandmother

And the other, physicist Richard Feynman (1918–1988), formulated the vision that defines the design of computers to this day. Computers are becoming so small that they can now only build themselves. Overall, we will create a world that builds itself atom by atom, controlled by software. 3D printers give us a foretaste of this.

These are probably all names you have never heard or have long forgotten. All names that say nothing to you. And what – for goodness' sake – have these people got to do with USU Software AG?

The answer: everything, absolutely everything. Because they – and a great many others – were the ingenious thinkers that came before us. Without them – as absurd

as it sounds – there would be no us. One more thing made these people stand out: their boundless humor, which didn't stop at themselves, either. No, they were not computers, they were people like you and me, like the people at USU Software AG, and its customers, partners and shareholders.

That's not to say that these people didn't take their responsibilities seriously – on the contrary. They took them so seriously that they couldn't help but laugh at themselves now and again – even if this was heavily at their own expense. Perhaps that was even their recipe for success. The other side of their genius. How else is one to manage to think beyond oneself?

Herbert Grosch, for example, loved large machines and minute particles. If he were still alive today, he could claim to have invented the cloud, the central star of all IT activities. He who had worked with the brightest minds at the cleverest companies was fascinated by cramming these powerful machines into satellites and sending them into orbit. Of course – as absurd as it sounds – the larger they became, the smaller they had to get. That was how he explained it to his specialist audience at the Hanover Trade Fair in 1980. Now, 40 years later, the computer has – at least in the curious linguistic imagery of the cloud – elevated itself from earth as an aerial entity. What's more, the term cloud is also more than a quarter century old. It was invented because in 1993 we wanted to bring together heaven and earth – computers and handhelds, the precursors to smartphones.

Now this defines the world we at USU Software AG live in. This is where we reside. With great success. Nevertheless, we have both feet firmly on the ground. After all, you never know...

Incidentally, USU Software AG invests EUR 30 million a year in knowledge and ideas. You could say that is more than EUR 40,000 per nerd. We like doing that. No one has to ask us to do that. We see it in our balance sheet. It is the cloud that counts. **THE POWERS OF USU**



(f.l.) Herbert R. J. Grosch, John von Neumann and Richard Feynman



Inspired by Hans Apel, German Federal Minister of Finance (SPD party), who was surprised by news of a budget deficit on his return from the US in 1975.

Future Shock.

Coronavirus is tedious. However, the virus is also the “future shock” that finally catapulted us into the 21st century. And this century is taking place at home. Or maybe not? The man who wrote the international best seller “Future Shock” in 1970 and followed it ten years later with “The Third Wave” was called Alvin Toffler and was the world’s most-quoted futurologist.

He saw the full meaning of “working at home” long before we did. Coronavirus has ensured we all have to deal with this in depth – whether that is as employees or managers, with customers or partners, at home or in families. We know it will be a mixture of everything: in the office at home, at the customer’s company. That’s how it is at USU Software AG, too.

But where else will this lead? Toffler thought that, to be able to achieve anything like cohesion at all, our world will rely on information and communication like never before. The reason he gave was that we no longer live in a uniform world and are increasingly becoming individualists. What holds us so tightly together that we can work and live with one another?

“... millions of jobs could shift out of the factories and offices right back where they came from originally: the home.”

Alvin Toffler (1928–2014), American futurologist, in 1980 about “working at home”^[2]

Toffler already knew we are exposed to a constant beacon. We often no longer know how we know something. You could sometimes think yourself in a madhouse, he said. That’s how colorful our lives will become.



Alvin Toffler

That’s how it has come to pass. We are individualists, and we can be because the cooperation between us works. Via the systems we use. Over 850 laptops are in use at USU, we have 450 smartphones under contract, and our storage capacity exceeds a volume of 500 terabytes. We use the software licenses of over 150 providers. Our quantity structure could continue indefinitely.

Will we still be able to control everything if this machine intelligence “can be activated by people in thousands of locations at the same time?” asked Alvin Toffler in 1980.



We can, as we now know. Strangely enough, back then he described exactly what gradually developed into USU’s business model: all aspects of managing distributed systems. In technical terms, we create the systemic conditions that enable people to work together efficiently – regardless of their work location.

In 2021, the majority of our employees spent an average of 35 working hours per week at home. We got used to it, because we know that, except for the coronavirus rules, nothing stops our employees from meeting face to face at any time. At the office. In a group. With a laptop under one arm and a smartphone in their pocket.

In short: **THE POWERS OF USU**



**My home is
my Käschtle**

EMPLOYEES

The Way We Are ...

It was at precisely the time we could turn to face one another only wearing masks that this feeling of really appreciating one another the way we are, the way we feel, the way we like one another, gained overwhelming importance in our society. Combined under a shimmering rainbow of all colors, diversity has become a feature of corporate culture in recent years.

But it has always been that way at USU Software AG. Not because we saw or see ourselves as a striking model of tolerance, not because we wanted or want to prove anything to anyone – it is simply just curiosity. Although we are a software company that engages extensively and creatively with abstract themes and processes, that only works in an environment of sincere humanity. We are curious about one another and in the only way possible – namely that we don't want to remodel anyone.

“What do we know but that we face one another in this place?”

*William Butler Yeats (1865–1939),
Irish poet and winner of the Nobel Prize for Literature*

We, the 750 employees at USU Software AG, come from everywhere. 27 nationalities work here. Who is interested? We don't encounter one another as foreigners. And trying to outline “sexual identity” as a cause of conflict elicits only head-shaking here. No one has to preach tolerance here; we have always been tolerant – without making a fuss about it. What we don't tolerate is intolerance. Then we aren't quite as happy and cheerful.

We are who we are. Full stop.

It is good to meet one another – at video conferences, where we talk without masks, at in-person meetings, where we get along well despite having to talk through masks, and at our bistro, where our communal meals enable us to take off our masks. In general. We like being together. That gives us new ideas. Good for business, as our management very well knows.



The topic of vaccines has of course been a hot topic of discussion here, as it has everywhere – but never beyond reason. Full stop.

We turn to face one another – as the Irish poet so simply yet beautifully put it, even if that won't necessarily always be at the same place. Perhaps we will even appreciate one another's presence all the more because of this.

Furthermore, there is something that connects us all with one another and surprises us time and again:

THE POWERS OF USU



William Butler Yeats

**Let us be happy
and colorful**

USU

Out in the Open.

Software – as we sometimes like to say – is the Starship Enterprise of the 21st century. It takes us to worlds no one has seen before. It often makes them visible to us in the first place. And so it opens up completely new worlds and completely new perspectives for a company such as USU Software AG.

But, then again, they are not completely new to us. Because we invariably operate in countries that have one thing in common: They are democracies. Countries with legal certainty, where human rights are lived, where openness prevails.



„Beam me up, Scotty!“

Retrospectively beamed up quote from the science-fiction series Star Trek

Indeed, we even received our first major order from the city considered the cradle of democracy – Athens. Today we operate in Germany, Switzerland and Austria. In the Czech Republic. In France. In the US. And recently even in Japan.

The fact that we operate only in democratically run countries was so self-evident for us that we didn't even notice that in our internationalization strategy we had unconsciously followed a doctrine that states: “A country where democracy prevails never wages war against another country where democracy also prevails.”


Now we know what war is once again – on the continent where the idea of democracy was invented 2,500 years ago and renewed in an act of violence almost 250 years ago through the French Revolution, through the Declaration of Human Rights. We, the 750 employees at USU Software AG, are more conscious than ever of the value of freedom and peace. Real, lived democracy is not only absolutely essential for our business, it is also its soul. We love and live open communication, the free exchange of opinions and ideas. We are rewarded not only with commercial success, but above all also with a cultural diversity that continues to inspire us to new ideas. Democracy is the best thing that has happened to those of us who live in the free world. And is actually our most important export of all.

“A world without dictatorships?” asked Peruvian Nobel Prize winner Mario Varga-Llosa (born in 1936) 20 years ago. His answer: “A pipe dream.” But he wasn't being serious. His hope was a world of “only democratic governments.” Beam us up!

What with? That's simple: [THE POWERS OF USU](#)



Mario Varga-Llosa



**We
carry
open
doors
to
athens**

We are present worldwide –
directly and through partner companies.

The Followers.

You can produce the best results in the company's history, in terms of both sales and profits, yet the stock market price does not reflect this. Surprising. And irksome. Because future trends, which should primarily be reflected in the share price, after all, also speak heavily in favor of USU Software AG.

What are we doing wrong? Perhaps we don't communicate enough about what we stand for, what drives us – and the factors that move our markets.

"If only I had known, I should have become a watchmaker."

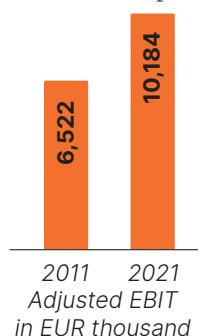
Albert Einstein, genius of the century

With our products and services, we are a company for companies, not consumers. We are not watchmakers, although a lot of what we do operates around the clock and thereby impacts the most varied of areas. But it is also the really, really big issues that make us tick; issues that geniuses such as Einstein instilled in us. You first have to understand them before they have an effect – or are expressed in the share price, for example.

The whole world is talking about digitization – it is the issue that will outlast the pandemic, that will define our century. It is an issue for all of us. And it is full of surprises, because it is leading to a double burden on our economy. We have to keep the old, analog processes until the new, digital processes are established, and these often also open new markets. At USU, we have been familiar with this phenomenon for as long as we have existed. You could almost say it is like our business model. And our customers, in business and government, are now

also massively experiencing this. By way of illustration, a study conducted in Japanese industry between 1978 and 2017 found that with each new robot per thousand workers employment in the companies rose by 2.2%. Many other studies come to similar conclusions. Investments in technologies such as those USU delivers in the software sector make companies stronger. In every respect. But when will this success be visible for us at USU?

That's the all-important question for our share price.



Because our innovations are part of the far greater transformation that our economy is living through at the moment – and that is also overlaid by the pandemic. In principle, you can best measure the progress our customers are making here at the moment by the success of companies such as USU. If we are

doing well, that is an indication that our economy is on the right path. So we are influencers and followers at the same time.

We concede we are only watchmakers, not Einsteins. However, through our products and services we do tell our customers what time it is.

Perhaps we should do a little more advertising as trend-setters. But we wouldn't be the USU you know if we didn't do that with a generous dose of humor and self-irony. As in all our annual reports. We enjoy what we do. Incidentally, that is also something that set Einstein apart, although he didn't become a watchmaker, but an Einstein.

So, follow us on the following pages! We will of course try to influence you – and our share price. **THE POWERS OF USU**



USU Software AG
Annual General Meeting 2019



Fully jabbered

Everything in Order.

What will win, chaos or order? Information technology has the strange tendency to serve both sides. At the same time. It is almost surreal. In the last 24 months, we have all felt the effects of this clearly. Especially now. While the global stock markets, heavily equipped with IT, celebrate days of chaos, companies and public-law bodies provide a new, stable, inner order. They find themselves in the midst of the digital transformation. The aim: more continuity and order in a rapidly changing world.

Sounds contradictory, surreal.

“Where chaos meets order, chaos usually wins, because it is better organized.”

Friedrich Nietzsche (1844–1900), German philosopher

At USU Software AG, we see ourselves on the side of this transformation. With our products. With our projects. With the thing we call service. We want to bring order – to our customers’ IT installations, to the management of their knowledge and capabilities, to the often overwhelming momentum of events. And we manage that really well, too, as our continued very good order situation shows us. After all, orders on hand rose by 6.5% to EUR 65.9 million.

When we get to work wanting to help customers tidy up and create structure with our products, we see how well chaos is sometimes organized in the companies. It bravely fends off any change. This calls for great powers of persuasion. And patience. But somehow this very chaos also helps us here. Because it isn’t so well organized after all.

It was the chaos itself, the disorienting locking down of the economy and society in recent months that most helped us take our idea of order into the companies. Bottlenecks here, friction in the supply chains there, reorganizing work and business processes everywhere; our business supports all of those things. So we will see in the coming months how many firms emerge from the confusion of tackling the pandemic with greater inner strength.

We remember how something similar happened when resolving the feared Year 2000 problem in the 1990s. Unimaginable chaos loomed. The result: Our economies went into the new millennium modernized as never before. The clocks did not stop. Only the old order disappeared – as in the less surreal than unreal-seeming financial crisis between 2008 and 2013.

Back then it was our duty to help, as it is now. Even if we are only a small wheel in the big world theater of information technologies, our customers know we are not so easily intimidated. We are unshakable. In almost 50 years of existence, we have proven this more than once.

We are confident the period of lockdowns is now coming to an end. It is melting away. Even if things were different, our customers know – as we do – that the order is now very well organized. Thanks to internal information technology. Thanks to software. Thanks to our dynamism.

We stand for that with all our capabilities, knowledge and passion: We make our customers strong. There couldn’t be a better outlook. These times call for us.

THE POWERS OF USU



Friedrich Nietzsche



Salvatore Dalí



Clockdown for Lockdown

*"Surrealism is destructive, but it destroys only
what it considers to be shackles limiting our vision."
Salvador Dali (1904–1989), Spanish painter*



Digital services for critical infrastructures

The Swiss system integrator Axpo WZ-Systems AG specializes in digital services for the critical infrastructures of essential services. Guaranteed availability of 99.995% is standard. To help achieve this, Axpo offers highly available communication networks and services for crisis-proof, fail-safe data communication.

Comprehensively automated, transparent and efficient service processes are essential in order to ensure a high degree of professionalism. The only way for Axpo to satisfy its customers' increasingly demanding requirements was with a centralized, high-performance, ITIL-compliant complete solution. After conducting an extensive evaluation of the market, the responsible managers selected USU as their expert partner.

Axpo wanted to achieve an extremely high degree of vertical integration: As well being used internally, the service management solution was to be implemented individually at Axpo's customers. The flexibility of USU's solution would enable the necessary customer-specific modifications.

Having successfully gone live, Axpo now processes around 3,000 tickets a year mostly automatically and with a high degree of transparency. Customers can view the status of their tickets at any time. The significant increase in customer satisfaction shows that the service quality is meeting with their approval. At the same time, changes have helped to reduce outages by 30%.

In this way, USU Service Management has become the bedrock and the driver of Axpo's continued strong expansion and exponential growth. With user numbers rising by around 20% every year, the scalability of the services based on the central platform means that considerably more customers can be served using the same resources.

"USU's flexible and scalable solution allows us to digitalize our service processes along the value chain in line with our needs."

René Oester, CEO Axpo WZ-Systems AG



A safe haven for over 800 specialist processes

Dataport is the public-sector information and communication service provider throughout northern Germany. Around 4,000 employees at eight locations ensure secure IT infrastructures and services in the federal states of Hamburg, Schleswig-Holstein, Bremen and Saxony-Anhalt, for the tax authorities of Mecklenburg-Western Pomerania and Lower Saxony, and for a local authority's IT network. More than 800 specialist processes run via the twin data center, which has a redundant design with more than 8,000 virtual servers and 34,000 virtual processors.

Dataport is responsible for ensuring that the processes for administration, police and judicial functions run stably and meet the highest requirements in terms of data protection and security. The internal infrastructure services require guaranteed availability of 99.99%, as do the fundamental police services and the services underpinning the emergency numbers 110 and 112. All in all, Dataport sends out more than 1,500 service level agreement (SLA) reports every month.

To achieve the high standards that are required, Dataport has been relying on USU IT & Service Monitoring as its security backbone for a number of years. The services provided include umbrella, service and end-to-end monitoring, event processing, and alarm management. A centralized, consolidated overview of the availability and performance of the infrastructure components helps Dataport to secure its high SLAs. The number of tickets has fallen by an average of 30%, while end-to-end monitoring ensures the very highest service standard for citizens. The USU portfolio allows the public-sector service provider to live up to its performance promise: "Digitalization. With a high level of security."

"Over the years, USU applications for fault management have helped us to continuously improve quality and achieve an extremely high level of operating stability. Efficient data center operations would be inconceivable without these systems."

**Olaf Sengestack, Service Level Management,
Dataport AöR**



New service shop ensures satisfied customers

GISA GmbH is an IT consultancy and service provider based in Halle/Saale. Its 840 employees look after more than 300 customers throughout Germany, most of them from the energy industry.

As the central point of entry for service customers and their users, GISA's service portal plays an important role when it comes to transparently presenting the various IT services that are on offer. More than 800 shop services are available for every customer.

GISA's previous shop solution no longer satisfied the individual customers' growing demands in terms of user-friendliness, performance and administration. Accordingly, these were the key factors when it came to selecting a new service platform. GISA also wanted to gradually integrate additional IT service management processes.

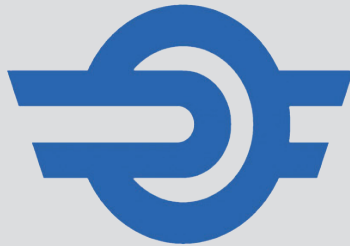
Having opted to work with USU as its solution provider and the Gentlemen Group as its implementation partner, GISA successfully took the new service shop live after twelve months – right on schedule. The focal points of the project included the establishment and transfer of expertise for customer-specific enhancements and effective workflow management. The project team also spent 15 days on performance

measurement and optimization. USU Service Management was subjected to a load test simulating 600 users accessing shop services or forms simultaneously – and passed with flying colors.

With the standardization of the service shop, GISA has laid the foundations for growth and scalability. The new service shop immediately met with a high degree of customer satisfaction thanks to transparent service processes, significantly improved shop performance, the satisfaction of customer-specific modification requests, and a user-friendly interface.

"The response among our customers to the new service shop based on USU Service Management has been overwhelmingly positive, and customer satisfaction is considerably higher than it was before. Our specialists are also delighted, because they are now able to satisfy customer requirements autonomously and with great flexibility."

**Tom Halang, Head of Process IT/
IT Service & Quality Management, GISA GmbH**



Company-wide software asset management established

The MÁV Group is a railway company owned by the Hungarian state with a history of more than 150 years, to which Volánbusz Zrt. joined in January 2021 as a full-fledged subsidiary. About 30 companies in the new MÁV-Volán Group provide a wide range of mobility services as the basis for public transport in Hungary. The Transportation Group delivers various services to freight railway companies, both domestic and foreign companies, and is responsible for providing state rural and suburban bus transport. Of particular note is the operation of railroad infrastructure and passenger transportation, which are provided on the basis of public service contracts concluded with the Hungarian state.

In the context of ongoing digitization, a modern software asset management (SAM) system should also ensure transparency of all group-wide software licenses. Therefore, those responsible at MÁV-Volán decided to launch a project to introduce a license management system.

The main objective of the project was to optimize the use of software, especially from major manufacturers such as IBM, Adobe, Microsoft, VMWare or Oracle, by means of a professional, internationally established overall system. The solution chosen was USU Software Management. The implementation was carried out by LicenseCore Zrt, USU's Hungarian competence partner in the field of Software Asset Management (SAM).

In the first step of the project, the SAM experts determined the software installed on all clients and servers. In a second step, the inventory data was loaded and processed in the USU license management system. Today, this guarantees not only the minimization of legal and financial risks, but also of software costs.

"Every day, we see the MÁV- Volán Group's compliance with licensing regulations with regard to major manufacturers. The license data in the USU system is a great help during a possible manufacturer audit. In addition, it allows us to optimize our short- and long-term licensing costs"

András Vidra, General Director of IT and Technology Systems, MÁV-Volán-Gruppe



Compliance reports at the touch of a button

METRO AG faced the challenge of making all of its Group-wide IT assets fully transparent. In addition to the hardware and software inventory, this included user and license data. The aim was to implement a single centralized solution for IT asset management and obtain valuable data with a particular view to optimizing the use of software, evaluating risks and becoming more efficient.

To help it successively achieve these milestones, it put the introduction of a central IT asset management solution out to tender. Having submitted the best overall bid, USU came out on top of the extensive selection process.

Following the connection of various source systems, the first step in the project involved using the USU Discovery software to obtain high-quality inventory data in the form of reports as the basis for effective data management. At the same time, USU Software Asset Management was rolled out and the optimization modules for the key manufacturers were gradually taken live.

Today, the METRO Group has a central overview of all relevant IT data. This automatically provides all of the international METRO companies with valuable key figures in a central solution that serves as basis for various decisions. This has significantly reduced internal data management costs – for example, compliance reports for the top 3 software manufacturers for use in audit preparation and evaluation can now be generated at the touch of a button. The consolidated data has also laid the groundwork for the cost-effective use of software: Unused licenses can be identified, allowing METRO to optimize its IT portfolio.

“Thanks to targeted cooperation and an increasingly trust-based relationship with our partners USU and Raynet, we have been able to introduce a complete solution that provides us with a transparent overview of valuable IT data at all times and across all of the METRO companies in more than 30 countries. This allows us to use our IT resources far more efficiently.”

**Ulf Vollmer, Head of Compliance Control,
METRO AG**



A service champion thanks to knowledge management

“Every Bundesliga club in professional soccer is a medium-sized company that requires professional management” – this maxim also describes the desire of VfB Stuttgart’s business management team to combine passion and emotion with the strategy and control mechanisms of a modern commercial enterprise. With this in mind, dealing efficiently with knowledge has long been a priority for the club.

By implementing a central knowledge database from USU, VfB Stuttgart laid the foundations for combining heterogeneous information in the form of clearly structured knowledge documents and making them transparently accessible for a wide range of services. Content on ticketing, the soccer school, arena tours, the Fritze-Club for kids or the latest coronavirus regulations is added and regularly checked to ensure it is up-to-date.

The aim: to offer fans excellent and efficient self-service across a wide range of communication channels. To supplement this, an intelligent chatbot was developed as an online assistant and has been in use since late 2020. The new virtual service machine has since become firmly established, attracting more than

10,000 requests every month – many of them from mobile phones. The chatbot mainly responds to standard queries or processes, such as returns or changing the names on tickets. However, it can also answer specific questions when required, e.g. whether a child under 12 years of age requires an extra ticket. User acceptance is high. Thanks to its active support, the chatbot is making things a lot easier for the service team and contributing to a high degree of satisfaction among customers and fans.

“When it comes to service, using the latest knowledge to ensure we are always on the ball is our greatest asset. Connected knowledge and coordinated external communication are essential for any organization that engages with the media on a daily basis. For this reason, we use knowledge management solutions from USU so that we can serve fans professionally and economically.”

Adrian Zürn, Manager Service, Shops and Administration at VfB Stuttgart

ADVISORY BOARD OF USU GROUP

USU relies on its ability to identify market trends, technological developments, and customer requirements comprehensively and at an early stage, and to derive and successfully market corresponding innovations on this basis.

The sustained business success of USU Software AG and its subsidiaries is based to a large extent on positive, trust-based cooperation with its customers and interested parties. Within the context of a long-term business relationship based on cooperation, this means offering customers a high level of service and demonstrable added value.

Across the whole Group, USU Software AG's product-oriented and service-oriented portfolio therefore pursues the objective of ensuring not only a high degree of improvement in service, but also enormous savings potential so that the investments in software solutions provided by the USU Group already pay off within a very short period, thus creating a win-win situation for USU and its customers. Appropriately, more than 1,200 companies from all areas of business now make up the international customer group of the USU Group.

The basis of all endeavors is rigorous customer orientation, something which the USU Group has been pursuing as the overarching principle of its business strategy for over 44 years. USU Software AG is given comprehensive support in this respect by its Advisory Board, whose members advise the entire USU Group with their high degree of professional expertise and many years of management experience. The Advisory Board is composed of business figures with in-depth experience and expertise in the area of information technology. A large number of the Advisory Board members are direct customers of USU Software AG and its Group subsidiaries.

At the regular meetings of the Advisory Board with the USU Management Board and management, current topics and strategic developments on the market and in the USU Group are discussed, along with future trends. The most important objective was and is to satisfy customer requirements on a sustained basis and to strengthen and further develop customer relationships on the basis of a trusting partnership. To ensure continuity, the members of the Advisory Board of the USU Group are appointed for a period of two years and may be reappointed on expiry of a period in office.

The list of members of the USU Group Advisory Board when the 2021 Annual Report went to press was as follows:

Andreas Dümmler

IS Manager, Arburg GmbH & Co. KG

Michael Krebbers

Member of the Management Board,
Stuttgarter Versicherungsgruppe

Joachim Langmack

Management Consultant

Stefan Leser

Board of Directors, Hotelplan Group

Marcus Loskant

Member of the Management Board IT of
LVM-Versicherung

Uwe Neumeier

Managing Director, LANCOM Systems GmbH

Heike Niederau-Buck

Chief Information Officer, Voith Digital Solutions GmbH

Dr. Hans-Joachim Popp

Principal, BwConsulting

Dr. Dieter Pütz

Business Lead Connected Services, Atruvia AG

Werner Schmidt

Management Consultant

Ralf Stankat

General Representative, Basler Insurance

Daniel Thomas

Member of the Management Board, HUK-Coburg

The Management Board would like to thank all of the members of the USU Advisory Board for their dedicated support, their advice and their detailed suggestions for the further successful development of the USU Group and looks forward to continuing this trust-based partnership in the current 2022 fiscal year.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

USU Software AG closed the 2021 fiscal year successfully, achieving new records. With sales growth of more than 4% year on year, and an increase in adjusted EBIT of over 10% to EUR 10.2 million, the Group as a whole closed the reporting year 2021 extremely successfully despite the continuing coronavirus pandemic, and achieved or surpassed the originally planned figures. As a standalone company, USU Software AG increased its profits by as much as 20.2% to EUR 8.8 million. In line with the dividend policy, the Company's shareholders are to share in the positive business development of USU Software AG again in the form of a profit distribution. The Supervisory Board thus concurs with the Management Board's proposal for the appropriation of net profit for the 2021 fiscal year, which provides for a dividend payment 25% higher than the previous year's level for the 2021 fiscal year. The Management Board and Supervisory Board of USU Software AG will therefore propose a dividend distribution of EUR 0.50 per share to the Annual General Meeting of the Company on July 1, 2022. Due to the continuing COVID-19 pandemic, we plan to hold this year's Annual General Meeting virtually as a precaution, as in the previous year. Although in principle we would prefer a physical Annual General Meeting in the shareholders' interests, we must take account of the fact that physical Annual General Meetings are mainly attended by our older shareholders, who also represent the group at most risk from the coronavirus.

Performance of Supervisory Board duties

In the 2021 fiscal year, the Supervisory Board performed all the tasks and duties prescribed by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code with great care and including comprehensively monitoring and advising the Management Board in its activities. The Management Board regularly, promptly and comprehensively informed the Supervisory Board of the development and position of USU Software AG and the USU Group, corporate strategy and planning, risk management and compliance as well as key business transactions. The Supervisory Board itself continuously monitored the business development of USU Software AG and the Group. The Supervisory Board maintained close contact with the Management Board in the 2021 fiscal year and was directly involved in decisions of major importance to the Company at an early stage. Also outside the Supervisory Board meetings the Chairman of the Supervisory Board maintained regular contact with the Chairman of the Management Board. The Supervisory Board was comprehensively informed in

advance of, and carefully examined and unanimously approved, all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board in the 2021 fiscal year. Likewise, no changes took place in the composition of the Supervisory Board of USU Software AG in the 2021 fiscal year. As the term of office of all members of the Supervisory Board ended at the end of the Annual General Meeting on July 6, 2021, new elections were held during this Annual General Meeting, in which all Supervisory Board members were re-elected. Since the Supervisory Board comprises three members, no committees were set up in the 2021 fiscal year, as in the previous year. Independently of this, the Supervisory Board of the company jointly assumes the tasks of these committees.

Meetings of the Supervisory Board and main points of discussion

Six ordinary Supervisory Board meetings were held in the 2021 fiscal year, one of which was held as a video conference due to the coronavirus. All members of the Supervisory Board were present at the Supervisory Board meetings, meaning that the average participation rate of Supervisory Board members in the meetings was 100%.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Management Board and the divisional managers of the subsidiaries as necessary, focused on the business development, the net assets, financial position, results of operations and the strategic planning of USU Software AG and the Group. The Supervisory Board received information on an ongoing basis on the current status of business at USU Software AG and its subsidiaries, on the Group's investments in Germany and abroad, and on potential acquisition targets. The Management Board of the Company reported to the Supervisory Board meetings on sales, earnings, investment and profitability, including the effects of the coronavirus pandemic and of the "One USU" strategy project launched in the previous year, and the liquidity development of the Company and the Group. The Supervisory Board, together with the Management Board, also discussed risk management for USU Software AG and the Group as a whole, and defined in detail the existing risks and planned strategies and measures

to control and manage risk, which in 2021 again included the COVID-19 pandemic and related topics such as remote working for the Group's workforce and the lack of sales events such as trade fairs and conferences, which are particularly necessary in foreign markets for acquiring new customers. The Management Board also addressed the medium term corporate planning for USU Software AG and the Group and presented the key elements of its financial, investment and human resources planning. Other key topics of discussion in the year under review were the "One USU" strategy project and the development of the Company's share price during the coronavirus pandemic, including the largely virtual investors relations activities of the Management Board.

The first Supervisory Board meeting of 2021, which was held as a video conference on March 3, 2021, involved only legally required resolutions by the Supervisory Board.

At the accounts meeting of the Supervisory Board on March 19, 2021, the auditors reported on the key findings of their audit of the financial statements, the single-entity and consolidated financial statements and the management report and Group management report for the 2020 fiscal year were approved following in-depth discussion with the Management Board and the auditors, and the single-entity financial statements were adopted. The Supervisory Board approved the recommendation of the Management Board to propose to the Company's Annual General Meeting a dividend at the previous year's level of EUR 0.40 per share. Another topic addressed at this Supervisory Board meeting was the status report of the Management Board including the projection for 2021.

The Supervisory Board meeting on May 11, 2021, which was also attended by the Management Board of USU Software AG, mainly covered the weak international business and the Management Board's planned measures to improve this in the context of the Management Board's status report on the current business development of USU Software AG and its subsidiaries. At the same time, the Management Board reported on the status and initial successes of the "One USU" strategy project. In addition, the preparation for and the discussion of the agenda for the Annual General Meeting to be held on July 6, 2021 was discussed and then adopted unanimously in the meeting. Among other topics, the legal changes with regard to the invitation notice were addressed and the agenda items on the approval of the compensation system and the re-election of the Supervisory Board in particular were discussed in depth. In this context, the participants also discussed and resolved on holding the Annual General Meeting as a virtual event again without the shareholders

being physically present so as to protect the shareholders in view of the COVID-19 pandemic.

The Supervisory Board on July 5, 2021, which was also attended by the Management Board of USU Software AG, focused on the challenges of international business during the continuing coronavirus pandemic and an update to the "One USU" strategy process in the context of the Management Board's report on the current course of business of USU Software AG and the Group as a whole and its planning for the subsequent quarters and the full fiscal year. The Management Board also presented the strategic new product developments to the Supervisory Board. Finally, the Annual General Meeting to be held on the following day was also discussed at this Supervisory Board meeting.

The Supervisory Board meeting on July 6, 2021, after the Annual General Meeting at which the Supervisory Board members were re-elected, involved only the election of the Chairman and Deputy Chairman of the Supervisory Board. After the previous Supervisory Board members Gabriele Walker-Rudolf, Erwin Staudt, and Udo Strehl were re-elected by the Annual General Meeting, the Supervisory Board elected Udo Strehl as its Chairman and Erwin Staudt as its Deputy Chairman.

In the context of the Management Board's report on the current course of business of USU Software AG and the Group as a whole and its further planning, the Supervisory Board meeting on September 23, 2021 addressed the intensifying coronavirus pandemic situation in the US and France and the resulting effects on USU's business development. The Management Board and the Supervisory Board also discussed the USU Group's target of climate neutrality by 2024 and also the Company's sustainability reporting in this context.

The reports on current business development and the projections for the full 2021 fiscal year were key topics at the Supervisory Board meeting on December 9, 2021, which was also attended by the Management Board of USU Software AG as well as the division managers of the subsidiaries. This Supervisory Board meeting also dealt with the implementation of the provisions of the German Corporate Governance Code, including the adoption of the corresponding declaration of conformity. The Supervisory Board also received information on the USU Group's risk management from the Management Board and discussed this with it in detail. In addition to these topics, the Supervisory Board conducted an efficiency audit on the basis of an explicit questionnaire at its meeting on December 9, 2021, which was concluded with a positive outcome. In this context, the Management Board

and Supervisory Board emphasized that the Supervisory Board members showed strong commitment to further training by taking part in an online training course on the rights and responsibilities of the Supervisory Board that was organized by the Management Board. Finally, the last Supervisory Board meeting of 2021 discussed planning for the 2022 fiscal year. The Supervisory Board discussed these plans in detail with the Management Board and the managing directors of the subsidiaries, and unanimously approved the planning for the 2022 fiscal year. In addition, the Supervisory Board discussed the Management Board compensation system and adopted a resolution on Management Board compensation. The compensation report appears in the 2021 annual report immediately after the report of the Supervisory Board. It can also be found on the Company's website at <https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/>. On December 17, 2021, the Executive Board and Supervisory Board discussed the D&O insurance policy with regard to the discontinued recommendation of the Corporate Governance Code on the deductible for Supervisory Board members and resolved to waive the deductible as of January 1, 2022, as this is covered by the insurance policy in a cost-neutral manner.

Corporate governance and declaration of conformity

Responsible management and control of USU Software AG and the Group with the aim of sustained value creation are, and will remain in the future, the focus of the activities of the Management Board and Supervisory Board of the Company. The Supervisory Board is committed to these principles of corporate governance and acts accordingly. On December 9, 2021, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code in the current version of December 16, 2019. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Company's website. This declaration of conformity is included in the combined management report in this annual report as part of the statement on corporate management of USU Software AG in accordance with sections 289f, 315d of the German Commercial Code (HGB) under VII.1 Declaration of conformity with the German Corporate Governance Code. In addition, the Supervisory Board refers to the compensation report, which appears after this Supervisory Board report in this annual report and is also available on the Company's website at <https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/> and contains the individual

compensation of the members of the Management Board and the Supervisory Board for the 2021 fiscal year.

Audit of the single-entity and consolidated financial statements

Based on a resolution by the Annual General Meeting on June 6, 2021, the Supervisory Board commissioned Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as the auditor of the financial statements and agreed the focal points of the audit for the 2021 fiscal year.

The subject of the audit was the accounting, the 2021 financial statements prepared in accordance with HGB, the 2021 consolidated financial statements prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as applicable within the European Union, and the additional requirements of German law under section 315e (1) HGB as well as the accompanying combined management report for the 2021 fiscal year. The Supervisory Board also examined the non-financial Group declaration by USU Software AG, which was published on the Company's website on March 24, 2022.

The financial statements of USU Software AG, the consolidated financial statements and the combined management report for the 2021 fiscal year were each issued with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned year-end closing documents, including the Management Board's proposal on the appropriation of net profit and the non-financial Group declaration and the auditor's reports, for examination in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 18, 2022. Following its own examination and an extensive discussion with the Management Board and the auditors, the Supervisory Board concurred unanimously with the findings of the audit and raised no objections. The Supervisory Board approved the financial statements and consolidated financial statements presented to it by the Management Board as well as the combined management report for the 2021 fiscal year. The annual financial statements have therefore been adopted.

At the same time, the Supervisory Board approved the Management Board's proposal for the appropriation of net profit, under which the HGB unappropriated surplus of USU Software AG as of December 31, 2021 in the amount of EUR 15,931 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.50 per share for 10,523,770 shares, amounting to a total of EUR 5,262 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 10,669 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with sections 289 (3) and (4) and 315 (4) HGB and the corresponding reports. Further information can be found in the disclosures and explanations in the combined management report for the 2021 fiscal year under V. Accounting-related internal control and risk management system and under IX. Non-financial (Group) declaration (unaudited). The Supervisory Board has examined the reports and the disclosures and explanations contained therein and is satisfied that these are complete and correct in terms of their content. Accordingly, the Supervisory Board has adopted the reports. The Supervisory Board therefore agrees with and raises no objections to the non-financial declaration and the disclosures on the accounting-related internal control.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with section 312 AktG for the fiscal year from January 1, 2021 to December 31, 2021 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

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

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft examined the report on related parties and issued the following audit opinion:

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

1. the factual statements made in the report are correct, and

2. the companies' compensation with respect to the transactions listed in the report was not inappropriately high."

The Management Board's report on related parties and the audit report prepared by the auditors were both made available to the Supervisory Board. The examination by the Supervisory Board in accordance with section 314 AktG did not give rise to any objections to the closing statement by the Management Board.

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

Concluding remarks and thanks

The achievement of new sales and profit records, and the sustained success of USU Software AG and its Group subsidiaries over their history going back more than 44 years now, is chiefly thanks to the Group's entire workforce. On behalf of the whole Supervisory Board, I would therefore like to thank all employees of the USU Group explicitly for their strong commitment and their loyalty. I would also like to thank the entire management of the subsidiaries for their great personal dedication and extraordinary achievements. My special thanks also go to the Management Board team for implementing the successful further development of USU Software AG and the entire USU Group with passion and an entrepreneurial spirit. The Supervisory Board is optimistic that the Management Board will sustainably and profitably continue the Company's successful growth trend and looks forward to further positive, trust-based cooperation.

Möglingen, March 18, 2022

For the Supervisory Board



Udo Strehl
Chairman of the Supervisory Board of USU Software AG

COMPENSATION REPORT 2021

This compensation report explains the compensation system for the members of the Management Board and the Supervisory Board of USU Software AG for fiscal 2021 and describes the compensation paid and owed to the individual members of the company's Management Board and Supervisory Board in fiscal 2021. This report is the compensation report in accordance with section 162 of the Aktiengesetz (AktG – German Stock Corporation Act) in the version of the Gesetz zur Umsetzung der zweiten Aktionärsrichtlinie (ARUG II – German Act Implementing the Second Shareholder Rights Directive), which was prepared jointly by the Management Board and the Supervisory Board. In addition, the applicable recommendations of the German Corporate Governance Code (GCGC) are followed, with the exception of the points specified in the declaration of compliance with the Code dated December 9, 2021.

Business performance of USU Software AG and its subsidiaries in fiscal 2021

In fiscal 2021, the USU Group increased both its sales and its profits as planned and also successfully implemented the majority of its sustainability goals.

Consolidated sales rose by 4.3% to EUR 111.904 thousand in 2021 compared to 2020, while consolidated net income increased by 23.2% to EUR 6,758 thousand and adjusted EBIT was up 10.2% at EUR 10,184 thousand.

Despite the coronavirus pandemic, the company continued on its growth path under the guidance of the Management Board, with the effect that USU is also well on track to achieve its medium-term planning.

The compensation system for the Management Board aims to promote the positive and sustainable development of USU Software AG along with the avoidance of excessive risks. To this end, both short-term and long-term performance-related compensation components have been incorporated in the compensation system as motivation to increase the company's sales and earnings.

Procedure for determining, implementing and reviewing the compensation system

The Management Board compensation system is determined by the Supervisory Board in accordance with the statutory provisions under sections 87 (1) and 87a (1) AktG. If necessary, external compensation consultants can be involved. If the Supervisory Board exercises this option, it ensures that the compensation experts commissioned are independent.

As with all decisions by the Supervisory Board, the general statutory regulations also apply when determining, implementing and reviewing the compensation system for the Management Board, taking account of the GCGC's recommendations for dealing with conflicts of interest.

Regular reviews of the Management Board compensation system are performed by the Supervisory Board. The compensation system is presented to the Annual General Meeting for approval in accordance with section 120a (1) sentence 1 AktG every time there is a significant change in the compensation system, or at least every four years. If the Annual General Meeting does not approve the compensation system, then a compensation system revised by the Supervisory Board is presented to it for approval at the following Annual General Meeting at the latest.

In accordance with the statutory transitional regulation under section 26j (1) sentence 1 EGAktG, the resolution had to be adopted for the first time by the end of the first Annual General Meeting following December 31, 2020, and thus no later than at the 2021 Annual General Meeting. In the resolution on July 6, 2021, the Annual General Meeting approved the compensation system for the members of the Management Board by 97.36% and thus adopted it.

Management Board compensation

Main features of the compensation system

The compensation for the Management Board members of USU Software AG was determined in accordance with the German Stock Corporation Act and is geared toward long-term, sustainable development of the company. Long-term, sustainable development is particularly reflected in the long-term bonus covering several fiscal years. Overall, the amount and payment of this bonus depends on the cumulative achievement of the planned annual sales and earnings figures over three fiscal years, starting from 2021 for the first time. Accordingly, this bonus is settled and paid out only after three fiscal years have passed and the final key figures have been determined. Advance payments or part payments are not provided for.

In addition to the responsibility and tasks of the individual members, the total compensation of the Management Board members is based on the size and complexity of the USU Group and the company's sector and position.

The Supervisory Board also pays particular attention to ensuring that the Management Board compensation

is in line with the market. Conformity with the market is judged based on the following parameters:

Horizontal comparison

To judge the market conformity of the Management Board compensation, it is compared with the market data for a group of sector-specific international companies that is defined by the Supervisory Board. In a market conformity review as of December 31, 2020, the Supervisory Board focused on this peer group.

Vertical comparison

In addition, the development of the Management Board compensation in relation to the compensation of the company's workforce is also taken into account in an internal (vertical) comparison. This involves comparing the Management Board compensation against the compensation of the senior management and that of the relevant

overall workforce at the company. The senior management is specifically defined by the Supervisory Board for this purpose.

Overview of the compensation system

The total compensation consists of fixed (non-performance-related) compensation components and variable (performance-related) compensation components. **The fixed compensation components** comprise the fixed annual compensation, fringe benefits and an annual contribution to the pension plan. The **variable compensation components** consist of a one-year portion (short-term bonus) and a long-term portion for a reference period of three years starting from 2021 for the first time (long-term bonus).

The annual total compensation of the respective Management Board members is limited to a maximum compensation level.

Compensation system for the Management Board of USU Software AG

Fixed compensation:	<ul style="list-style-type: none"> • Fixed annual compensation for each fiscal year that is paid out in twelve equal monthly installments • Plus pension • Amount is based on the tasks and areas of responsibility of the respective members of the Management Board, their associated responsibility for the Group of the company and associated companies, and the size, sector, and position of the company 	
Short-term bonus	<p>Targets:</p> <ul style="list-style-type: none"> 50% - adjusted EBIT (absolute) 30% - consolidated sales (absolute) 20% - dividend (absolute) <p>In the case of target attainment <100%, also:</p> <ul style="list-style-type: none"> 20% - personal targets/areas of responsibility (absolute) 	<p>Cap: 200 %,</p> <p>Period: 1 year</p> <p>Payment: Entirely in cash</p>
Long-term bonus	<p>Target:</p> <ul style="list-style-type: none"> - cumulative adjusted EBIT and sales of the next 3 years 	<p>Cap: 200 %</p> <p>Period: 3 years</p> <p>Payment: Entirely in cash after the 3-year term; prior to this, recognition of a provision</p>
Fringe benefits	Company car, insurance benefits	

Fixed (non-performance-related) compensation

The members of the Management Board receive **fixed annual compensation** for each fiscal year, which is paid out in twelve equal monthly installments. The fixed annual compensation is based on the tasks and areas of responsibility of the respective members of the Management Board, their associated responsibility for the Group of the company and associated companies, and the size, sector, and position of the company.

In addition to the fixed annual compensation, the Management Board members receive the following **fringe benefits**:

- Compensation of half of the highest contribution rate for statutory unemployment and pension insurance and half of the health and nursing care insurance contribution that would have to be paid as the employer share if a social insurance obligation applied.
- Provision of accident insurance that also covers non-work-related accidents.
- Provision of directors' and officers' liability insurance. This insurance stipulates a deductible for each Management Board member of 10% per claim and a total of 150% of the fixed annual compensation at the time of the first breach of duty for all claims within an annual insurance period.
- Provision of a company car on a lease, which can also be used privately.

In addition, the company of the position makes suitable contributions toward the Management Board members' **pensions** (direct insurance, pension fund or private pension insurance).

Variable (performance-related) compensation

The variable compensation components break down into a one-year variable portion (short-term bonus) and a long-term variable portion (long-term bonus).

a) The **one-year variable portion** (short-term bonus) depends on the attainment of certain company targets in the respective compensation year, which each have a specific weighting. The following targets thus apply with the stated weightings:

(1) consolidated earnings: account for around 50% of the one-year variable portion

(2) consolidated sales: account for around 30% of the one-year variable portion

(3) dividend: accounts for around 20% of the one-year variable portion and in addition – if the total of the annual variable portion in line with the above targets is lower than 100%:

(4) personal targets: account for up to 20% of the one-year variable portion, depending on attainment of the annual targets for the respective operating segments in the USU Group, but no more than the difference between actual and 100% attainment of targets (1) to (3) to bring it up to a maximum of 100% of the one-year variable portion of total compensation.

In the case of 100% target attainment, the one-year variable portion (short-term bonus) amounts to EUR 180 thousand for the Chairman of the Management Board, Bernhard Oberschmidt, and EUR 144 thousand for the Management Board member Dr. Benjamin Strehl, and it is capped at 200%.

b) The **long-term variable portion** (long-term bonus) depends on the cumulative achievement of certain annual earnings and sales targets in a reference period of three years, starting from 2021 for the first time, and is payable only after this.

The condition for payment of the long-term bonus is that the minimum consolidated sales and the minimum earnings (adjusted EBIT) in line with the applicable medium-term planning must have been achieved overall in the reference period. If the above conditions are not met, but 90% of the minimum earnings are achieved in the reference period irrespective of total consolidated sales, then the long-term bonus is 50%. The long-term bonus is paid out after the adoption of the annual financial statements for the last fiscal year of the reference period, provided the Management Board contract has not been terminated. For the earnings targets, it is the earnings generated taking account of the bonus payment that apply. The long-term variable portion is capped at 100%.

The targets of the one-year and long-term variable compensation promote the business strategy geared toward lasting profitability and sales growth. In particular, the long-term bonus helps encourage the company management to gear its actions toward the company's sales and earnings over three fiscal years.

Maximum compensation

In accordance with section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has defined **maximum compensation** that limits the total compensation (fixed compensation components and variable compensation components) granted to the Management Board members for a fiscal year. The annual maximum compensation per fiscal year comes to EUR 753,000 for the Chairman of the Management and EUR 645,000 for each other Management Board member.

Management Board compensation in 2021

As of the end of fiscal 2020, the Supervisory Board determined the target compensation for the two Management Board members Bernhard Oberschmidt and Dr. Benjamin Strehl for fiscal 2021 as shown below, in compliance with

the compensation system. In doing so, the Supervisory Board took account of the tasks and areas of responsibility of the two members of the Management Board and their associated responsibility for the Group. The Supervisory Board also included the planning for 2021 and the following years presented by the Management Board and thus the planned economic development of the company, and ensured that the target compensation for the respective Management Board members was in line with the market. With regard to the incentive system, the Supervisory Board ensured that the variable portion of compensation exceeded the fixed, non-performance-related portion of compensation in the case of 100% target attainment by the Management Board, which is intended to give the Management Board additional motivation to increase the USU Group's earnings power in a targeted manner. With regard to the long-term bonus, too, the Supervisory Board ensured that the long-term growth of the USU Group was rewarded in particular.

Individual compensation of the Management Board for fiscal year 2021

	Bernhard Oberschmidt Chairman of the Management Board				Dr. Benjamin Strehl Management Board			
	2021 in EUR thousand	2021 in %	2020 in EUR thousand	2020 in %	2021 in EUR thousand	2021 in %	2020 in EUR thousand	2020 in %
Fixed compensation	252.0	44.0	208.0	43.9	216.0	43.2	156.0	43.3
Pension expenses	22.9	4.0	22.7	4.8	22.9	4.6	22.7	6.3
Fringe benefits	12.3	2.1	18.1	3.8	6.7	1.3	7.3	2.0
Total fixed compensation	287.2	50.2	248.9	52.2	245.6	49.1	186.0	51.7
Short-term bonus	185.3	32.4	180.0	38.0	154.4	30.9	144.0	40.0
Long-term bonus	100.0*	17.5	-	21.1	100.0*	20.0	-	-
Other	-	-	45	9.5	-	-	30	8.3
Total variable compensation	285.3	49.8	225.0	47.5	254.4	50.9	174.0	48.3
Total compensation	572.5	100.0	473.9	100.0	500.0	100.0	360.0	100.0
Target compensation	532.0		388.0		460.0		300.0	
Target attainment in %	107.6		122.1		108.7		120.0	
Maximum compensation	753.0		753.0		645.0		645.0	
Actual compensation as a percentage of maximum compensation	76.0		62.9		77.5		55.8	

* Provision based on the Management Board's current long-term bonus target attainment

In fiscal year 2021, the compensation for the Management Board of USU Software AG amounted to EUR 1,072.5 thousand (2020: EUR 833.8 thousand), including all compensation paid to the Management Board within the Group. Bernhard Oberschmidt, the Chairman of the Management Board of USU Software AG, is also the Managing Director of the subsidiaries Openshop Internet Software GmbH

and USU Austria GmbH. For both the Chairman of the Management Board Bernhard Oberschmidt and the Management Board member Dr. Benjamin Strehl, the Management Board compensation paid and owed is below the maximum compensation. In this report, “compensation paid and owed” is interpreted and applied in the sense that the respective disclosures relate to compensation for work in the stated fiscal year, i.e. compensation that has been received by the respective Management Board member for their work in the stated year and compensation that is owed to the respective Management Board member based on their work in the fiscal year but has not yet been paid. The compensation paid and owed to the Management Board members in 2021 is in line with the specifications of the compensation system.

No shares or stock options are granted as part of the Management Board compensation.

Appropriateness of the Management Board compensation

Horizontal comparison

To judge the market conformity of the Management Board compensation, it is compared with the market data for a group of sector-specific international companies (such as CENIT AG, Datagroup SE, and ATOSS Software AG) that is defined by the Supervisory Board. In a market

conformity review as of December 31, 2020, the Supervisory Board focused on this peer group.

Vertical comparison

The comparison of the development of Management Board compensation in relation to the compensation of the company’s workforce in an internal (vertical) comparison is possible only to a limited extent for 2021, as a large part of the administration of the USU Group’s subsidiaries moved to the Group parent company in labor law terms due to the implementation of the “One USU” strategy. This relates, for example, to interns/student workers and temporary workers, whose income extrapolated to a full-time equivalent particularly significantly influences the average income. In 2020, the number of Management Board members decreased from three to two. The departments affected were divided between the two remaining Management Board members and the respective area of responsibility was expanded. In addition, the newly defined long-term bonus was applied for the first time. The Management Board compensation of the Chairman of the Management Board, Bernhard Oberschmidt, thus increased by 20.8% year-on-year, while that of the Management Board member Dr. Benjamin Strehl increased by 38.9%. Due to the effects mentioned above, the average salary of the overall workforce of USU Software AG decreased by 18.6% in purely statistical terms. For the disclosures, the company applies the relief option under section 26j (2) sentence 2 EGAktG.

Comparative presentation of the annual change in the Management Board compensation, the average compensation of employees on a full-time equivalent basis, and the development of the company’s earnings

	Bernhard Oberschmidt, Chairman of the Management Board	Dr. Benjamin Strehl, Management Board member	Staff of USU Software AG	Earnings performance based on adjusted EBIT
Development in 2021/2020 in %	+20.8	+38.9	-18.6*	+10.2

* limited comparability due to organizational change
(see explanatory notes)

Further information pursuant to section 162 AktG

The Management Board compensation in 2021 was based entirely on the compensation system and therefore did not deviate from this.

The option to reclaim variable compensation components was not exercised, as the monthly advance payment was made on the basis of 100% target attainment, which was also achieved accordingly by the Management Board members.

No benefits were promised or granted in the fiscal year to either of the Management Board members by a third party with respect to their work as Management Board members.

No benefits have been promised in the event of early or regular termination of a Management Board member's work on the Management Board.

Compensation of the Supervisory Board

Compensation for the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the company and was last amended at the company's Annual General Meeting on June 28, 2018. In accordance with the original provisions of the Code, total compensation for the Supervisory Board comprises a fixed and a performance-related component. Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 17.5

thousand for each full fiscal year of membership of the Supervisory Board. The Deputy Chairman of the Supervisory Board receives an amount of EUR 20.0 thousand, while the Chairman of the Supervisory Board receives EUR 70.0 thousand. Members of the Supervisory Board also receive variable compensation each year that is dependent on EBITDA, as reported in either the combined management report or the Group management report, in relation to the reported consolidated sales. A premium of 10% of the fixed annual compensation is paid per year as variable compensation for each full percentage point by which EBITDA exceeds 8% of consolidated sales. This is subject to a cap on total compensation of 200% of the fixed annual compensation.

EBITDA amounted to 13.1% of consolidated sales in fiscal 2021. The variable compensation of the USU Software AG Supervisory Board thus amounted to 50% of the basic fixed compensation of the individual members of the Supervisory Board. The compensation of the Supervisory Board of USU Software AG amounted to EUR 161.3 thousand in total in fiscal 2021 (2020: EUR 150.5 thousand).

Individual compensation of the Supervisory Board for fiscal year 2021

	Udo Strehl Chairman of the Supervisory Board				Erwin Staudt Supervisory Board member				Gabriele Walker-Rudolf Supervisory Board member			
	2021 in EUR thou- sand	2021 in %	2020 in EUR thou- sand	2020 in %	2021 in EUR thou- sand	2021 in %	2020 in EUR thou- sand	2020 in %	2021 in EUR thou- sand	2021 in %	2020 in EUR thou- sand	2020 in %
Fixed compensation	70.0	66.7	70	71.4	20.0	66.7	20.0	71.4	17.5	66.7	17.5	71.4
Variable compensation	35.0	33.3	28.0	28.6	10.0	33.3	8.0	28.6	8.8	33.3	7.0	28.6
Total compensation	105.0	100.0	98.0	100.0	30.0	100.0	28.0	100.0	26.3	100.0	24.5	100.0
Maximum compensation	140.0	100.0	140.0	100.0	40.0	100.0	40.0	100.0	35.0	100.0	35.0	100.0
Actual compensation as a percentage of maximum compensation	75.0		70.0		75.0		70.0		75.0		70.0	

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE COMPENSATION REPORT

Report of the independent auditor on the audit of the compensation report in accordance with section 162 (3) AktG

To USU Software AG, Möglingen

Audit Opinion

We conducted a formal audit of the compensation report of USU Software AG, Möglingen, for the fiscal year from January 1 to December 31, 2021, to assess whether the disclosures required under section 162 (1) and (2) of the German Stock Corporation Act (AktG) have been made in the compensation report. In accordance with section 162 (3) AktG, we did not audit the content of the compensation report.

In our opinion, the disclosures required under section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying compensation report. Our audit opinion does not cover the content of the compensation report.

Basis for the Audit Opinion

We conducted our audit of the compensation report in accordance with section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Compensation Report pursuant to Section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our auditor's report. Our audit firm has applied the requirements of the IDW Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1). We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

Responsibilities of the Management Board and Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the compensation report, including the related disclosures, that complies with the requirements of section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a compensation report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the disclosures required under section 162 (1) and (2) AktG have been made in the compensation report, in all material respects, and to express an audit opinion thereon as part of an auditor's report.

We planned and conducted our audit so as to be able to determine whether the compensation report is formally complete by comparing the disclosures made in the compensation report with the disclosures required under section 162 (1) and (2) AktG. In accordance with section 162 (3) AktG, the correctness of the disclosures' contents, the completeness of individual disclosures' contents or their reasonable presentation is not covered by this report.

Handling of possible misrepresentations

In connection with our audit, our responsibility is to read the compensation report taking into account our knowledge obtained in the financial statement audit while remaining attentive to any signs of misrepresentations in the compensation report regarding the correctness of the disclosures' contents, the completeness of individual disclosures' contents or the reasonable presentation of the compensation report.

If, based on the work we have performed, we conclude that there is such a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Stuttgart, 15 March 2022

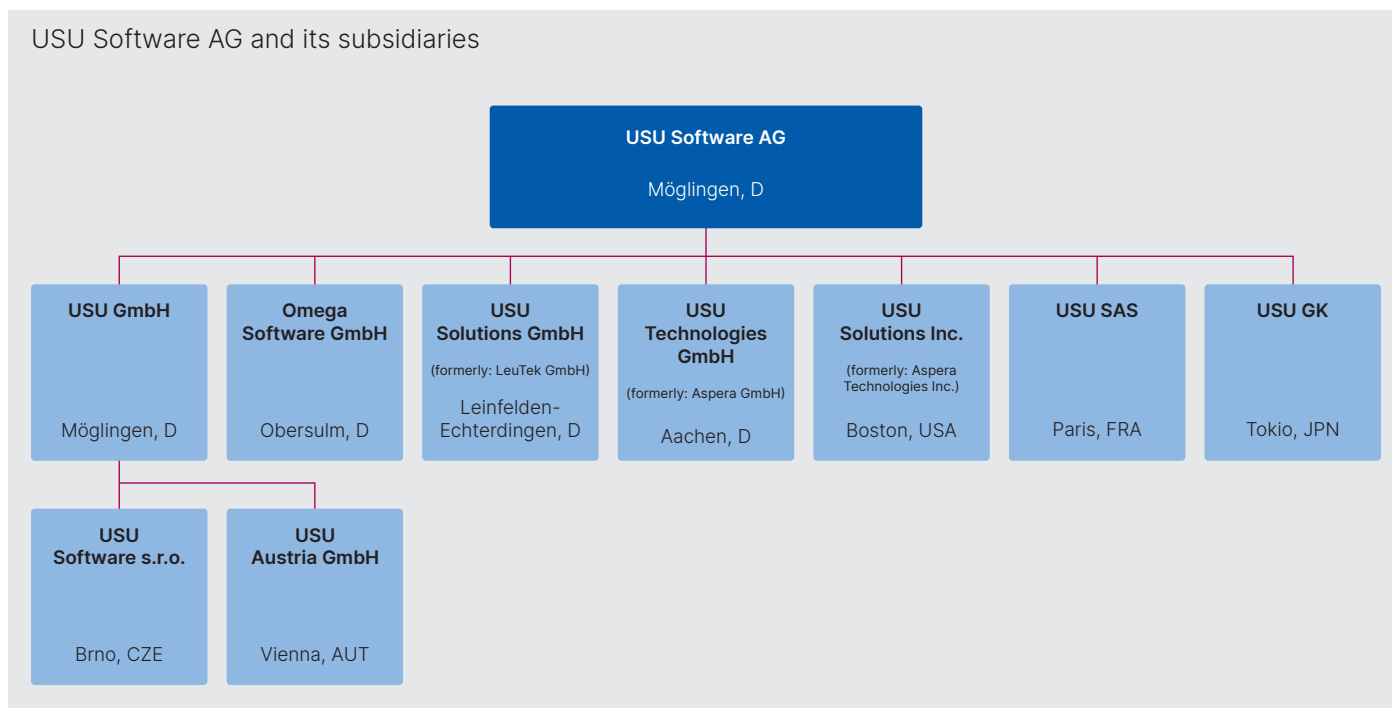
Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs
Wirtschaftsprüfer
[German Public Auditor]

Katrin Wolfrum
Wirtschaftsprüferin
[German Public Auditor]

MANAGEMENT REPORT OF THE COMPANY AND THE GROUP



I. BASIC INFORMATION ON USU SOFTWARE AG AND THE GROUP

As the parent company of the Group, USU Software AG, Möglingen, Germany, had direct or indirect holdings in the following operational companies in fiscal 2021: USU GmbH, Möglingen, Germany; USU Software s.r.o., Brno, Czech Republic; USU Austria GmbH, Vienna, Austria; Omega Software GmbH, Obersulm, Germany; USU Solutions GmbH, Leinfelden-Echterdingen, Germany; USU Technologies GmbH, Aachen, Germany; USU Solutions Inc., Boston, USA; USU SAS, Paris, France. In addition, USU Software AG has a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.

With effect from September 9, 2021, USU Software AG founded USU GK, a Japanese subsidiary domiciled in Tokyo. USU GK will assume responsibility for the sale and implementation of USU software in Japan and the entire Asian market in the future. In terms of the USU portfolio, it will initially focus on software license management and knowledge management. The plan is for this to be expanded to include the entire portfolio in the next phase.

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

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

In addition to software asset management, IT service management, and IT service monitoring, the USU service portfolio also covers the areas of knowledge management, self-service management, digital service solutions, and AI services.

More than 1,200 USU customers from all sectors of the global economy benefit from USU solutions. They include Allianz, Atruvia, Bechtle, BITBW, BMW, Deutsche Bahn, Deutsche Telekom, Swiss Post, Jungheinrich, LinkedIn, Novartis, Otto, VW, and W&W.

USU Software AG has made it its goal to achieve growth in consolidated sales above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group's international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy.

The key performance indicators for USU Software AG and the Group are sales and adjusted 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 2022, the Management Board is forecasting sales growth to EUR 120-125 million with recurring revenue accounting for 45% of new product business, resulting in an increase in adjusted EBIT to EUR 10.5-12 million.

After achieving the planned growth in 2021, 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.

I. 2 Research and development

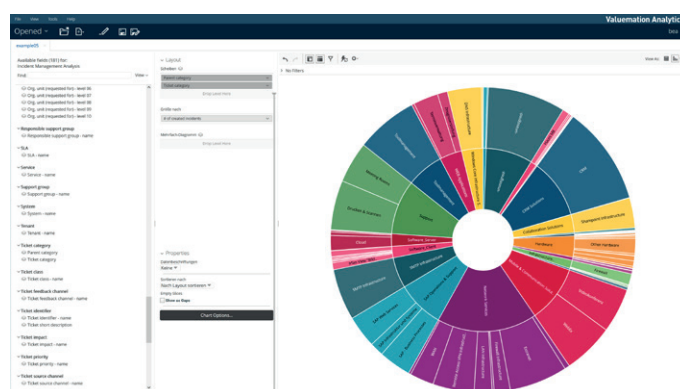
One of the key tenets of USU's strategy is: "Research and development expenditure is the best investment in the future." The important position that R&D has enjoyed at USU for many years was again reflected in the level of R&D expenditure in 2021, which amounted to EUR 16,686 thousand (2020: EUR 15,427 thousand) or 14.9% (2020: 14.4%) of consolidated sales. This meant that R&D expenditure, which is not capitalized, remained significantly

higher than the industry average in 2021. This expenditure forms the basis for new innovations, and hence for increased value delivery at customer companies. As well as the enhancement of existing software products, the main focus is on new technologies regarding artificial intelligence and cloud management.

R&D at USU takes numerous forms: In addition to a dedicated research department in Karlsruhe, the development company in Czechia, and various R&D teams for the software products, another important pillar is intensive collaboration with customers, partners, universities and institutes. The number of employees in this area was 216 as of December 31, 2021 (December 31, 2020: 201).

USU Service Management's R&D focused on revising the software architecture and enhancing the important shop module, for which new parameters were created. The list and view functions for the new service platform were also designed and implemented. These will provide the basis for future service apps. Existing modules were also improved using AI-based technologies, e.g. ticket routing.

The US market research company Gartner has included USU in the latest Magic Quadrant for IT service management (ITSM) tools for the first time, making it one of only 11 providers worldwide and the only German manufacturer to be included. In a recent study, analysis from Forrester Research also singled out the highly developed functionalities for enterprise service management and classified USU as a "strong performer" on the international stage.



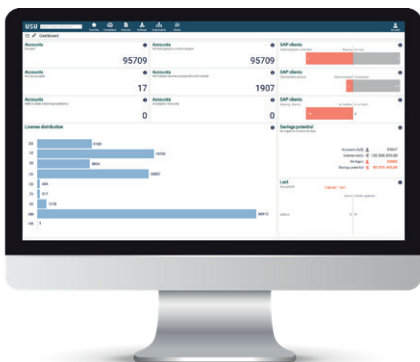
Central overview of the various issues covered in ticket management

R&D activities for IT & service monitoring concentrated on the new end-to-end monitoring, which allows IT services to be monitored from a user perspective. Improvements were also made to the integrated alarm app, performance and encrypted communication, while work continued in the areas of predictive analytics, monitoring system operation under Linux, and capacity reporting. The new "Smart Baselining" module means that new, fully automated threshold analysis is now also available. This significantly improves the alarm quality and the early recognition of anomalies through the use of AI technology.



Dashboard with key figures for IT and business services

In Software Asset Management (SAM), the R&D team primarily worked on improvements to user friendliness, e.g. the additional of graphical elements, and the expansion of reporting functions. In the future, users will be able to individually configure their screens and create and update their own "customer tables". The integration of USU self-service provides further support. Additionally, key elements of the comprehensive software license catalog will be generated automatically using USU AI technologies. All in all, a large number of new data sources for comprehensive inventory management were connected.



Overview of key figures for optimized SAP license management

Following the verification of USU Software Asset Management by Oracle for the Fusion Middleware collection, license charging was also expanded for Oracle Weblogic options and components.

In USU Knowledge Management, the new versions of the knowledge database and the USU chatbot were created and published during the course of 2021. "Active documents" are one of the main improvements in the new knowledge database. They offer new options for the structuring and reuse of knowledge documents. The USU chatbot has a brand new user interface for configuration. Furthermore, self-healing functions enable it to perform repairs autonomously and hence significantly reduce IT service costs. The function for the cooperation of different chatbots, Bot Universe, has also been significantly expanded. Now, chatbots can be turned on and off dynamically in order to respond to complex situations. USU HelpCenter is currently being developed as a new product. This application is particularly sought-after in the USA and enables customers to place self-service solutions on their own websites quickly and easily.



Formatted list of results in the USU knowledge database

The AI Services division focused on the development and enhancement of solutions on the basis of artificial intelligence (AI). The R&D team released the next version of AI Industrial Analytics in the period under review. A new addition is support for development on the local computer, while CPU and GPU resources in the cloud can be used for the computing-intensive execution of KI algorithms. For the USU Software Asset Management division, a module was created for the KI-supported recognition of software components, which is already in productive use in the automated maintenance of software catalog data. In addition, an AI-based ticket routing module was developed for the USU Service Management product suite that can be used to automatically classify tickets, among other things. Preliminary work for further AI support in this area relates to the early identification of major incidents and problems.

In the new area of hybrid cloud management (HCM), an innovative and overarching hybrid cloud management solution was developed in the period under review. This offers the consolidated administration of a company's complete IT infrastructure, whether in the cloud or at an in-house data center. Key aspects include technical administration, cost overview, usage transparency, and governance issues.

One central requirement for the R&D team was linking data from cloud resources, e.g. Azure, AWS or the Google Cloud, to business services and the automated allocation to a CMDB structure via defined workflows. Other focal points included the analysis and presentation of the financial status and deviations from planning, as well as the recognition of unused cloud resources. Version 1.0 of the HCM solution was completed at the end of the fourth quarter.



Dashboard with data on IT governance

USU's research department also supported a number of research projects in 2021, some of which were extensive in their scope. 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. USU realized various use cases for this project. For an industry partner, for example, document analysis was created that automatically allocates known error messages to relevant text passages from service reports and assembly and operating instructions. This means service technicians no longer have to read entire manuals, but are given the appropriate passages immediately. USU developed an intelligent dialog machine for another research

project entitled ARBAY. The machine consists of a team of specialized chatbots that complement each other and enable personalized customer advice even for complex products. One final example of a project supported by USU's research department is DAIKIRI – explainable diagnostic AI for industrial data, which aims to prepare automatically comprehensible diagnoses for mechanical and plant engineering in the future using artificial intelligence.

II. ECONOMIC REPORT

II.1 Summary

Thanks to strong domestic business driven by the company's digitalization trend, USU Software AG increased its consolidated sales (IFRS) by 4.3% year-on-year to EUR 111,904 thousand in the year under review (2020: EUR 107,327 thousand). With license revenue having declined consistently since 2017 as a result of the shift from one-time license business toward software-as-a-service (SaaS) business, USU reported a further year-on-year decrease in license revenue of 7.5% to EUR 11,957 thousand in 2021 (2020: EUR 12,927 thousand) in spite of numerous license orders from new and existing customers. On the other hand, USU increased SaaS sales by an above-average 11.5% year-on-year to EUR 10,820 thousand (2020: EUR 9,704 thousand). At the same time, the USU Group's maintenance income rose by 4.0% year-on-year to EUR 23,705 thousand (2020: EUR 22,787 thousand). USU thus increased its recurring revenue (maintenance sales including SaaS revenue) by 6.3% year-on-year to EUR 34,525 thousand in fiscal 2021 (2020: EUR 32,491 thousand), meaning that the share of total sales attributable to recurring revenue rose to 30.9% (2020: 30.3%). USU's consulting sales also increased by 5.8% year-on-year to EUR 63,682 thousand in fiscal 2021 thanks to the sustained digitalization trend (2020: EUR 60,175 thousand). As a result of the significant expansion in high-margin recurring revenue and the below-average increase in Group expenses by comparison, the reporting period saw the USU Group substantially improve its profitability compared with the previous year. Consequently, USU increased its EBITDA by 7.6% year-on-year to EUR 14,391 thousand (2020: EUR 13,377 thousand).

Adjusted for total depreciation and amortization of EUR -4,726 thousand (2020: EUR -6,356 thousand), USU generated EBIT of EUR 9,665 thousand in fiscal 2021, up 37.7% on the previous year (2020: EUR 7,021 thousand). At the same time, USU significantly improved its consolidated earnings by 23.2% year-on-year to EUR 6,758 thousand in fiscal 2021 (2020: EUR 5,484 thousand). With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.64 (2020: EUR 0.52).

Adjusting for the effects of acquisitions, the USU Group generated adjusted EBIT of EUR 10,184 thousand (2020: EUR 9,244 thousand), representing a 10.2% increase in earnings. Accordingly, USU improved its earnings margin based on adjusted EBIT from 8.6% in 2020 to 9.1% in the reporting year 2021.

Net income (calculated in accordance with the German Commercial Code) of USU Software AG as a standalone company increased to EUR 8,847 thousand in fiscal 2021 (2020: EUR 7,363 thousand). This corresponds to a 20.2% increase in profit as against the previous year. Including the profit carried forward from the previous year of EUR 7,084 thousand (2020: EUR 3,930 thousand), the company generated an unappropriated surplus of EUR 15,931 thousand (2020: EUR 11,293 thousand). As in previous years, this is to be used in particular to pay a dividend to the shareholders of USU Software AG. In accordance with the company's communicated dividend policy, which states that the dividend should never be less than in the previous year and should amount to roughly half the profit generated, the Management Board is proposing a dividend distribution of EUR 0.50 per share for fiscal 2021 subject to the approval of the Supervisory Board. This represents an increase of 25% compared with the previous year (2020: EUR 0.40). USU Software AG as a single company thus exceeded the slight sales and earnings growth that was forecast for 2021. Following on from its substantial sales and earnings growth, the Management Board is anticipating another slight year-on-year increase in sales and earnings in the low single-digit percentage range for USU Software AG in 2022 and, in this respect, the continuation of the positive business development.

Following the slight sales growth and positive margin performance in 2021, the Management Board is forecasting a return to more substantial sales growth of around 10% and a further year-on-year improvement in the adjusted EBIT margin for the Group as a whole in 2022. The strong growth in high-margin SaaS business will be a contributing factor once again. Following the anticipated emergence from the coronavirus pandemic, which will allow the company to attend trade fairs, conferences and other events again, foreign business in particular is expected to return to high growth rates.

The Management Board also anticipates positive effects and a further increase in efficiency in connection with the implementation of the "One USU" strategy.

For fiscal 2022, the Management Board is forecasting overall sales growth to EUR 120-125 million with recurring revenue accounting for 45% of new product business, resulting in an increase in adjusted EBIT to EUR 10.5-12 million.

After achieving the planned growth in 2021, 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.

II. 2 Overall economic development

Following the substantial slowdown in German economic output in 2020, initial calculations by the German Federal Statistical Office (Destatis)¹ indicate that Germany's gross domestic product (GDP) adjusted for inflation returned to year-on-year growth of 2.7% in 2021 despite the ongoing pandemic and supply bottlenecks (2020: -4.6%). Economic output increased in almost all sectors of the economy in 2021 compared with the previous year.

While the Destatis information shows a slight downturn in economic output in the construction sector, which was only impacted by the crisis to a marginal extent in 2020, the manufacturing and service industries bounced back from the slump in the previous year to record substantial growth in 2021. According to Destatis, the information and communication sector also expanded significantly in

2021, thereby more than offsetting the slight decline in the previous year.

The growth in 2021 was driven in particular by government spending, corporate investments and foreign trade, whereas private consumer spending stagnated.

GDP in the year under review was still 2.0% lower than in 2019, the year before the onset of the coronavirus crisis.

According to an initial estimate of the annual growth rate for 2021 based on quarterly data from the Statistical Office of the European Union (Eurostat)² adjusted for seasonal and calendar effects, the euro area also returned to substantial year-on-year GDP growth of 5.2% in 2021 following a dramatic slump of -6.8% in 2020.

II.3 Sector development

Thanks to an upturn in IT investment, the German high-tech market again enjoyed strong growth in 2021. According to forecasts by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM)³, the ICT market expanded by 3.9% to EUR 178.4 billion in the reporting period. This was primarily due to the flourishing software business, which BITKOM calculates as having led to year-on-year growth in the German software market of 8.0% (2020: +5.1%) to EUR 29.8 billion in 2021 (2020: EUR 27.5 billion). However, the market for IT services also saw growth of 3.7% to EUR 41.4 billion in 2021 (2020: EUR 39.9 billion) after contracting by -2.4% in the previous year. Accordingly, the German IT market grew by 6.3% in 2021 according to BITKOM (2020: +1.3%). According to calculations by the US market research company Gartner⁴, the global IT market enjoyed a veritable boom in 2021, expanding by 9.0% year-on-year to USD 4,239 billion in 2021 (2020: USD 3,889 billion). The enterprise software and IT services markets constituted the backbone of this development with growth rates of 14.4% and 10.7% respectively.

II.4 Business performance

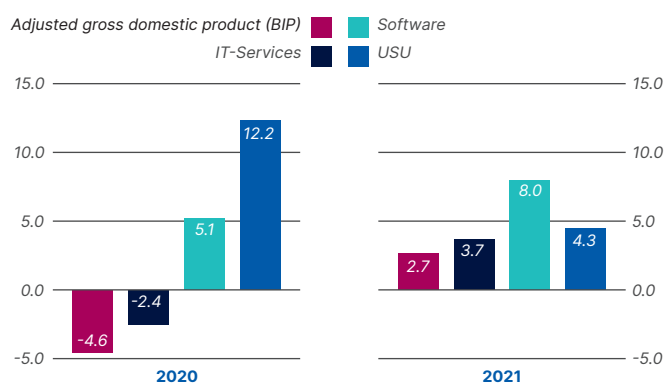
Having exceeded the EUR 100 million sales mark for the first time and significantly expanded its profitability in 2020, USU continued on its growth path in a targeted manner in 2021. In spite of the coronavirus pandemic, the USU Group benefited from strong demand for established solutions for the digitization of IT and customer

services, such as 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. At the start of 2021, the Management Board launched the "One USU" strategy with the aim of bundling all the technologies, decades of experience and Group-wide expertise under the USU brand in order to further strengthen the company's customer focus. The objective was to strengthen our profile as the market leader for smart service solutions and drive further international growth.

Irrespective of the macroeconomic headwinds, USU Software AG and its subsidiaries won a number of new and follow-up orders in fiscal 2021, allowing them to record positive operating business performance and new all-time highs in terms of sales and profitability.

USU increased its consolidated sales to EUR 111,904 thousand in fiscal 2021, up 4.3% on the strong prior-year figure (2020: EUR 107,327 thousand). This was due in particular to new domestic digitalization projects, which are enjoying particularly strong demand during the coronavirus pandemic. At the same time, the shift from one-time license business toward SaaS business in the year under review led to constant and sustainable business development across the individual quarters. With SaaS sales rising by 11.5% to EUR 10,820 thousand (2020: EUR 9,704 thousand), adjusted EBIT increased to EUR 10,184 thousand (2020: EUR 9,244 thousand) and the adjusted EBIT margin improved from 8.6% in 2020 to 9.1% in 2021. This meant that USU actually exceeded its forecast for the year under review of slight sales growth and a further improvement in the margin based on adjusted EBIT, which was expected to increase to EUR 9-10 million.

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



² cf. Eurostat press release 15/2022 dated January 31, 2022, published at <http://ec.europa.eu/eurostat>

³ BITKOM press release dated January 11, 2022, published at www.bitkom.org

⁴ cf. Gartner press release dated January 25, 2021, published at www.gartner.com

The year-on-year increase in sales and profitability was primarily due to the successful generation of high-margin new SaaS orders and a large number of consulting orders for business process digitalization at new and existing customers, whereas USU's cost base increased at a slower rate despite the further expansion of the workforce.

II.5 Development of sales and costs

Consolidated sales

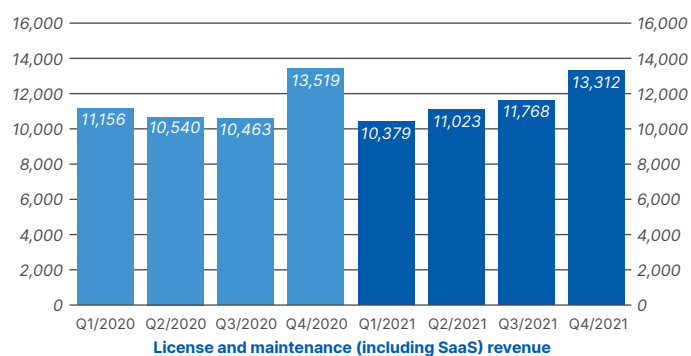
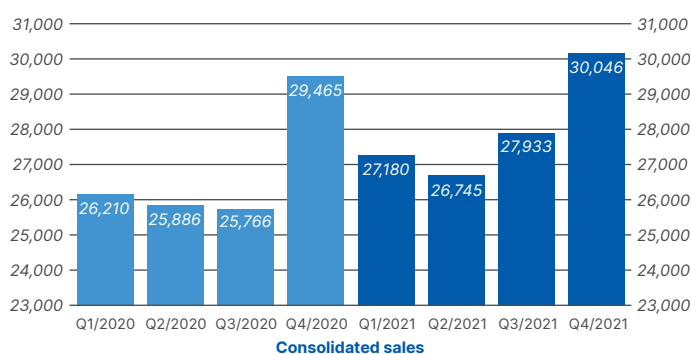
USU Software and its subsidiaries (hereinafter also referred to as the "USU Group" or "USU") successfully continued the positive growth trend of previous years in fiscal 2021. USU increased its consolidated sales by 4.3% year-on-year to EUR 111,904 thousand in fiscal 2021 (2020: EUR 107,327 thousand). In particular, USU benefited from extremely strong domestic business. Accordingly, sales in its German home market rose by 7.4% to EUR 84,575 thousand in 2021 (2020: EUR 78,771 thousand), while sales generated abroad were down 4.3% at EUR 27,329 thousand (2020: EUR 28,557 thousand). This is because USU's international business depends to a large extent on acquiring new customers. Until 2019, this was mainly achieved by attending in-person events like trade fairs and analyst conferences, whereas the coronavirus restrictions meant this was almost impossible in 2021, especially in the US. Accordingly, the share of consolidated sales attributable to international business declined from 26.6% in 2020 to 24.4% in 2021, thus remaining below the target of 30%.

With license revenue having declined consistently since 2017 as a result of the shift from one-time license business toward software-as-a-service (SaaS) business, USU reported a further year-on-year decrease in license revenue of 7.5% to EUR 11,957 thousand in 2021 (2020: EUR 12,927 thousand) in spite of numerous license orders from new and existing customers. On the other hand, USU increased SaaS sales by an above-average 11.5% year-on-year to EUR 10,820 thousand (2020: EUR 9,704 thousand). At the same time, the USU Group's maintenance income rose by 4.0% year-on-year to EUR 23,705 thousand (2020: EUR 22,787 thousand). USU thus increased its recurring revenue (maintenance sales including SaaS revenue) by 6.3% year-on-year to EUR 34,525 thousand in fiscal 2021 (2020: EUR 32,491 thousand), meaning that

the share of total sales attributable to recurring revenue rose to 30.9% (2020: 30.3%). USU's consulting sales also increased by 5.8% year-on-year to EUR 63,682 thousand in fiscal 2021 thanks to the sustained digitalization trend (2020: EUR 60,175 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 1,739 thousand (2020: EUR 1,734 thousand).

As the majority of USU's staff were again able to work from home under the coronavirus restrictions in the year under review and do much of their work there, USU was largely spared any negative operational effects due to the coronavirus in the reporting period.

Sales development of the USU Group by quarter in EUR thousand



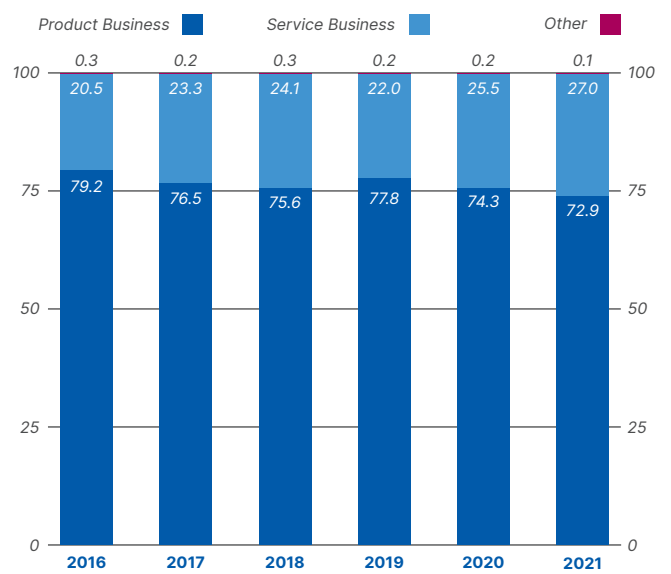
Sales by segment

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

In fiscal 2021, the Product Business segment increased its sales by 2.2% year-on-year to EUR 81,526 thousand (2020: EUR 79,775 thousand), while USU increased its consulting-related sales in the Service Business segment by 10.4% year-on-year to EUR 30,235 thousand in the same period (2020: EUR 27,393 thousand). USU benefited in particular from the sustained demand trend for digitalization solutions, while the shift from one-time license business toward SaaS solutions continued to curb growth in product business in the year under review. Sales not allocated to the segments totaled EUR 144 thousand in fiscal 2021 (2020: EUR 159 thousand).

Owing to the particularly strong performance of the service segment, the product segment's share of consolidated sales fell from 74.3% in 2020 to 72.9% in the year under review.

Sales development of the USU Group by segment in %



Operating costs

The USU Group's operating cost base increased by just 2.2% year-on-year to EUR 103,195 thousand in fiscal 2021 (2020: EUR 100,942 thousand). In addition, central Group expenses were reallocated according to cause to the respective operating segments in the period under review as part of the reorganization of the USU Group's units within the "One USU" strategy project.

The cost of sales rose by 9.6% as against the previous year to EUR 55,726 thousand in fiscal 2021 (2020: EUR 50,817 thousand); this was due in particular to the higher fees paid to the additional freelancers employed in connection with business growth. The cost of sales as a

percentage of consolidated sales thus increased slightly year-on-year to 49.8% (2020: 47.3%). At the same time, gross income was unchanged year-on-year at EUR 56,178 thousand (2020: EUR 56,510 thousand). Accordingly, the gross margin was still down slightly year-on-year at 50.2% (2020: 52.7%).

Marketing and selling expenses increased by 0.7% year-on-year to EUR 20,541 thousand in the period under review (2020: EUR 20,398 thousand). In particular, this reflects the workforce expansion in this area to 116 employees (2020: 112) and the resulting growth in staff costs as well as costs in connection with the implementation of the "One USU" strategy. The comparatively strong sales growth meant that marketing and selling expenses as a share of sales fell slightly, from 19.0% in 2020 to 18.4% in 2021.

General and administrative expenses fell by 28.4% year-on-year to EUR 10,242 thousand in the period under review (2020: EUR 14,299 thousand), mainly as a result of the reallocation of central costs to the operating segments in a way that is more appropriate to their cause 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 9.2% in the reporting period (2020: 13.3%).

Due to higher staff costs, additional R&D activities in connection with the "One USU" strategy and increased expenditure in connection with the reorganization, research and development expenses rose by 8.2% year-on-year to EUR 16,686 thousand (2020: EUR 15,427 thousand). Accordingly, the ratio of research and development expenses to consolidated sales increased to 14.9% (2020: 14.4%). 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 956 thousand in fiscal 2021 (2020: EUR 635 thousand).

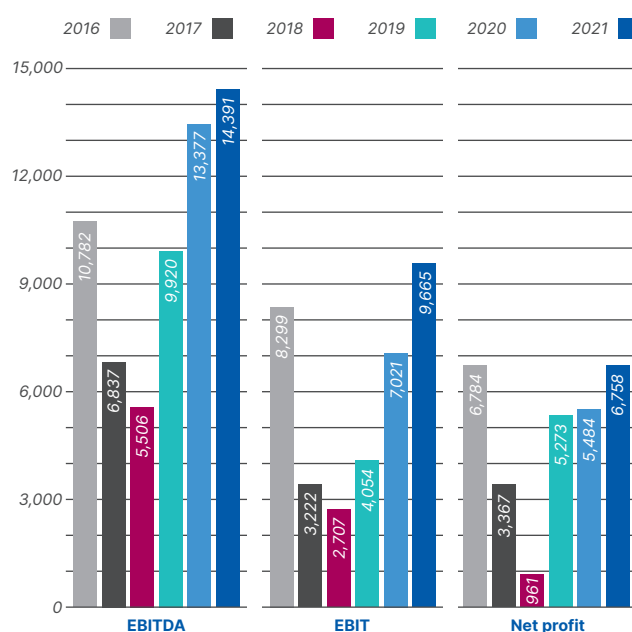
II. 6 Results of operations

As a result of the significant expansion in high-margin recurring revenue and the below-average increase in Group expenses by comparison, the reporting period saw the USU Group substantially improve its profitability compared with the previous year to a new record high. Consequently, USU increased its EBITDA by 7.6% year-on-year to EUR 14,391 thousand (2020: EUR 13,377 thousand). Adjusted for total depreciation and amortization of EUR 4,726 thousand (2020: EUR 6,356 thousand), USU generated EBIT of EUR 9,665 thousand in fiscal 2021, up 37.7% on the previous year (2020: EUR 7,021 thousand).

The net finance result amounted to EUR 65 thousand in fiscal 2021 (2020: EUR -222 thousand), largely as a result of exchange rate gains, while income taxes increased to EUR -2,972 thousand in the same period on the back of the higher level of income and negative effects from deferred taxes (2020: EUR -1,315 thousand).

All in all, USU significantly improved its consolidated earnings by 23.2% year-on-year to EUR 6,758 thousand in fiscal 2021 (2020: EUR 5,484 thousand). With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.64 (2020: EUR 0.52).

Earnings development of the USU Group
in EUR thousand



II. 7 Adjusted consolidated net profit

Starting with EBIT, the table below shows the reconciliation to the non-IFRS key earnings figures 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 EUR thousand	Jan. 1, 2021 - Dec. 31, 2021	Jan. 1, 2020 - Dec. 31, 2020
Profit from ordinary activities (EBIT)	9,665	7,021
Amortization of intangible assets recognized in connection with company acquisitions and impairment losses on goodwill	519	2,223
Adjusted EBIT	10,184	9,244
Finance income (as per consolidated income statement)	184	50
Finance expenses (as per consolidated income statement)	-119	-272
Income taxes (as per consolidated income statement)	-2,972	-1,315
Tax effects relating to adjustments	-96	-96
- from amortization	-96	-96
Adjusted consolidated net profit	7,181	7,611
Adjusted earnings per share (in EUR):	0.68	0.72
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 10.2% year-on-year to EUR 10,184 thousand in fiscal 2021 (2020: EUR 9,244 thousand), which also represented the highest figure in USU's history. USU thus improved its earnings margin based on adjusted EBIT from 8.6% in 2020 to 9.1% in the reporting year 2021. At the same time, adjusted consolidated earnings declined by 5.6% year-on-year to EUR 7,181 thousand (2020: EUR 7,611 thousand) due to the substantially higher level of tax expense. Accordingly, adjusted earnings per share totaled EUR 0.68 (2020: EUR 0.72).

II. 8 Net assets and financial position

On the assets side of the balance sheet, the USU Group's non-current assets decreased to EUR 68,916 thousand as of December 31, 2021 (December 31, 2020: EUR 71,923 thousand). This decline primarily reflects the reduction in deferred tax assets as well as the amortization of intangible assets.

Over the same period, current assets increased from EUR 43,543 thousand as of December 31, 2020, to EUR 47,100 thousand at the reporting date. Among other things, this was due to the rise in Group liquidity (cash on hand and bank balances including securities) to EUR 24,286 thousand as of December 31, 2021 (December 31, 2020: EUR 18,534 thousand) despite the dividend distribution to USU's shareholders in early July 2021.

On the equity and liabilities side of the balance sheet, the USU Group's equity increased from EUR 61,770 thousand as of December 31, 2020, to EUR 64,443 thousand as of December 31, 2021, as a result of the positive consolidated earnings and in spite of the dividend distribution of EUR 4,209 thousand in the meantime. At the same time, debt in the form of USU's current and non-current liabilities fell to EUR 51,573 thousand as of December 31, 2021 (December 31, 2020: EUR 53,696 thousand), largely as a result of the reduction in liabilities from advance payments.

Based on total assets of EUR 116,016 thousand (December 31, 2020: EUR 115,466 thousand), the equity ratio improved to 55.5% as of December 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.

II. 9 Cash-Flow und Investitionen

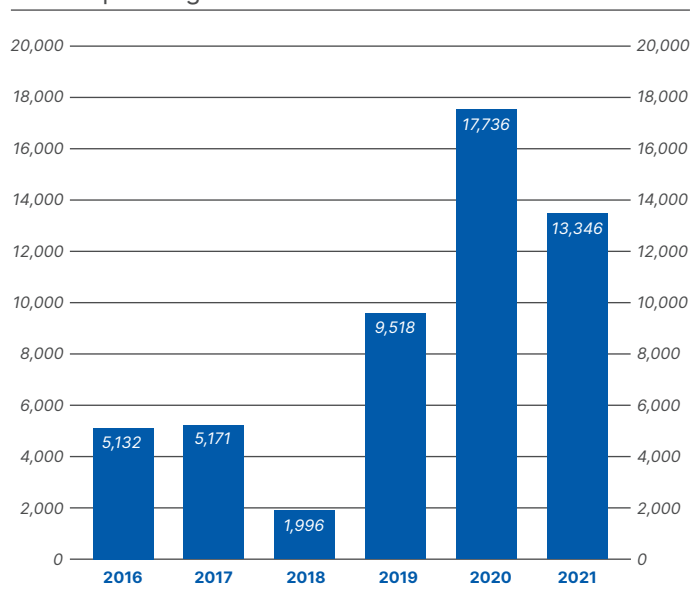
The USU Group had cash funds of EUR 24,286 thousand as of December 31, 2021 (2020: EUR 18,534 thousand). This corresponds to a year-on-year increase of EUR 5,752 thousand or 31.0%, essentially stemming from the operating cash flow from the profit generated by USU in the year under review.

By contrast, USU's cash flow from operating activities was down on the high prior-year figure at EUR 13,346 thousand due to working capital effects as of the reporting date (2020: EUR 17,736 thousand).

Net cash used in investing activities of EUR -829 thousand (2020: EUR -2,442 thousand) primarily includes investments in property, plant and equipment and intangible assets.

The cash flow from financing activities of EUR -7,025 thousand (2020: EUR -7,049 thousand) primarily results from the dividend payment to USU's shareholders of EUR -4,209 thousand (2020: EUR -4,209 thousand) and payments for lease liabilities of EUR -2,816 thousand (2020: EUR -2,840 thousand).

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



II. 10 Current situation of the Group

The USU Group is still in the process of shifting from one-time license business toward software-as-a-service (SaaS), but it has successfully overcome the downturn in profitability resulting from this process. Thanks to the large number of SaaS contracts concluded and the associated further expansion of SaaS orders on hand, USU is currently well positioned to achieve the forecast sales and earnings growth in 2022. This is not least demonstrated by the USU Group's high level of orders on hand, which amounted to just under EUR 66 million at the end of fiscal 2021, a new year-end record. This means USU already has secured orders for a significant portion of the sales targeted for 2022. Thanks to sustained demand for digitalization solutions, the Management Board expects to be able to gain a large number of new orders again in 2022, with international business in particular set to return to high growth rates following the anticipated emergence from the coronavirus pandemic. The Management Board also anticipates positive effects and a further increase in efficiency in connection with the implementation of the "One USU" strategy. Thus, the USU Group is still in an excellent economic situation and anticipates continued high potential for its short- and medium-term future. In particular, the growth pillars of internationalization and innovation are expected to result in average organic sales growth of 10% over the coming years and at the same time – thanks to the anticipated continuing strong development of SaaS orders – an increase in the adjusted EBIT margin to between 13% and 15%. Furthermore, USU has a high level of readily available Group liquidity, allowing it to invest in further acquisition-based growth in line with its growth strategy.

II. 11 Development and situation of USU Software AG

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

USU Software AG primarily focuses on acquiring and holding equity investments in other companies and on research, which is situated at the Karlsruhe site. USU Software AG's main earnings derive from its operating subsidiaries. These include the Group subsidiaries USU Technologies GmbH, USU Solutions GmbH, Omega Software GmbH, and USU GmbH, with which the company has profit transfer agreements, as well as the French subsidiary USU SAS, the US subsidiary USU Solutions Inc., and the Japanese subsidiary USU GK, which was newly formed in 2021.

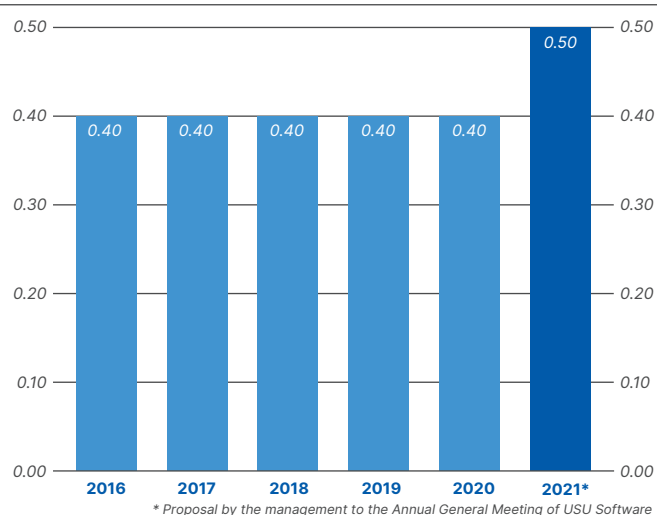
USU Software AG generated sales of EUR 9,959 thousand in fiscal 2021 (2020: EUR 4,926 thousand), primarily from intragroup services and the AI Services division, which emerged from our research division and develops and markets solutions for big data and artificial intelligence. Group-wide marketing and IT activities were also bundled at USU Software AG in fiscal 2021, meaning that USU Software AG acts as an internal service provider for marketing and IT services in addition to performing administrative functions. In addition, USU generated investment income of EUR 15,621 thousand (2020: EUR 13,884 thousand) from profit transfer agreements with its Group subsidiaries, which was consolidated with the corresponding expenses. The increase in this item primarily results from the rise in profits at the Group subsidiaries USU GmbH and USU Technologies GmbH.

The company's other operating income of EUR 3,045 thousand (2020: EUR 2,679 thousand) mainly derives from the settlement of intragroup services and grants received in connection with research projects in USU's research division. Other operating expenses totaling EUR 7,645 thousand (2020: EUR 7,265 thousand) essentially include event, advertising and marketing costs, fees for external services, IT/data center costs, rental expenses, and stock exchange costs. The cost of materials increased year-on-year to EUR 2,243 thousand in fiscal 2021 (2020: EUR 213 thousand) due to the increased utilization of external resources from affiliated companies. At the same time, staff costs rose from EUR 4,641 thousand in fiscal 2020 to EUR 7,390 thousand as a result of the expansion of the company's workforce to an average of 87 employees (2020: 47). Among other things, it should be noted that the implementation of the "One USU" strategy resulted in the transfer of employees who perform central Group functions from the respective subsidiaries to the Group parent, USU Software AG. Amortization of intangible assets and depreciation of tangible assets totaled EUR 300 thousand in 2021 (2020: EUR 95 thousand). At the same time, write-downs of financial assets amounted to EUR 596 thousand (2020: EUR 545 thousand). In 2021, these related exclusively to the French subsidiary USU SAS, which narrowly failed to break even in 2021, whereas there had been write-downs on the equity investment in the German subsidiary Omega Software GmbH in the previous year. Net interest amounted to EUR -423 thousand (2020: EUR -395 thousand) and essentially consisted of interest payments to subsidiaries.

Income taxes were up on the previous year at EUR -1,213 thousand due to the rise in profits (2020: EUR -972 thousand). Including other taxes of EUR 0 thousand (2020: EUR 1 thousand), USU Software AG as a standalone company reported net profit of EUR 8,847 thousand for fiscal 2021 (2020: EUR 7,363 thousand). This corresponds to a 20.2% increase in profit as against the previous year. Including the profit carried forward from the previous year of EUR 7,084 thousand (2020: EUR 3,930 thousand), the company generated an unappropriated surplus of EUR 15,931 thousand (2020: EUR 11,293 thousand). As in previous years, this is to be used in particular to pay a dividend to the shareholders of USU Software AG. In accordance with the company's communicated dividend policy, which states that the dividend should never be less than in the previous year and should amount to roughly half the profit generated, the Management Board is proposing a dividend distribution of EUR 0.50 per share for fiscal 2021 subject to the approval of the Supervisory Board. This represents an increase of 25% compared with the previous year (2020: EUR 0.40).

USU Software AG as a single company thus exceeded the slight sales and earnings growth that was forecast for 2021. Following on from its substantial sales and earnings growth, it is anticipating a slight year-on-year increase in sales and earnings in the low single-digit percentage range in 2022 and, in this respect, the continuation of the positive business development.

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



On the assets side of the statement of financial position, USU Software AG's non-current assets declined to EUR 49,091 thousand as of the end of fiscal 2021 (2020: EUR 49,323 thousand). This was due in particular to a write-down of the equity investment in the French subsidiary USU SAS in the amount of EUR 596 thousand (2020: EUR 0 thousand), as the latter company narrowly failed to break even in 2021 contrary to forecasts. Current assets increased to EUR 27,804 thousand as of December 31, 2021 (2020: EUR 23,257 thousand), largely as a result of the rise in intragroup receivables due to higher profit transfers as well as the increase in the company's liquidity to EUR 6,239 thousand as of December 31, 2021 (2020: EUR 3,954 thousand). Under equity and liabilities, equity increased to EUR 40,100 thousand (2020: EUR 35,462 thousand) as a result of the increase in profit and despite the dividend distribution in the reporting year. At the same time, total liabilities fell from EUR 37,615 thousand as of December 31, 2020 to EUR 37,322 thousand at the reporting date. This was due among other things to the planned reduction in liabilities to the company's subsidiaries. With increased total assets of EUR 77,544 thousand (2020: EUR 73,190 thousand), the equity ratio of USU Software AG improved to 51.7% as of the end of fiscal 2021 (2020: 48.5%).

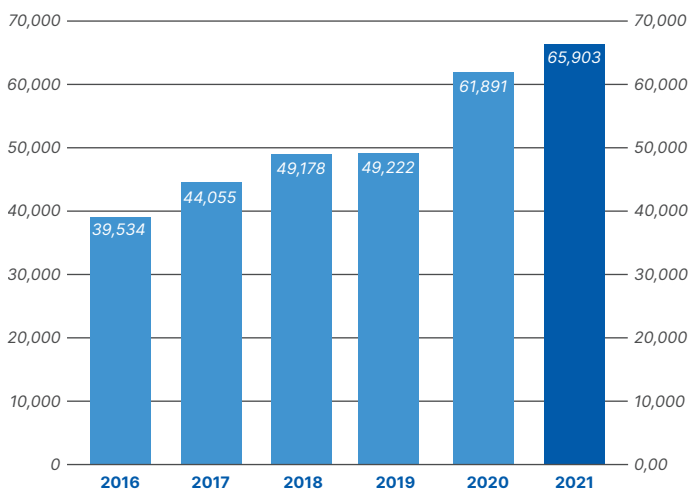
USU Software AG's focus on investment business means that the company will remain highly dependent on the performance of its subsidiaries, particularly USU Technologies GmbH, USU Solutions GmbH, and USU GmbH, in future years. Information on the resulting risks and opportunities can be found in the Group risk report.

II. 12 Orders on hand

As of the end of fiscal 2021, the USU Group's total orders on hand were EUR 4,012 thousand or 6.5% higher than in the previous year at EUR 65,903 thousand (December 31, 2020: EUR 61,891 thousand). This increase was due to the USU Group's higher SaaS, maintenance and consulting orders.

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.

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

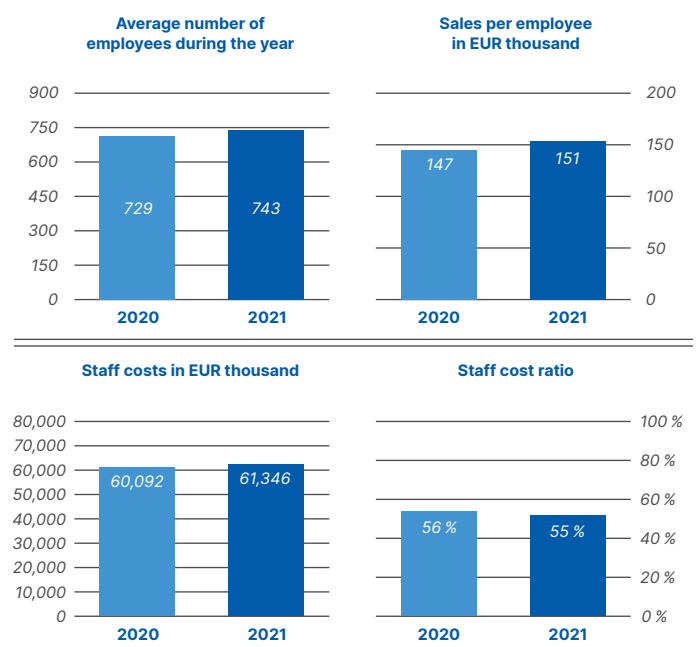


II. 13 Employees

The USU Group increased its workforce by 2.5% or 18 employees year on-year to 750 employees as of December 31, 2021 (2020: 732). This meant that USU again successfully expanded the Group workforce in 2021 despite the ongoing coronavirus pandemic, which made it more difficult to acquire new employees, as well as the shortage of qualified staff in the IT sector. Broken down by function, USU employed a total of 311 (2020: 309) people in consulting and services, 216 (2020: 209) in research and development, 116 (2020: 112) in sales and marketing and 107 (2020: 102) in administration as of December 31, 2021. Broken down by segment, USU had 529 (2020: 520) employees in the Product Business segment, 114 (2020: 110) in the Service Business segment and 107 (2020: 102) in central USU Group functions. The Group employee figures do not include the 2 (2020: 2) members of the Management Board of USU Software AG, 237 (2020: 230) freelance staff who can be employed for project work as required, 8 (2020: 10) temporary workers, 16 (2020: 14) trainees/dual study students or 34 (2020: 21) interns/student workers.

The average total workforce of the USU Group increased to 743 employees in fiscal 2021 (2020: 729). With consolidated sales of EUR 111,904 thousand (2020: EUR 107,327 thousand), the average sales contribution per employee rose from EUR 147 thousand in 2020 to currently EUR 151 thousand. Staff costs grew by 2.1% year-on-year to EUR 61,346 thousand (2020: EUR 60,092 thousand) as a result of recruitment and salary increases in fiscal 2020. As a result of the greater increase in sales, the cost of sales as a percentage of consolidated sales fell to 55.0% (2020: 56.0%).

Key personnel figures of the USU Group



Following the successful increase in the Group's workforce in 2021, the Management Board is also planning a targeted expansion of the workforce in fiscal 2022 in order to achieve the medium and long-term growth targets. In addition to the acquisition of highly qualified technical and management employees, personnel measures will also focus on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the company and the Group as a whole. In addition, the Group also offers an extensive and flexible employee company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of the "USU – U Step Up" career model. Through this program, USU offers its employees and managers personal development

opportunities in the form of ongoing refresher and consolidation courses in addition to specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family like working environment, and numerous staff events – primarily virtual ones during the coronavirus pandemic – round off the diverse range of measures aimed at developing and motivating the USU Group's workforce over the long term.

Surveys to determine potential improvements are also conducted at regular intervals. The USU Group obtains support from independent external service providers in some cases. The successful integration of new colleagues – especially from the newly acquired USU subsidiaries – also reflects the sustainability of USU's corporate culture. This is further demonstrated by the results on the employer assessment platform kununu, where USU GmbH has received the "Top Company 2022" hallmark, for example. From a positive working climate with a feel-good factor to the diversity of their work, USU's employees are satisfied or very satisfied with their company in almost all of the aspects evaluated. This means USU belongs to the exclusive group of best employers. USU's profile has over 175,000 hits, thereby reflecting the relevance of the portal for many interested parties and potential applicants.

USU has also been recognized as one of "Germany's best employers". This award, from the Great Place to Work® institute of Germany, reflects USU's particular commitment to shaping a trusting and beneficial culture of cooperation within the company. It makes USU one of the 100 best employers in Germany, which means it ranks among the top 15% of the participating companies.

In this context, USU continuously provides its employees with high-quality further training in order to ensure that it has access to the necessary expertise in the future. Accordingly, human resources are one of the main focal points of the USU Group in terms of sustainability. This is also reflected in the DEUTSCHLAND TEST "Top Career Opportunities" study. Conducted by the Institute for Management & Economic Research (IMWF) and the business magazine FOCUS-MONEY in late 2020, it recognized USU as offering top career opportunities to university graduates and IT specialists.

The share of women in the USU Group's workforce in Germany as of the end of fiscal 2021 was down slightly on the previous year at 27.7% (2020: 28.7%).

III. EVENTS AFTER THE REPORTING DATE

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

IV. FORECAST, REPORT ON RISKS AND OPPORTUNITIES

IV.1 Forecast

General economy

According to information from the Kiel Institute for the World Economy (IfW Kiel)⁵ dated December 15, 2021, the development of the coronavirus pandemic at the start of 2022 will curb activity in contact-intensive service sectors in particular, as it did in previous waves of the pandemic. This will lead to a setback in terms of private consumer spending and, most likely, a slight downturn in gross domestic product (GDP). If the impact of the pandemic abates in the spring, however, a substantial recovery will follow. Economic activity would likely see particularly pronounced momentum because the supply bottlenecks affecting industrial production at the start of the year are expected to lessen. All in all, the German economy is forecast to see strong growth of 4% in 2022, although this figure is lower than expected one year ago.

According to its Economic Report, IfW Kiel⁶ also expects the world economy to expand significantly in 2022. Although economic activity in many parts of the world is being curbed by a renewed rise in coronavirus infections, supply bottlenecks are slowing the upturn in industrial production, and there is considerable uncertainty surrounding the economic ramifications of the new Omicron variant of the coronavirus, IfW Kiel believes that the global economic recovery will continue in the course of 2022. The economic experts are forecasting full-year GDP growth of 4.5% in 2022.

⁵ cf. Kiel Economic Reports, No. 86 (2021 | Q4) dated December 15, 2021, published at <https://www.ifw-kiel.de>
⁶ cf. Kiel Economic Reports, No. 85 (2021 | Q4) dated December 15, 2021, published at <https://www.ifw-kiel.de>

Sector

According to Bitkom⁷ information, high-tech companies will see stable growth in 2022 in a difficult economic environment. Bitkom believes that sector sales are set to rise in spite of the challenges of the pandemic, supply bottlenecks, inflation, and the shortage of qualified staff. According to Bitkom's calculations, the German market for IT, telecommunications, and consumer electronics (ICT) is expected to grow by 4.0% this year (2021: 4.2%) to EUR 175.9 billion (2021: EUR 169.2 billion).

"From the climate and the pandemic to competition between locations, digitalization is the answer and an important tool for solving the crises and challenges of our time. The economy, governments and large parts of society want to accelerate the digitalization process and are investing in digital infrastructures, equipment, software and services," says Bitkom President Achim Berg. "The coronavirus pandemic has given impetus to the digital transformation and invigorated the market."

Like in the previous year, Bitkom expects the IT market to see comfortably above-average growth in 2022 and further increase its significance as the biggest industry segment. According to Bitkom's calculations, the market is set to grow by 5.9% (2021: 6.3%) to EUR 108.6 billion (2021: EUR 102.5 billion). Thanks to cloud business in particular, the software segment recorded the strongest growth of 9.0% (2021: 8.0%) to EUR 32.4 billion (2021: EUR 29.8 billion). Business with IT services, including IT consulting, also saw stable growth of 3.9% (2021: 3.7%) to EUR 43.0 billion (2021: EUR 41.4 billion). "The growth in information technology reflects the trend toward new workplace concepts like home working and hybrid working, which have become widespread during the pandemic and will remain popular even afterwards. Particularly high-end technology is right at the top of the shopping list. However, supply bottlenecks have prevented the figures from being even more impressive," says Berg.

In terms of the global IT market, the "IT Spending Forecast" published by the market research company Gartner⁸ on January 18, 2022, forecasts a year-on-year increase in IT expenditure of 5.1% (2021: 9.0%) to USD 4,454 billion in 2022 (2021: USD 4,239 billion).

Outlook

Following the slight sales growth and positive margin performance in fiscal 2021, the Management Board is forecasting a return to more substantial sales growth of around 10% and a further year-on-year improvement in the adjusted EBIT margin in 2022. The strong growth in high-margin SaaS business will be a contributing factor once again. Following the anticipated emergence from the coronavirus pandemic, which will allow the company to attend trade fairs, conferences and other events again, foreign business in particular is expected to return to high growth rates. The Management Board also anticipates positive effects and a further increase in efficiency in connection with the implementation of the "One USU" strategy.

For fiscal 2022, the Management Board is forecasting overall sales growth to EUR 120-125 million with recurring revenue accounting for 45% of new product business, resulting in an increase in adjusted EBIT to EUR 10.5-12 million.

After achieving the planned growth in 2021, 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.

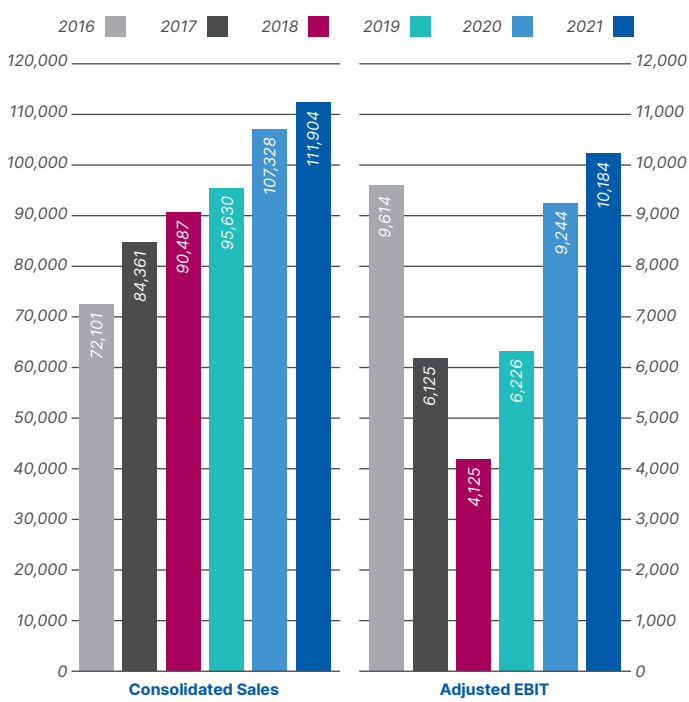
Strategic planning focuses on the three established growth pillars of the USU Group: increased internationalization, the development and launch of new product innovations and growth through acquisitions.

The Group subsidiaries USU GmbH, USU Technologies GmbH, and USU Solutions GmbH will be the main sales drivers in fiscal 2022. As a separate company, the Group's parent company USU Software AG will again focus on research projects, the development and implementation of AI technology in the USU Group's service management solutions, and the performance of services for the Group companies as well as the acquisition and holding of equity investments in IT companies, and thus continue to participate in the business performance of the company's subsidiaries.

Based on the above assumptions, the Management Board is in turn planning to enable the shareholders of USU Software AG to participate significantly in the company's operating success in fiscal 2022, as in previous years,

and to continue the shareholder-friendly dividend policy with the distribution of a dividend that is never lower than in the previous year and that amounts to around half of the profit generated.

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



IV. 2 Risk report

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

Risk management system

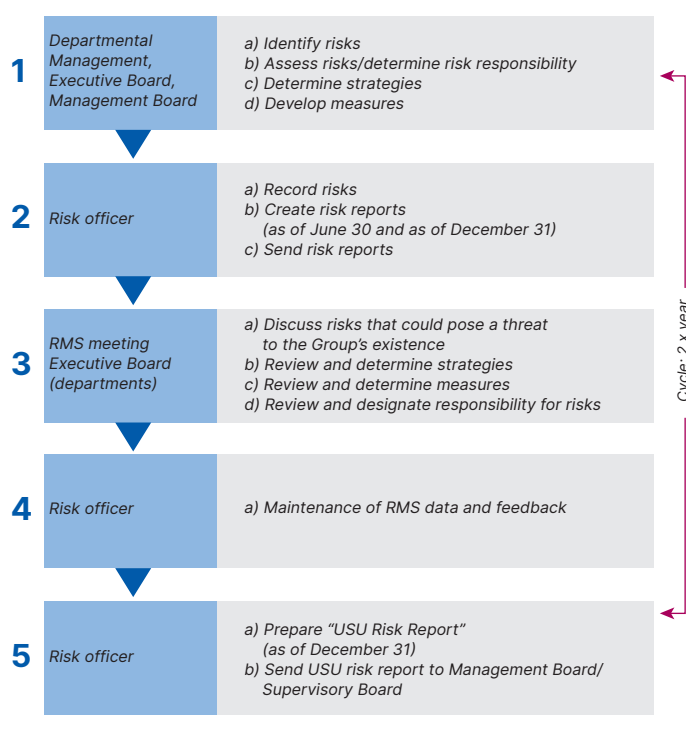
Dealing with risks in a responsible manner forms the basis of sustainable business success. The management of USU Software AG and its subsidiaries therefore operates a central risk management system for the early identification, analysis, assessment, control and management of risks to the USU Group. The aim of this system is to ensure a Group-wide awareness of risk within USU's orga-

nizational structure and workflows. The Group uses the internally developed Valuation Risk Manager software to map its risks on an individual basis.

Risk management process

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

Risk management process of the USU Group



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

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

All activities are summarized in a risk report by the Risk Management Officer of the company and the Group. On the basis of this report, the Management Board of USU Software AG and the management of the subsidiaries monitor risks on an ongoing basis and regularly advise the Supervisory Board on major risks and changes in the risk situation.

Overview of risks

From the current risk report of USU Software AG and its subsidiaries, no individual risks have been identified that could pose a threat to the company as a going concern, either currently or in the foreseeable future, and whose occurrence has been rated likely or very likely.

However, individual risks with the potential to pose a threat to the company's existence have been identified and their occurrence classified as unlikely or possible. As such, the Management Board of USU Software AG cannot rule out the possibility that multiple risks whose cumulative impact could pose a threat to the company's existence might have an adverse effect on the net assets, financial position and results of operations of the company. Taking into account the measures implemented, the risks classified as posing a threat to the company as a going concern due to the potential loss or that could have a material effect on the company's net assets, financial position and results of operations are listed below:

Qualitative assessment

Term	Potential loss (in EUR)
Insignificant	5,000
Low	50,000
Medium	150,000
Serious	500,000
Posing a threat to the company as a going concern	3,000,000

Probability of occurrence

Term	Probability of occurrence (in %)
Extremely unlikely	5%
Unlikely	10%
Possible	35%
Likely	60%
Extremely likely	90%

Market risk

In view of the unstable global economic development as a result of the coronavirus crisis, the analysis of the market and competitive situation remains an essential component of risk management at USU Software AG and its subsidiaries, particularly with regard to the forecast and planning security of the company and its subsidiaries, ensuring capacity utilization, and competitive pressure. One key focus here is market diversification in order to make the Group's business performance less dependent on the core German market or individual business areas, while also tapping new growth markets. The portfolio expansion at the Group subsidiary USU Solutions Inc. and the deeper penetration of the US and Canadian markets, in addition to the ongoing expansion of partner business in Europe in particular, have allowed the international share of consolidated sales to stabilize at approximately 30% despite the strength of domestic business and the growing customer preference for SaaS. At the same time, the Management Board sees a major opportunity in the further expansion of international business with regard to the future operating performance of the company and of the Group as a whole. However, it cannot rule out the possibility that diminishing economic momentum in the regions where USU operates could have a negative impact on the IT sector and thus restrict the development of USU Software AG and its subsidiaries. For this reason, one key focal point in this area in 2022 and beyond will be a further increase in recurring sales from maintenance and SaaS in order to secure and increase the profitability of the subsidiaries outside Germany, particularly in the US and France. A permanent process of market observation and analysis also takes place, including a close dialog with market research and customer companies.

A total of 7 individual risks are allocated to market risk. After risk abatement measures, one market risk is regarded as "posing a threat to the company as a going concern," although its probability of occurrence is classified as "unlikely." In addition, four market risks are classified as "serious," one of which is considered "likely," two "possible" and one "unlikely." The remaining two market risks are classified as "medium" after risk abatement measures, with the probability of occurrence classified as "possible" for one of these risks and "unlikely" for the other risk.

Product risk

Among other things, the internally developed software sold by USU Software AG and its subsidiaries is offered as a software-as-a-service solution. This means the continuous availability of the SaaS platform plays a particularly

important role and there is a potential liability risk due to security vulnerabilities.

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

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

Project risk

As with virtually any software, the software developed and marketed by USU Software AG and its subsidiaries may contain programming errors, which can occur despite thorough checks and careful testing. The resulting operational defects or outages and damage could lead to liability and warranty claims to the detriment of the USU Group. The company's internally developed software is predominantly used in the context of larger projects, where the company makes fixed, contractual commitments with regard to functionalities, completion schedules and project costs. Accordingly, there is a risk that the planned schedules and cost estimates may not be met due to product defects or project delays, which may in turn lead to claims for damages by the client or losses on the project in question. To minimize such project risks, the USU Group applies extensive quality management in its development activities. In addition, USU has an effective project monitoring system for identifying errors at an early stage and taking suitable countermeasures. The Group is also covered by a third-party liability insurance policy aimed at minimizing risk, which provides cover in particular against damage to data, data media and implementation losses and losses arising from material defects caused by the lack of agreed functionalities from EUR 40 thousand up to a maximum of EUR 5 million per claim. In addition, there is a risk that project business may be negatively impacted by the coronavirus crisis and therefore decline or that major customers could terminate or fail to extend master agreements, which would have a substantially negative impact on the Group's net assets, financial position and results of operations. To counteract these risks, USU has strengthened the area of sales and marketing in order to intensify the acquisition of new customers, as well as expanding and maintaining close contact with existing customers.

A total of nine individual risks are allocated to project risk. After risk abatement measures, one project risk is regarded as "posing a threat to the company as a going concern" and its probability of occurrence is classified as "possible." In addition, seven project risks are classified as "serious," one of which is considered "likely," four "possible" and two "unlikely." One project risk is also classified as "low" with regard to the potential loss and "unlikely" with regard to the probability of occurrence.

Legal risk

In their operations, USU Software AG and its subsidiaries are exposed to a large number of potential legal risks ranging from warranty and liability risks from existing contracts, to product liability and data protection risks, to legal risks in connection with the stock exchange listing. In order to minimize such risks, the USU Group employs an in-house legal advisor and regularly trains its employees on relevant legal issues, such as legally compliant processing of personal data in accordance with the GDPR. USU has also strengthened the area of finance/controlling and rolled out new finance software.

A total of five individual risks are allocated to legal risk. After risk abatement measures, two legal risks are classified as "serious" and their probability of occurrence is rated "possible." The other three legal risks are classified as "medium" in terms of their potential loss. With regard to their probability of occurrence, one of these is classified as "possible" and the other two as "unlikely."

Service risk

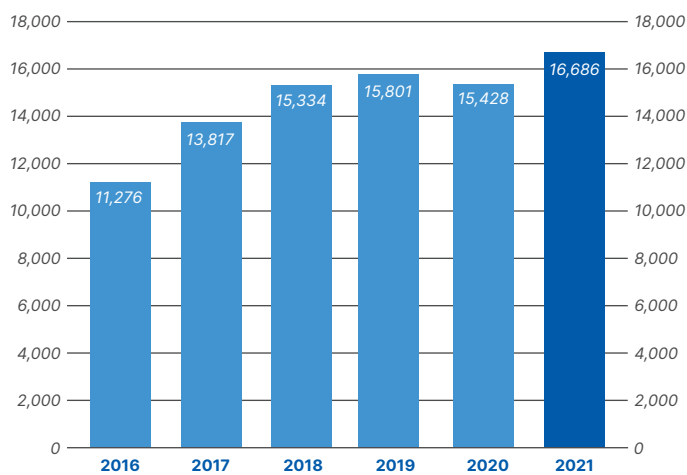
Service risk chiefly relates to the company's forecast and projection reliability and the risk of damage to its image in the event of failing to achieve its projections. To counteract this, the Management Board performs regular forecast analyses and reviews and has implemented measures to improve forecasting methods, as well as expanding sales management, improving product management, and revising the CRM system. A total of two individual risks are allocated to service risk. After risk abatement measures, one service risk is regarded as "serious" and its probability of occurrence is classified as "likely." The second service risk is considered to be "medium" with a probability of occurrence of "possible."

Research and development risk

Intense competition and specific customer attitudes require extremely short development cycles for new product versions and releases. At the same time, demands are constantly increasing as a result of rapid technologi-

cal change and potential hacker attacks. In order to take this development into account, the USU Group maintains its research and development activities at a consistently high level, using the resources of its own development company USU Software s.r.o. in Czechia in particular in addition to local resources. A total of 216 employees work on continuously refining the Group's internally developed software products to reflect market developments and the demands of product management. The development process is rounded off with tests and quality management measures. Close contact with leading market analysts ensures that any technical changes can be addressed rapidly. As a technology pioneer, the USU Group also devises its own innovations with the aim of permanently improving and extending its product portfolio. Protecting the Group's own software products from potential hacker attacks is also very important. One individual risk is allocated to research and development risk and is rated "serious" after risk abatement measures. In terms of probability of occurrence, the research and development risk is classified as "possible."

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



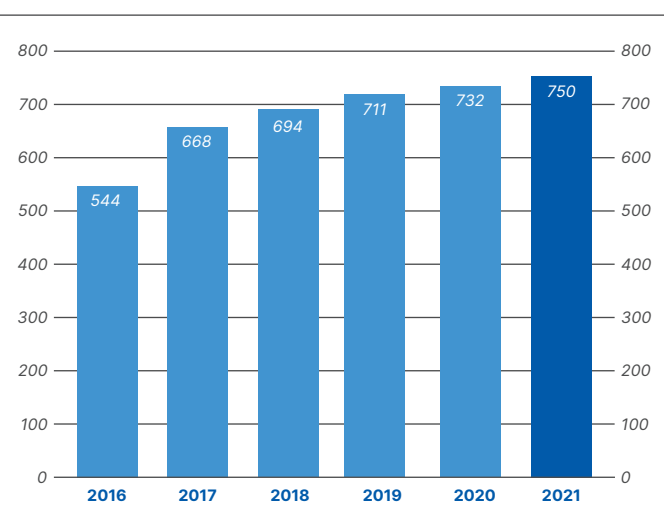
Personnel risk

The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries depend to a significant extent on the performance of its professional staff and managers. The company is therefore particularly reliant on highly qualified personnel in order to satisfy future market demands and customer requirements. During the pandemic in particular, the loss of management staff or employees in key positions can be just as detrimental to the company as the failure to attract new knowledge carriers. Consequently, USU has implemented a wide range of measures,

including in-house training activities and management trainee models, in order to recruit additional highly qualified employees despite persistently strong competition on the employment market, while also retaining existing staff at the USU Group and expanding backup functions.

The professional development of employees in accordance with their various needs is equally important within the Group as a whole. Specific training and development opportunities, an extensive talent development, career and progression model and numerous employee events help to improve the retention of professional staff and managers. A positive corporate culture also helps us to improve our success rate in attracting and retaining qualified employees on a long-term basis.

Development of the USU Group's workforce



A total of 12 individual risks are allocated to personnel risk. After risk abatement measures, ten personnel risks are classified as "serious", one as "medium" and one as "low." Among the personnel risks with a potential "serious" loss, two are considered "likely", six are considered "possible" and two are considered "unlikely". The personnel risk with a potential "medium" loss is considered "unlikely", while the personnel risk with a potential "low" loss is considered "likely".

Management risk

The successful management and further development of USU Software AG and its subsidiaries is the responsibility of the Management Board and the entire management team of the USU Group. The loss of managers, for example in accidents on shared journeys, could cause significant damage to the company. For this reason, the USU management was expanded to include an Executive

Board at an early stage, and shared journeys by the USU management using the same means of transport are avoided wherever possible.

One individual risk is allocated to management risk. After risk abatement measures, this management risk is classified as “serious” and its probability of occurrence is rated “almost impossible.”

IT risk

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

A complete or partial failure of IT systems, including due to sabotage, theft, virus attack, fire or water damage, could therefore have an adverse effect on the Group's business development.

To avoid risks of this kind, a specific risk prevention concept for the area of IT has been in place for a number of years. This is integrated into the Group's risk management system and is continuously expanded.

IT risk consists of ten individual risks. After risk abatement measures, three of these risks are classified as “serious” with a probability of occurrence of “likely” in one case and “possible” in two cases, while five risks are considered to have a “medium” potential loss, three of which have been classified as “likely,” and two as “possible.” Finally, the potential loss for two IT risks is classified as “low” and their probability of occurrence is considered “unlikely.”

Financial risk

With funds of more than EUR 24 million as of December 31, 2021, USU Software AG has extensive Group-wide financial resources for future investment, for potential acquisitions and to secure its operating business. These funds are predominantly deposited in short-term investments to generate interest income. The Group is therefore exposed to the risk of a partial or complete loss of one or more such investments. To limit the risk of financial loss, the company therefore only invests in low risk investments with short terms to maturity. It does not invest in speculative securities or shares. Financial risks also include goodwill risk, default risk and exchange rate risk as well as US liability risk.

Instead of being amortized, the goodwill reported in the consolidated statement of financial position is now subject to impairment testing at least once a year in accordance with IFRS 3. Impairment testing can result in either the confirmation of the reported goodwill or in a write-down that serves to reduce net profit for the period, which could have a negative impact on the net assets, financial position and results of operations of USU Software AG.

The impairment test performed in fiscal 2021 did not identify any circumstances requiring the recognition of an impairment loss on the assets allocated to this statement of financial position item. In light of the expected positive future operating business development of USU Software AG and the Group as a whole, the Management Board does not expect any impairment losses on goodwill with an adverse effect on net profit in the following year.

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

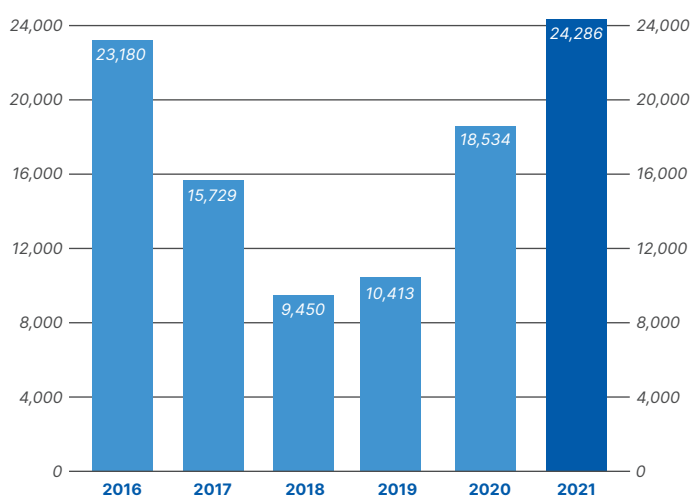
The company performs a certain volume of foreign currency transactions, and is therefore exposed to exchange rate fluctuations that have a corresponding impact on the assets and income reported in euro. In particular, US dollar volumes are increasing as the Group expands its business in the US. Transaction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

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

Financial risk consists of eleven individual risks and is regarded overall as “posing a threat to the company as a going concern” after risk abatement measures. One

individual risk is classified as “posing a threat to the company as a going concern,” five as “serious,” four as “medium,” and one as “low.” The probability of occurrence for the financial risk posing a threat to the company as a going concern is considered “possible,” while two of the “serious” financial risks are considered “possible,” one “unlikely,” and two “almost impossible.” Three of the “medium” financial risks are considered “possible” and one is considered “unlikely”. Finally, the probability of occurrence for the low financial risk is classified as “unlikely.”

Development of the USU Group's liquidity in EUR thousand



IV. 3 Report on opportunities

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

With its innovative product portfolio geared towards high-growth segments of the IT market and with the customer-focused bundling of all activities under the “USU” umbrella brand, the USU Group has ideal conditions for continuing to significantly expand its business with both new and existing customers in the future.

In addition to the core domestic market, excellent growth potential is offered in particular by further expansion of the USU Group's international presence.

This is based firstly on targeted growth in the Group's own activities in Europe, the US, and more recently Asia, and secondly on the global presence of the worldwide USU partner network, which is continuously being expanded. Another core element of the USU Group's growth

strategy is rounding off its product portfolio with new product innovations. The acquisition of additional technical and management employees and the associated expansion of the Group's workforce also represents a major opportunity to fully exploit the existing growth options. Finally, the USU Group's growth strategy also includes external growth in the form of acquisitions or equity investments in companies. Accordingly, USU ensures that it has extensive Group liquidity for future acquisitions so that it can take advantage of acquisition opportunities that arise in a timely and flexible manner.

V. ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

At USU Software AG, the accounting-related internal control system and the accounting-related internal risk management system have been implemented throughout the Group as a comprehensive system aimed at ensuring that the single-entity and consolidated financial statements comply with the relevant provisions.

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

A comprehensive, regularly updated set of guidelines, comprising rules of competence, reporting procedures, travel cost and time recording procedures and investment approvals, has been established. This also governs the dual control principle for accounting-related processes. Furthermore, the harmonization of accounting procedures within the USU Group is ensured by means of Group-wide accounting standards.

The USU Group has a largely uniform, standardized financial system, which, by means of clearly defined access rights, is only accessible to those employees who

are involved in the accounting process in keeping with their area of responsibility.

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

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

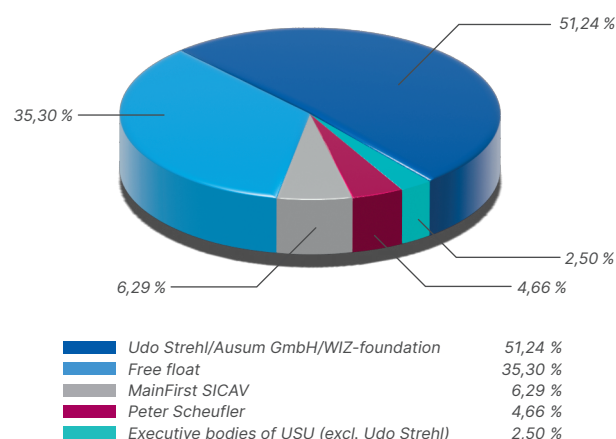
VI. TAKEOVER DISCLOSURES

VI.1 Issued capital, shares and shareholder structure

As of December 31, 2021, a total of 10,523,770 (2020: 10,523,770) no-par value bearer shares in USU Software AG had been issued, with the same number of voting rights and a notional interest in the share capital of EUR 1.00 per share. A total of 5,392,578 (2020: 5,386,578) of these are held by the main shareholder and Chairman of the Supervisory Board of the company, Udo Strehl, corresponding to 51.24% (2020: 51.18%) of the share capital. 5,000 (2020: 5,000) of these shares are held by him directly and a further 5,355,578 (2020: 5,349,578) shares are held by AUSUM GmbH, in which Udo Strehl is the majority shareholder. A further 32,000 (2020: 32,000) shares in USU Software AG are allocable to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the sole director. 6.29% (2020: 5.05%) of the voting rights in USU Software AG are allocated to MainFirst SICAV, which notified the company that it held a total of 661,424 shares in the company as of December 31, 2021 (2020: 531,661). Another shareholder above the 3% threshold is Peter Scheufler, a former shareholder in USU

Solutions GmbH, who notified the company that he held a total of 490,895 shares in the company as of December 31, 2021 (2020: 523,289), corresponding to a share in the voting rights of 4.66% (2020: 4.97%).

Shareholder structure of USU Software AG as of December 31, 2021



VI.2 Management Board authorizations to issue and repurchase shares

The Annual General Meeting of July 4, 2017 authorized the Management Board, subject to the approval of the Supervisory Board, to increase the company's share capital by a nominal amount of up to EUR 2,630,942.00 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 3, 2022 ("Authorized Capital 2017").

By way of resolution of the Annual General Meeting on March 2, 2000, the share capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the company and affiliated companies ("Contingent Capital"). By way of resolution of the Annual General Meeting on July 15, 2004, Contingent Capital was reduced to EUR 378 thousand. The Contingent Capital increase can only be exercised to the extent that the bearers of the options issued exercise their rights. There were no outstanding options as of December 31, 2021.

By way of resolution of the Annual General Meeting on June 26, 2020, the company's Management Board was also authorized to acquire treasury shares in one or more

installments, subject to approval of the Supervisory Board, until June 25, 2025.

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

Statutory provisions and Articles of Association of USU Software AG

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

require a simple majority of the votes cast in accordance with section 133 AktG.

VI.3 USU SHARES (ISIN DE000A0BVU28) (UNAUDITED)

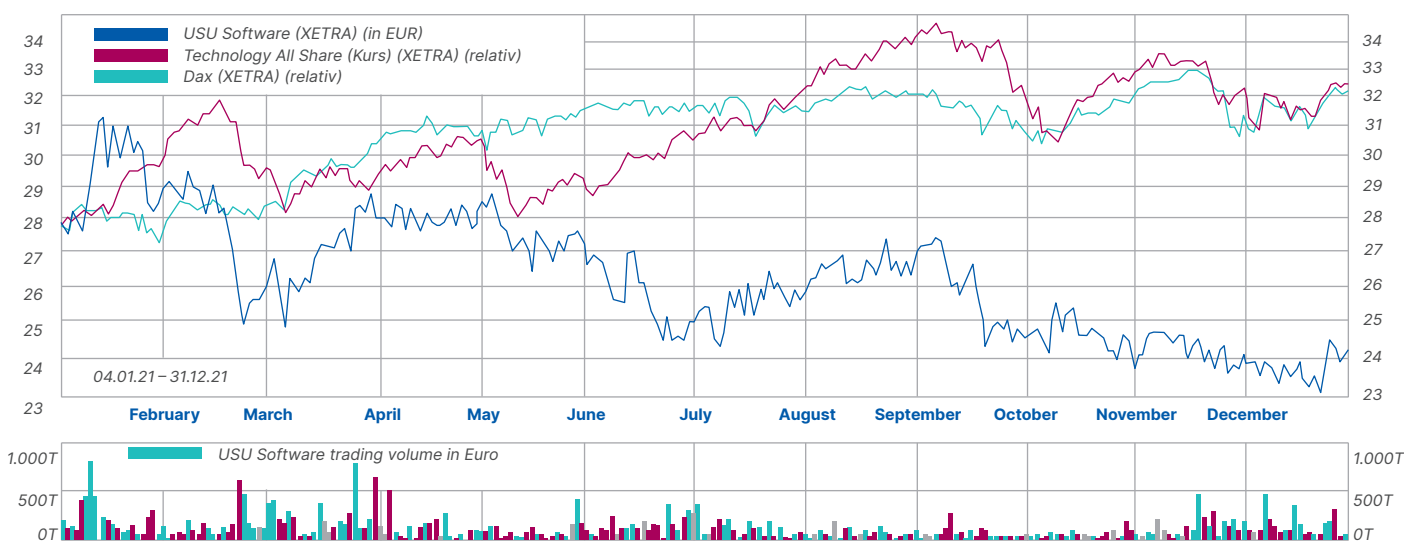
The shares of USU Software AG are listed in the Prime Standard of the Frankfurt stock exchange under the German Securities Code (WKN) A0BVU2 and International Securities Identification Number (ISIN) DE000A0BVU28, and are admitted to trading on the regulated market of this stock exchange.

VI.4 Share price performance

After enjoying a broadly positive first half of the year with rising share prices, the stock markets experienced comparatively volatile and mixed development throughout the rest of 2021 in response to various economic signals and growing inflationary concerns. USU's shares were similarly unable to repeat the positive prior-year price performance in 2021.

Thanks to a positive start to the year, the Technology All Share index rose by 19.1% to 5,334.67 points compared with the end of the previous year (December 31, 2020: 4,479.20 points), while the DAX gained 15.8% over the same period to close the year at 15,884.86 points (December 31, 2020: 13,718.78 points). By contrast, several sharp downturns meant that USU's share price declined by -11.0% to EUR 24.20 over the course of the year (December 31, 2020: EUR 27.20).

Share price performance of USU Software AG in 2021



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

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

Corporate governance comprises the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the Corporate Governance Code (the "Code") in the form of recommendations for implementation. The core objective of the Code is to promote the trust of investors, customers, employees and the general public in the management and supervision of listed German companies. The Code came into force in 2002 and was last updated in 2019.

In accordance with section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity for 2021 on December 9, 2021, making it available on the company's website:

"The Management Board and Supervisory Board of USU Software AG declare that the recommendations of the Government Commission on the German Corporate Governance Code, as amended December 16, 2019, have been complied with since the last declaration of conformity dated December 16, 2020, and will continue to be complied with in the future, although the following recommendations have not been and will not be implemented:

Comment on Principle 3 of the Code, according to which the Management Board sets targets for the proportion of women at the two management levels below the Management Board:

At its meeting on December 4, 2020, the Management Board accordingly set targets of 10% for the first management level below the Management Board and 15% for the second level.

Item A.2 of the Code recommends that the Management Board institutes appropriate measures reflecting the

company's risk situation (compliance management system) and discloses the main features of those measures.

The Management Board has implemented various measures to ensure compliance with statutory provisions and internal regulations. The main features of these measures involve training and raising employee awareness of the statutory provisions and internal regulations and risks, communicating and monitoring compliance with the internal authority guidelines and the principle of dual control and analyzing the specific risk situation of the company with reference to the subject of its business and performance and its contractual partners.

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

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

Since January 1, 2020, the Management Board of USU Software AG has consisted of two male members. There are currently no plans to expand the Management Board. Based on the current Management Board contracts, no changes are envisaged at least until December 31, 2023. At its meeting on December 16, 2020, the Supervisory Board therefore set a target of 25% for the share of women in the event of an expansion of the Management Board to more than three members.

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

With regard to its composition, the Supervisory Board of USU Software AG bases its decisions on the professional and personal suitability of the persons in question, taking into account their knowledge, skills and professional experience required to properly fulfill their duties. A general age limit and a restriction on the length of membership for the Supervisory Board members of

USU Software AG has not been and is not intended, as the company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned figures in the composition of the Supervisory Board. In addition, a specification of this type would, in the company's opinion, inappropriately limit the shareholders' right to vote at the Annual General Meeting.

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

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

In accordance with recommendations D.2 to D.5 of the Code, the Supervisory Board should form committees such as an audit committee and a nomination committee.

As the Supervisory Board of USU Software AG consists of only three members, there has been and remains no intention to set up committees. Independently of this, the Supervisory Board of the company jointly assumes the tasks of these committees.

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

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

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

for variable compensation components should be geared mainly to strategic goals in addition to operating targets.

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

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

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

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

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

Compensation was and is not envisaged for membership or chairmanship of a committee of the Supervisory Board. Based on the composition of the Supervisory Board with three experienced members who jointly assume the intended functions, the formation of Su-

Supervisory Board committees and accordingly the associated compensation has been and will continue to be dispensed with in the future.

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

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

Möglingen, December 9, 2021

Signed

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

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

VII. 2 DIVERSITY CONCEPT

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

As early as 2015, the Management Board of USU Software AG resolved that diversity must be taken into account when filling management positions at all levels below the Management Board of USU Software AG and its affiliated companies, and that appropriate consideration should be given to women in this regard. In the USU Group, the share of women at the first management level below the Management Board is zero. At the second level below the Management Board, this figure is 12.7% (2020: 11.9%), which is lower than the target defined by the Management Board but higher than in the previous year. The Management Board has set new targets of 10% for the share of women at the first management level and 15% at the second management level.

The Management Board of USU Software AG itself has consisted of two male members since January 1, 2020. There are currently no plans to expand the Management Board. Based on the current Management Board contracts, no changes are envisaged at least until December 31, 2023. At its meeting on December 16, 2020, the Supervisory Board therefore set a target of 25% for the share of women in the event of an expansion of the Management Board to more than three members.

The Supervisory Board consists of two male members and one female member, who were elected for a further term of office in line with the Articles of Association at the Annual General Meeting on July 6, 2021. At its meeting on December 12, 2019, the Supervisory Board set a target of 33% for the share of women on the Supervisory Board by June 30, 2021, which is currently met, and confirmed the profile of skills and expertise for the Supervisory Board. This profile requires the members of the Supervisory Board to have the following skills in particular: (1) Several years of experience as an entrepreneur or a member of management at a medium-sized or large company and (2) several years of professional experience in national and international sales within the IT industry. These skills are fully covered by the existing Supervisory Board. The Supervisory Board believes that at least two of its three members should be independent shareholder representatives. This target is achieved with the independent members Gabriele Walker-Rudolf and Erwin Staudt.

VII. 3 Working practices of the Management Board and the Supervisory Board

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

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

The Supervisory Board of the company consists of three members and elects a Chairman and a Deputy Chairman from its members. In view of its size, the Supervisory Board has opted not to form committees. Instead, the duties of the Supervisory Board are performed jointly by its members. The activities of the Supervisory Board are determined by the provisions of law, the German Corporate Governance Code, the Articles of Association and the Rules of Procedure for the Supervisory Board of USU Software AG. Among other things, these provide for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue Rules of Procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities.

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

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

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

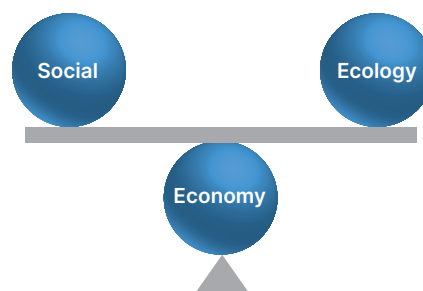
VII. 4 Compensation report

All the details on the compensation paid to the Management Board and Supervisory Board of USU Software AG can be found in the compensation report (included in this Annual Report after the Report of the Supervisory Board) and on our website at <https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/>.

This web page includes the compensation report for 2021 as well as the disclosures required in accordance with section 289f HGB, such as the auditor's report in accordance with section 162 AktG, the current compensation system in accordance with section 87a (1) and (2) sentence 1 AktG, and the most recent resolution on compensation in accordance with section 113 (3) AktG.

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

The principles of sustainable action are a core element of USU's business activities. The USU Group defines sustainable action as striking the right balance between the three dimensions of sustainability – economic, ecological and social – and incorporating the interests of stakeholders into its decision-making processes. USU is aware that this is a complex process and that interdependencies cannot always be fully assessed in advance. However, USU endeavors to continuously challenge itself



and develop in order to ensure that its actions make a positive contribution to its stakeholders and society. USU designs value-adding and exchange processes based on the market, the environment and society. The Management Board and the company's managers and employees accept their responsibility. Sustainability and socially and ethically aware actions have been implicitly practiced at the USU Group since its formation and are a fixed element of its corporate culture. For USU, this is a continuous improvement process that we can only achieve by maintaining a constant dialog with our stakeholders.

Social responsibility at USU Software AG has many facets and is strongly anchored in our business management and business strategy. USU does not currently have a dedicated sustainability strategy, but rather an overarching general business strategy from which all the other subareas derive. One of these sub-areas is sustainability. The overall strategy comprises the three business principles of "Company, Customers & Products," which form the basis for the company's corporate values, its commitment to sustainable action and its operational planning.

The “Company” principle means that USU strives to be an attractive company for employees, investors and all those in its environment. This means dealing fairly and respectfully with stakeholders and focusing on ensuring awareness and perception of its ecological and social responsibility. This is the only way for the company to ensure its long-term success and to become more attractive to employees and investors. The “Customers” and “Products” principles also contribute to ensuring the USU Group’s sustainable success. USU’s actions are geared towards its customers, to whom it offers individual software solutions. This individuality and proximity helps the company to establish long-term customer relationships and partnerships. USU’s products also stand for excellent software-based solutions with a high degree of innovation. The quality of its products and the development of new innovations play an important role in the company’s long-term success.

The USU Group has an identity-forming corporate philosophy that was developed by USU employees on the basis of many individual discussions, surveys and workshops with all stakeholders as part of the internal project “More-U.” In an intensive communication process, the Group’s values as well as its mission and vision were devised, defined, validated and adopted together.

The mission statement defines what USU stands for and what its driving factors are: “We master digital challenges in IT and customer service with efficiency, passion, innovation and knowledge.”

The USU vision emphasizes the direction and goal that USU is moving toward and highlights the goal for consumers, end users and citizens all around the world to come into contact with USU services: “The whole world is touched by USU (em)powered services.”

USU’s economic success as a software company depends to a large extent on the performance and knowledge of its technical and management employees. The company is reliant on highly qualified personnel in order to continue to satisfy market demands and individual customer requirements in the future. The shortage of technical and management employees within the industry makes it important to remain an attractive employer. The loss of management staff or employees in key positions can be just as detrimental to the company as the failure to attract new knowledge carriers. In order to counteract this risk, human resources activities focus on the recruitment of technical and management employees as well as the motivation and retention of existing staff. A variable component in the salaries of a substantial number of employees, which acts as an additional performance incentive to reward target attainment, should also be seen in this context. In addition, the Group offers an extensive and flexible company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of its career model. In addition to specialist training courses and the further development of soft skills, USU offers refresher and consolidation courses. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures in this area. Although the USU Group considers the shortage of technical and management employees to be a significant human resources risk, the acquisition of additional qualified employees and the associated expansion of the Group’s workforce represents a major opportunity to fully exploit the existing growth options in product and service business.



The USU Group’s mission and vision

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

This includes:

- expanding dual training and promoting new talents in order to secure technical and management employees for the long term;
- pronounced social and cultural commitment, with a particular focus on regionality and relevance to the company's environment;
- ergonomic office furniture for all employees;
- flexible working hours and part-time models;
- the services of a company doctor;
- flexible options for working from home;
- freshly cooked meals every day and free fruit depending on the respective location and free water dispensers for employees in order to reduce resource consumption by using fewer disposable bottles;
- giving employees the opportunity to use bicycles and Pedelecs leased through the company;
- special support for company cars with a good CO₂ efficiency class, especially electric vehicles;
- reducing electricity consumption, e.g. by systematically switching to LED technology or virtualizing servers.

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

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

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

For further information on the topic of sustainability at USU Software AG and its subsidiaries, please refer to the sustainability report for fiscal 2021, which can be viewed and downloaded on the company's website at www.usu.com/en-us/sustainability.

IX. REPORT ON RELATED PARTIES

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

Möglingen, March 15, 2022



Bernhard Oberschmidt
Chairman of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

RESPONSIBILITY STATEMENT

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

Möglingen, March 15, 2022



Bernhard Oberschmidt
Chairman of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2021

USU SOFTWARE AG, MÖGLINGEN

Assets	Notes to the annual financial statements	Dec. 31, 2021 EUR thousand	Dec. 31, 2020 EUR thousand
Non-current assets			
Intangible assets	(8)	3,031	3,644
Goodwill	(9)	40,392	40,392
		43,423	44,036
Property, plant and equipment	(10)	3,103	3,464
Right-of-use assets	(11)	16,584	16,280
Financial assets	(12)	746	846
Prepaid expenses	(18)	200	320
Deferred taxes	(31)	4,860	6,977
		25,493	27,887
		68,916	71,923
Current assets			
Inventories	(13)	374	351
Contract assets	(14)	4,962	4,606
Trade receivables	(15)	14,820	16,725
Income tax receivables	(16)	65	179
Financial assets	(17)	599	570
Other assets		381	694
Prepaid expenses	(18)	1,613	1,884
Cash on hand and bank balances	(19)	24,286	18,534
		47,100	43,543
		116,016	115,466

	Notes to the annual financial statements	Dec. 31, 2021 EUR thousand	Dec. 31, 2020 EUR thousand
Equity and liabilities			
Equity	(20)		
Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)		10,524	10,524
Capital reserves		52,792	52,792
Other retained earnings		829	-1,719
Other comprehensive income		298	173
		64,443	61,770
Non-current liabilities			
Pension provisions	(21)	1,340	1,316
Lease liabilities	(22)	14,141	14,036
Deferred income	(30)	1,600	2,040
Deferred taxes	(31)	924	1,339
		18,005	18,731
Current liabilities			
Income tax liabilities	(23)	635	347
Financial liabilities	(24)	0	837
Lease liabilities	(22)	2,680	2,396
Personnel-related liabilities	(25)	10,038	9,538
Other provisions and liabilities	(26)	2,902	3,062
Liabilities from advance	(27)	3,178	5,057
Trade payables	(28)	4,455	4,171
Deferred income	(30)	9,680	9,557
		33,568	34,965
		116,016	115,466

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2021

USU SOFTWARE AG, MÖGLINGEN

Notes to the annual financial statements	2021 EUR thousand	2020 EUR thousand
Sales (32)	111,904	107,327
Cost of sales (33)	-55,726	-50,817
Gross profit	56,178	56,510
Selling and marketing expenses (34)	-20,541	-20,398
General and administrative expenses (35)	-10,242	-14,299
Research and development expenses (36)	-16,686	-15,427
Other operating income (37)	1,533	1,293
Other operating expenses (38)	-577	-658
Finance income (39)	184	50
Finance expenses (40)	-119	-272
Profit before taxes	9,730	6,799
Income taxes (41)	-2,972	-1,315
Consolidated earnings	6,758	5,484
<i>Items that cannot be reclassified to profit or loss in future periods:</i>		
Actuarial gains/losses from pension provisions	46	-33
Deferred taxes on actuarial gains/losses	-13	9
<i>Items that can be reclassified to profit or loss in future periods:</i>		
Currency translation differences	92	321
Other comprehensive income	125	297
Total comprehensive income	6,883	5,781
Earnings per share (in EUR) Basic and diluted (20.6)	0.64	0.52
Number of underlying shares	10,523,770	10,523,770

CONSOLIDATED STATEMENT OF CASH FLOWS FOR FISCAL YEAR 2021

USU SOFTWARE AG, MÖGLINGEN

Notes to the annual financial statements	2021 EUR thousand	2020 EUR thousand
Consolidated net profit	6,758	5,484
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	1,825	3,479
+ Depreciation/amortization of right-of-use assets IFRS 16 leases	2,901	2,877
+/- Other non-cash expenses/income	61	360
-/+ Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	2,300	1,239
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	-2,432	3,069
+/- Interest expenses/income	-65	222
-/+ Income taxes paid	-878	-223
-/+ Interest paid/received	-96	-86
+/- Income tax expenses/income	2,972	1,315
Cash flow from operating activities (43)	13,346	17,736
- Purchase of intangible assets	-16	-42
+ Proceeds from disposals of property, plant and equipment	26	7
- Purchase of property, plant and equipment	-839	-2,407
Cash flow from investing activities (44)	-829	-2,442
- Dividends paid to shareholders of the parent company	-4,209	-4,209
- Reductions of lease liabilities in line with IFRS 16	-2,816	-2,840
Cash flow from financing activities (45)	-7,025	-7,049
Change in cash and cash equivalents	5,492	8,245
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement	260	-124
+ Cash and cash equivalents at the start of the period	18,534	10,413
Cash and cash equivalents at the end of the period (46)	24,286	18,534
Cash and cash equivalents		
Cash and cash equivalents	24,286	18,534

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FISCAL YEAR 2021

USU SOFTWARE AG, MÖGLINGEN

	Issued capital	
	Number	EUR thousand
Consolidated equity as of December 31, 2019	10,523,770	10,524
Consolidated earnings	0	0
Other comprehensive income after taxes	0	0
Total comprehensive income	0	0
Dividend payment	0	0
Consolidated equity as of December 31, 2020	10,523,770	10,524
Consolidated earnings	0	0
Other comprehensive income after taxes	0	0
Total comprehensive income	0	0
Dividend payment	0	0
Consolidated equity as of December 31, 2021	10,523,770	10,524

	Capital reserves EUR thousand	Other retained earnings EUR thousand	Other comprehensive income		Equity EUR thousand
			Pension plans	Currency translation EUR thousand	
	52,792	-3,003	-116	1	60,198
	0	5,484	0	0	5,484
	0	9	-33	321	297
	0	5,493	-33	321	5,781
	0	-4,209	0	0	-4,209
	52,792	-1,719	-149	322	61,770
	0	6,758	0	0	6,758
	0	0	33	92	125
	0	6,758	33	92	6,883
	0	-4,209	0	0	-4,209
	52,792	829	-116	414	64,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021

USU SOFTWARE AG, MÖGLINGEN

A. THE COMPANY

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

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

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

B. SIGNIFICANT ACCOUNTING PRINCIPLES

1. Significant financial reporting policies

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

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

The reporting date is December 31, 2021.

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

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

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

The Management Board intends to approve the consolidated financial statements for submission to the Supervisory Board on March 3, 2022. It is anticipated that the Supervisory Board will adopt the consolidated financial statements prepared by the Management Board at its meeting on March 18, 2022 and approve their publication.

The annual financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2021 and these consolidated financial statements have been submitted to the electronic Bundesanzeiger (electronic German Federal Gazette) and published on the Company’s website.

2. Accounting standards applied for the first time and recently issued accounting standards

The accounting standards applied are the same as those applied in the previous year.

The following amended Standards were effective for the Group for the first time in the current fiscal year.

- Amendment to IFRS 4 Insurance Contracts: Applying IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform
- Amendments to IFRS 16: COVID-19-Related Rent Concessions

The amended standards have no effect or no material effect on the Group’s consolidated financial statements.

The IASB and IFRS IC have issued new and amended standards and interpretations which are effective for reporting periods starting on or after January 1, 2022.

The application of these standards and interpretations is in some cases contingent upon their endorsement by the E.U. This relates specifically to the following accounting standards and interpretations:

Standard/ interpretation	Titel	Applicable for fiscal years begin- ning on or after	Adopted by the European Commission	Impact on USU's consolidated financial statements
Amendment to IFRS 3	References to the Conceptual Frame-work in the IFRS Standards	Jan. 1, 2022	Yes	None
Amendment to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	Yes	Immaterial
Amendment to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022	Yes	Immaterial
IFRS 17	Insurance Contracts	Jan. 1, 2023	Yes	None
Amendment to IAS 1	Classification of Liabilities as Current or Non-current; Disclosure Obligations on Accounting Principles	Jan. 1, 2023	No	None
Amendment to IAS 8	Amendment to the Definition of Accounting Estimates	Jan. 1, 2023	No	None
Amendment to IAS 12	Amendments to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	No	None
Amendment to IFRS 17	Comparative Information	Jan. 1, 2023	No	None

It was chosen not to exercise the option of early application of standards which have already been issued.

According to the current assessment, the application of the other new and amended IFRS standards also does not result in any material impact on net assets, financial position, and results of operations. Unless otherwise described in this chapter, the same accounting policies were applied in the consolidated financial statements as in the previous year.

3. Consolidated group

The consolidated financial statements incorporate the financial statements of USU Software AG and all the entities it controls including structured entities (subsidiaries). In accordance with IFRS 10, USU Software AG obtains control when it:

- has power over the investee;
- is exposed to variable returns from its involvement; and
- can use its power to affect the amount of returns.

USU Software AG reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above criteria for control.

Consolidation of a subsidiary begins from the date the parent company achieves control of the subsidiary and ceases when the parent company loses control of the subsidiary. The results of the subsidiaries acquired or sold during the year are recognized in profit or loss and other comprehensive income from the actual acquisition date to the actual disposal date.

In addition to USU Software as the Group parent, the consolidated financial statements include all operating domestic and foreign subsidiaries controlled by USU Software AG, either directly or indirectly.

With effect from September 9, 2021, USU Software AG founded USU GK, a Japanese subsidiary domiciled in Tokyo. USU GK will assume responsibility for the sale and implementation of USU software in Japan and the entire Asian market in the future.

In addition to the Group parent, the following companies that are controlled directly or indirectly were included in consolidation in accordance with IFRS 10. The information on equity and net profit represents the amounts determined in accordance with the respective national accounting standards. There are no Group companies that are not included in the consolidated financial statements. The fiscal year of the companies included in the consolidated financial statements is the calendar year.

Consolidated group		
Name and domicile of the company	Equity Dec. 31, 2021 EUR thousand	Net profit/loss for 2021 EUR thousand
of which in Germany:		
USU GmbH, Möglingen ¹⁾	30,368	9,764
USU Solutions GmbH (renamed from LeuTek GmbH on January 27, 2021), Leinfelden-Echterdingen ¹⁾	1,380	2,529
Omega Software GmbH, Obersulm ¹⁾	970	34
Openshop Internet Software GmbH, Möglingen ¹⁾	-667	-1

USU Technologies GmbH (renamed from Aspera GmbH on February 4, 2021), Aachen ¹⁾	300	3,296
of which outside Germany		
USU Software s. r. o., Brno, Czechia ²⁾	1,428	241
USU Austria GmbH, Vienna, Austria ²⁾	-868	-76
USU Solutions Inc. (renamed from Aspera Technologies Inc. on January 19, 2021), Boston, USA	-5,495	-1,309
USU SAS, Paris, France	-2,630	-469
USU GK, Tokyo, Japan	6	-9

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

²⁾ Companies wholly owned by USU GmbH

4. Consolidation principles

Equity interests are consolidated using the purchase method, whereby the cost is offset against the Group's interest in the remeasured equity of the subsidiary as of the acquisition date. Any remaining goodwill from initial consolidation is recognized separately. In accordance with IFRS 3, goodwill is not amortized over its useful life, but instead is subject to impairment testing at least once a year that may result in the recognition of an impairment loss (impairment-only approach).

Identified hidden reserves and liabilities are subsequently remeasured, amortized or reversed in accordance with the treatment of the corresponding assets and liabilities.

Receivables, liabilities, expenses and income between consolidated companies are eliminated. Intragroup services were provided at arm's length conditions. Deferred taxes are recognized for consolidation processes impacting profit and loss, with deferred tax assets being offset against deferred tax liabilities where they relate to the same taxation authority and tax subject.

5. Currency and currency translation

Functional currency and reporting currency

The items of all Group companies included in the consolidated financial statements are measured using the currency of the primary economic environment of the respective company ("functional currency"). The consolidated financial statements are presented in euro, the functional currency and reporting currency of USU Software AG. All figures in the consolidated financial statements are rounded to thousands of euro (EUR thousand) except for figures pertaining to shares.

Transactions and balances

All transactions are translated into the respective functional currency at the prevailing exchange rate on the transaction date. Monetary items in foreign currency are translated at their closing rates as of the end of the reporting period; non-monetary items reported at historical cost are translated at the rate on the transaction date, while non-monetary items reported at fair value are translated at the exchange rate on the date when their fair value was measured. Differences arising from currency translation at closing rates are recognized in profit or loss under other operating income and expenses.

Group companies

In accordance with IAS 21, the financial statements of the subsidiaries included in the consolidated financial statements that are prepared in foreign currency are translated on the basis of the functional currency concept using the modified closing rate method. Consolidated foreign subsidiaries are considered economically independent entities as they are financially, economically and organizationally autonomous. In accordance with the functional currency concept, measurement is performed in local currency. Income and expenses are translated at the average exchange rate for the reporting year, assets and liabilities at the closing rate and the equity of the respective subsidiaries at historical rates. The difference arising from equity-related currency translation is taken directly to equity and presented in a separate column in the consolidated statement of changes in equity.

Currency translation differences arising from the consolidation of current liabilities are recognized in profit or loss under other operating income or expenses.

The financial statements of foreign subsidiaries not domiciled in the euro area were translated to EUR using the following exchange rates:

Currency EUR 1 equivalent to	Closing rate		Average rate	
	Dec. 31, 2021	Dec. 31, 2020	2021	2020
Swiss franc (CHF)	1.0331	1.0802	1.0811	1.0708
Czech koruna (CZK)	24.858	26.242	25.640	26.316
US dollar (USD)	1.1326	1.2271	1.1827	1.1422
Japanese yen (JPY)	130.38	126.49	129.88	121.85

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR 105 thousand (2020: EUR 607 thousand).

6. Significant accounting judgments, estimates and assumptions

The preparation of the single-entity financial statements in accordance with IFRS requires the Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period, the reported amounts of income and expenses during the period under review and the related disclosures in the notes to the financial statements. The actual amounts may differ from these estimates. The most important accounting judgments are discussed below:

Impairment of intangible assets

The Group tests goodwill and brands with indefinite useful lives for impairment at least once a year. This requires an estimate of the recoverable amount of the cash-generating units to which these intangible assets are allocated. The recoverable amount is the higher of the fair value of the cash-generating unit less costs to sell and its value in use. Estimating the value in use requires the Group to estimate the future cash flows and select an appropriate discount rate in order to calculate the present value of those cash flows.

The cash flows underlying the discounted cash flow calculation as part of goodwill impairment testing are based on current business plans, assuming a planning period of four years. Assumptions are made about the future development of revenue and costs. In the event that the actual amounts differ from the significant assumptions made, this may lead to the recognition of goodwill impairment in profit or loss in the future.

Deferred tax assets on loss carryforwards

Deferred tax assets are recognized for all unutilized tax loss carryforwards to the extent it is likely that sufficient taxable income will be available for the loss carryforwards to be utilized in the future. Calculating the amount of the deferred tax assets requires the exercise of significant judgment with regard to the expected timing and amount of the future taxable income.

Timing of the satisfaction of performance obligations

Judgment is also required to be exercised when deciding whether sales are recognized over time or at a point in time.

Impact of the coronavirus pandemic

The impact of the coronavirus pandemic (COVID-19) on the consolidated financial statements of the Group depends on the further development of virus variants, the vaccine roll-out, the effectiveness of vaccines and the measures taken to combat the pandemic. This can have an impact on the fair values and carrying amounts of assets and liabilities as well as the amount and timing of revenue recognition and cash flows. The Group assumes that the consequences of the COVID-19 pandemic will not have a material impact on the consolidated financial statements.

7. General accounting policies

The financial statements of USU Software AG and its German and foreign subsidiaries are prepared in accordance with uniform accounting policies as required by IFRS 10.19.

7.1 Intangible assets and goodwill

Acquired intangible assets and goodwill are recognized at cost when acquired in accordance with IAS 38. The amount by which the acquisition cost of the merger ex-

ceeds the fair value of the net assets of the acquired subsidiary as of the acquisition date is recognized as goodwill from capital consolidation. Intangible assets are mainly software, maintenance agreements and customer bases, which are amortized on a straight-line basis over their expected economic life of between three and thirteen years. Intangible assets with an indefinite useful life – including goodwill as well as trademarks and brands – are not amortized but instead are tested for impairment at least once a year in accordance with IAS 36. “Amortization of intangible assets capitalized as a result of business combinations and goodwill” is reported under the cost components of the function of expense method.

Sales and marketing expenses amounted to EUR 257 thousand (2020: EUR 1,838 thousand), research and development expenses to EUR 262 thousand (2020: EUR 303 thousand), the cost of sales to EUR 0 thousand (2020: EUR 73 thousand) and general and administrative expenses to EUR 0 thousand (2020: EUR 9 thousand).

7.2 Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative depreciation in accordance with IAS 16. Repair costs are expensed as incurred. Depreciation is recognized on a straight-line basis over the expected useful life of the respective assets. The following useful lives are applied:

Useful lives:

IT hardware	3 to 10 years
Leasehold improvements	3 to 23 years
Other equipment, operating and office equipment	3 to 15 years

The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount of an asset may exceed its recoverable amount. Impairment losses are reversed up to a maximum of the amortized cost of the respective item if the reasons for the impairment loss no longer apply.

7.3 Impairment of non-financial assets

All intangible assets with indefinite useful lives and goodwill are tested for impairment at least once every fiscal year. Impairment testing is performed annually as of September 30. For these and all other intangible assets with finite useful lives and property, plant and equipment, impairment testing is also performed when there is evi-

dence that the carrying amount of the respective asset is no longer recoverable.

In addition, the amortization method, the useful life and the residual value are reviewed annually in accordance with IAS 16 and IAS 38.

An impairment loss is recognized if the recoverable amount of an asset is lower than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

The recoverable amount is determined for each asset individually or, if this is not possible, for the cash-generating unit (CGU) to which the asset belongs. In accordance with IAS 36.6, a CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Basic assumptions on financial planning and the discount rates applied must be made in order to determine the projected cash flows for each CGU.

If the reason for an impairment loss no longer applies in a subsequent period, either in part or in full, USU examines whether to reverse the impairment loss. Reversals of impairment losses may not result in the carrying amount of the asset exceeding the amortized cost that would have resulted if no impairment losses had been recognized in previous periods or the recoverable amount of the asset. Reversals of impairment losses are recognized immediately in profit or loss.

Impairment testing of intangible assets with indefinite useful lives is covered by the annual impairment test for goodwill, as these assets are included in the carrying amounts of the respective CGUs. Further information can be found in notes 8 and 9.

In the case of impairment testing for goodwill acquired in the course of company acquisitions, the goodwill is allocated to the corresponding CGU.

As cash flows in the USU Group are planned and distinguished between at the level of the subsidiaries USU GmbH, USU Solutions GmbH, USU Technologies GmbH, and USU SAS (with the exception of Omega Software GmbH and USU Solutions Inc.), the CGUs are defined as

USU GmbH together with Omega Software GmbH for the Product Business segment and USU AG for the Service Business segment, and the subsidiaries USU Solutions GmbH and USU Technologies GmbH together with USU Solutions Inc. and USU SAS, all of which are fully allocated to Product Business. Information on the differences between Product Business and Service Business can be found in the notes on segment reporting in section F.

In accordance with IAS 36.A17 (a), the cost of capital of the cash-generating units is calculated as the weighted average cost of capital (WACC). The calculation of the weighted cost of capital includes the cost of equity, composed of a risk-free basic interest rate and a risk premium (market risk premium multiplied by a beta factor based on a peer group analysis), and the cost of debt, which is equal to the average cost of debt for peer group companies. The cost of equity and debt is weighted using the average capital structure of peer group companies.

An impairment loss recognized in a prior period for an item of property, plant and equipment or an intangible asset is reversed when there is evidence that the impairment loss recognized for the asset no longer applies or has decreased. Any reversal is recognized in profit or loss. However, any reversal or reduction of an impairment loss may not exceed the carrying amount of the asset at amortized cost that would have resulted if no impairment losses had been recognized in prior periods.

Impairment losses on goodwill cannot be reversed.

The significant assumptions applied in calculating the recoverable amounts of the cash-generating units are as follows. The calculation begins with the forecast EBIT for the respective CGU (forecast period 2022 to 2025). Working capital is forecast depending on the development of revenue. Capital expenditure is assumed to correspond to depreciation and amortization, meaning that measurement is based directly on EBIT. A growth factor of 0.1% is assumed for the terminal value.

7.4 Financial assets

Under IFRS 9, financial assets are assigned to one of three categories using a uniform model:

- (1) financial assets measured at amortized cost (AC);
- (2) financial assets measured at fair value through other comprehensive income (FVOCI); and
- (3) financial assets measured at fair value through profit or loss (FVPL).

Financial assets whose cash flows consist solely of payments of principal and interest are classified according to the underlying business model. All of the Group's financial assets are assigned to the "hold to collect" business model. As there are no financial assets assigned to the "hold to collect and sell" or "other" models, there are no assets measured at fair value through other comprehensive income (2) or at fair value through profit or loss (3).

Financial assets whose cash flows consist solely of payments of principal and interest are measured at fair value through profit or loss. The Group does not have any such assets.

The IFRS 9 impairment model takes into account future expectations and is based on expected credit losses (ECL model). The IFRS 9 impairment model provides for three stages and applies to all financial assets (debt instruments) that are measured either at amortized cost or at fair value through other comprehensive income:

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition. Impairment is measured based on the expected credit loss within the next twelve months.

Stage 2: includes financial assets that have experienced a significant increase in credit risk but that are not yet credit-impaired. Impairment is measured based on the lifetime expected credit loss for the full remaining term.

Stage 3: includes financial assets with objective evidence of impairment or in default. The lifetime expected credit losses of the financial asset are recognized as an impairment loss.

At USU, the ECL model is applied to financial assets that are recognized at amortized cost. In addition to bank balances, the only financial assets reported by the Group are trade receivables and contract assets, which do not contain any significant financing components. For trade receivables and contract assets, the Group applies the simplified (loss rate) approach permitted in accordance with IFRS 9, under which a risk provision in the amount of the expected loss over the remaining term is to be recognized for all instruments irrespective of their credit quality; the determination of future economic conditions is negligible on account of its low importance, as a significant change in the fundamental economic conditions is unlikely over the relevant time period. This means that they are globally assigned to level 2 on addition and transferred to level 3 if there is objective evidence of impairment.

At USU, expected credit losses are calculated using a differentiated method that reflects the different country-specific conditions in particular, e.g. with regard to accounts past due. With regard to trade receivables, the recognition of future economic conditions is negligible on account of its low importance, as a significant change in the fundamental economic conditions is unlikely over the relevant time period.

With regard to contract assets, the recognition of future economic conditions is negligible on account of its low importance, as a significant change in the fundamental economic conditions is unlikely over the relevant time period. This means that they are globally assigned to level 2 on addition and transferred to level 3 if there is objective evidence of impairment.

A financial instrument is derecognized when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, e.g. after the end of insolvency proceedings or court decisions.

Financial liabilities are measured at amortized cost if they are not measured at fair value through profit or loss (FVTPL). Net gains and losses, including interest expenses, are recognized in profit or loss. Other financial liabilities are measured at amortized cost using the effective interest method. Interest expenses and exchange rate gains and losses are recognized in profit or loss. Gains and losses on derecognition are also recognized in profit or loss.

7.5 Inventories

Inventories are measured at the lower of amortized cost and net realizable value. Inventories essentially relate to software licenses from third-party providers and IT hardware.

Inventory risks arising from reduced usability are taken into account by appropriate write-downs. No inventories were written down due to a reduction in their net realizable value at the end of the reporting period.

7.6 Contract balances

Contract assets for performance obligations satisfied over a specific period are recognized over time when the Group has a legal right to consideration for goods and services that it has transferred to the customer, provided this right is not linked solely to the passage of time. Each unconditional right to receive consideration is reported separately as a receivable. Judgment is required to determine whether a right to consideration is unconditional and must therefore be recognized as a receivable. The contract assets are reduced by advances received.

Contract liabilities primarily consist of invoices due or payments received before revenue recognition. They are recognized as revenue when control of the promised products or services is transferred to the customer.

If, in any one period, it is determined that the fulfillment of a service agreement will result in a loss, the expected total loss must be expensed immediately and in full.

7.7 Deferred taxes

Deferred taxes are calculated using the asset and liability method set out in IAS 12. This involves recognizing deferred tax items for all temporary differences between the tax base of an asset or liability and its carrying amount in the IFRS statement of financial position. Deferred tax assets are also recognized on tax loss carryforwards if it is sufficiently likely that they will be utilized. Deferred taxes are calculated taking into account the respective national income tax rates that applied or are expected to apply in the individual countries at the realization date.

Deferred taxes are calculated using the liability method for temporary differences between the carrying amounts of assets and liabilities in the IFRS and tax accounts (with the exception of goodwill), from consolidation processes,

and for tax assets receivable in connection with the likely future utilization of tax loss carryforwards.

Deferred tax assets on temporary differences and tax loss carryforwards are only recognized to the extent it is likely that sufficient taxable income will be available for the loss carryforwards to be utilized in the future. In assessing the recoverability of deferred tax assets, the effect on earnings of the reversal of taxable temporary differences, short-term and medium-term forecasts of the future earnings situation of the respective Group company and possible tax strategies are taken into account. In its assessment, USU is also bound by the rules of tax law that apply or have been adopted as of the reporting date. As such, future changes to the law may require an adjustment to be recognized in profit or loss.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets (liabilities) are not discounted and are reported in the consolidated statement of financial position as non-current assets (liabilities).

7.8 Other comprehensive income

This item is used to report changes in equity in other comprehensive income, to the extent that such changes do not relate to transactions with shareholders (e.g. capital increases or distributions). This includes currency translation differences, changes in pension provisions in other comprehensive income, and the corresponding deferred taxes.

7.9 Pension provisions

The actuarial valuation of the pension provisions recognized is based on the method for defined benefit plans set out in IAS 19, and hence using the projected unit credit method. The calculation is based on actuarial reports including biometric calculations. In Germany, these are the 2018 G mortality tables published by Heubeck-Richttafel-GmbH. In France, the "INSEE 2012-2014 regulation table prov." mortality tables are applied. The Group recognizes actuarial gains and losses in other comprehensive income in equity, taking deferred taxes into account. Current service cost is reported as an expense within EBIT. Current interest cost and the expected return on

plan assets are recognized in net financial income in the consolidated statement of profit or loss.

In the case of defined contribution plans (e.g. certain direct insurance policies), the employer contributions and the contributions to statutory pension insurance are recognized directly in functional expenses.

7.10 Other provisions

Other provisions are recognized when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. In accordance with IAS 37, provisions are recognized in the amount that is expected to be required to cover all current obligations to third parties on the reporting date, based on the best possible estimate. Future events that may affect the amount required to settle the obligation are taken into account in the provisions, provided they can be predicted with reasonable certainty and these obligations result from past events. Provisions are reviewed as of the end of each reporting period and adjusted to reflect the current best estimate. In cases where the time value of money is material, long-term provisions are discounted accordingly.

7.11 Financial liabilities

Financial liabilities are measured at fair value on initial recognition. The transaction costs directly attributable to the acquisition are also recognized for all financial liabilities not subsequently measured at fair value through profit or loss.

Trade payables and other primary financial liabilities are measured at amortized cost using the effective interest rate method.

7.12 Liabilities from advance

Advances received from customers not relating to services already rendered are recognized as liabilities. Where such advances relate to services already rendered, they are deducted from the costs incurred plus the unbilled contract earnings on the face of the statement of financial position.

7.13 Government grants

An unconditional government grant is recognized as other income in the consolidated statement of profit or loss as soon as a claim to the grant arises. Other government grants are initially recognized as deferred income at fair value if there is reasonable assurance that they will be granted and that the Group will comply with the conditions attaching to it. Subsequently, these other government grants are recognized as other income in the statement of profit or loss as scheduled over the asset's useful life. Grants that compensate for expenses incurred by the Group are recognized in the consolidated statement of profit or loss as scheduled in the periods in which the expenses are recognized.

7.14 Contingent liabilities and events after the reporting period

Contingent liabilities are potential or existing obligations which relate to past events and which are not expected to result in an outflow of resources. They are not recognized in the consolidated statement of financial position. The obligations disclosed in these notes reflect the potential liability as of the end of the reporting period.

Events after the end of the reporting period that provide evidence that certain conditions existed at the end of the reporting period are known as adjusting events and are taken into account in the consolidated financial statements. Events after the reporting period that provide evidence that certain conditions arose after the reporting period are known as non-adjusting events and are not taken into account in the consolidated statement of financial position, but are disclosed in the notes to the consolidated financial statements if material.

7.15 Leases

A lease exists when the lessee is granted the contractual right from the lessor to control an identified asset for a specified period and the lessor receives a consideration from the lessee.

At the start of their use, all leases are recognized in the consolidated statement of financial position as a right of use and as a lease liability in the amount of the present value of the future lease payments. The option of separating leasing and non-leasing (service) components is used. Non-leasing components are not taken into account in the right-of-use asset to be recognized. There

are no beneficial purchase or extension options at the end of the leases for the office buildings, the operating and other equipment or the vehicles. There were no sale and leaseback transactions in either of the fiscal years.

Short-term leases with a term of less than twelve months are not recognized. For the category of real estate leases in the US, the option was exercised to the extent that short-term leases with a total value of more than EUR 5,000 are recognized in accordance with IFRS 16. Low-value leases with a total value below EUR 5,000 are not recognized in the statement of financial position. The lease payments resulting from these contracts are recognized over the term of the lease as other operating expenses.

The relevant assets and liabilities are recognized when it is highly probable that extension and termination options will be exercised.

The lease liability is recognized in the amount of the present value of the future lease payments over the reasonably certain period of use. Lease payments are all fixed and quasi-fixed lease payments as well as variable payments linked to a rate or index. The series of payments is discounted at the implicit interest rate of the lease or, if this is not known, the appropriate incremental borrowing rate of the lease. The lease liability is measured and amortized using the effective interest method. The lease liability is subsequently valued by increasing the carrying amount by the interest expense and decreasing it by the lease payments made. Changes in the lease agreement ("lease modifications") that increase the scope of the original agreement but do not result in a separate lease are recognized directly in equity in the carrying amount of the right of use and the lease liability of the existing lease.

The scheduled amortization of rights of use is based on the following useful lives:

Period of use in years	2021	2020
Land and buildings	1–15	1–15
Vehicles	1–4	1–4

With regard to land and buildings, USU primarily leases office buildings. As a matter of principle, the conditions contained in the lease agreements are in line with standard industry practice. Some of the lease agreements contain extension and termination options, thereby giving USU the greatest possible flexibility. Other future cash outflows may result from index-linked lease payments.

The potential future cash flows not included in the measurement of the lease liabilities are as follows:

	2021 EUR thousand	2020 EUR thousand
from extension and termination options	3,057	4,061
from low-value lease assets	289	313
Total	3,346	4,374

As in the previous year, USU was not involved in any leases as the lessor as of December 31, 2021.

The acquisition cost of the right of use is determined based on the amount of the lease liability at the time of its addition. This is to be increased by payments that were initially incurred to conclude the lease, that were spent on the installation of the leased asset, and that may be incurred for its future dismantling. The asset is measured at amortized cost using the cost model and reduced on the basis of amortization.

It is presented in the consolidated statement of profit or loss as a financing transaction, the right of use is amortized and the lease liabilities are measured using the effective interest method. The lease repayments are shown in cash flow from financing activities. Payments for interest on the lease liability are included in interest paid. Payments in the context of short-term leases, payments for low-value leases and variable lease payments, not included in the measurement of the lease liability, are shown in cash flow from operating activities.

7.16 Sales

The Group generates royalty income from licenses to software products issued to consumers, consulting services and software maintenance.

Revenue from software licenses is realized when the software has been supplied, the sales price has been fixed or is determinable, collection is reasonably assured and an agreement can be demonstrated. Revenues allocated to professional services are recognized upon performance of the service. The revenue attributable to maintenance services is spread over the term of the service contract on a straight-line basis.

The Group offers its customers combinations of its services, either within the framework of a single contract (combination contract, license, and maintenance) or in a

number of separate contracts (a bundle of license, maintenance, and consulting). Contracts are combined when they are entered into at or near the same time and are interrelated (e.g. negotiated with an overall commercial objective, the consideration to be paid in one contract depends on the performance of the other contract, products in different contracts are a single performance obligation).

If the bundle of contracts or the combination contract does not constitute a combined contract as defined by IFRS 15, the Group recognizes the revenue resulting from these contract at the selling prices of the individual services. The individual prices are determined on the basis of the price that would be demanded if the good or service were sold separately.

Revenue from maintenance services is generally recognized over time, i.e. during the period of the maintenance. For maintenance work, the customary price is determined from the rates charged to prolong maintenance contracts by the same term and, if these are not available, on the price list approved by the Management Board of the Group. In those cases where the price of the consulting services or maintenance work to be performed in the bundle of contracts lies below the customary price, the difference to the customary prices for the consulting services or maintenance work is separated from the recognized royalty income and realized over the period in which the consulting services or maintenance work is rendered.

In cases where license fee payments are contingent on the performance of consulting services that constitute a major modification or extension of the functionality of the software, the revenue for the software license and the consulting is recognized over the period in which the necessary functionality of the software is created. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract. Expenses for subsequent modifications by customers are shown under unbilled work in progress provided their realization is likely and their amount can be reliably estimated.

Cloud revenue is recognized over the period in which the services are performed. If the performance obligation takes the form of the granting of a right to continuous access to and usage of a cloud service for a defined period of time, the revenue is recognized on the basis of the time elapsed, i.e. on a pro rata basis over this period.

Revenue recognition over time is based on estimates. Due to the associated uncertainties it is possible that estimates of the costs to complete the contract need to be subsequently adjusted. Such adjustments of income and expenses are presented in the period in which a need for adjustment is identified.

7.17 Cost of sales

The cost of sales includes all costs that can be directly or indirectly allocated to revenue. In particular, this includes wages and salaries and any fees and royalties paid for third-party licenses.

7.18 Research and development expenses

Research and development expenses are incurred by the Group in connection with the (ongoing) development of its software. In accordance with IAS 38, research expenses are not capitalized while development costs must be recognized if all the specific criteria for recognition are met. The recognition of software development costs begins when the software becomes technically feasible and ends when the software version is launched on the market. The Group defines technical feasibility as the production of a corresponding working model. In view of the short time span between technical feasibility and the date on which the software is launched on the market, development costs are not capitalized as any such costs are immaterial. Accordingly, the Group recognized all its research and development expenditure for the period under review (2021: EUR 16,686 thousand, 2020: EUR 15,428 thousand).

C. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8. Intangible assets

Information on the development of intangible assets can be found in the consolidated statement of changes in non-current assets (see Annexes 3A and 3B). Annexes 3A and 3B are integral parts of the notes to the consolidated financial statements.

Intangible assets include customer lists of EUR 663 thousand (2020: EUR 920 thousand), trademarks and brands

of EUR 531 thousand (2020: EUR 531 thousand) and software of EUR 1,839 thousand (2020: EUR 2,193 thousand).

The carrying amount of the customer list includes contractual customer relationships identified on the acquisition of various subsidiaries. The remaining useful lives are between zero and seven years.

Software of EUR 1,837 thousand includes inventories of EUR 1,398 thousand (2020: EUR 1,660 thousand) attributable to the USU SAS cash-generating unit. The estimated remaining useful life is five years.

Intangible assets include trademarks and brands of EUR 531 thousand that can be allocated to the CGUs as follows:

CGU	2021 EUR thousand	2020 EUR thousand
USU GmbH/Omega (Product Business)	446	446
USU GmbH (Service Business)	85	85
	531	531

Impairment losses of EUR 1,480 thousand were recognized on trademarks and brands in the context of the "One USU" strategic project launched in the previous year, as a result of which the Group now trades under the uniform "USU" brand names. This impairment was recognized in profit or loss under sales and marketing expenses in the previous year. No impairment losses were required to be recognized in fiscal 2021.

From a commercial perspective, the end of the useful life of these USU brands cannot be determined at present.

As the trademarks and brands are included in the carrying amounts of the Group's CGUs, the required annual impairment test is covered as part of goodwill impairment testing. Further information can be found in note 9.

The trademarks and brands relate to both the Product Business and the Service Business segments (information on segment reporting can be found in section F of these notes to the consolidated financial statements).

9. Goodwill

Goodwill exclusively contains amounts from acquisition accounting. Goodwill is tested for impairment by comparing the carrying amounts of a given CGU, including the relevant goodwill, with the higher of its value in use and its fair value less costs to sell.

The Group's goodwill results from the acquisitions of USU GmbH, Omega, USU Solutions, USU Technologies, and USU SAS.

As the operating business of USU GmbH and Omega largely overlap, Omega has been integrated into the USU GmbH (Product Business) CGU. The Group thus comprises the cash-generating units USU Technologies, USU Solutions, USU GmbH – Product Business, USU GmbH – Service Business, and USU SAS.

The fair value less costs to sell of a CGU is determined on the basis of the present value of the future cash flow. That value is calculated using a level 3 discounted cash flow method in accordance with IAS 36.134e in conjunction with IFRS 13, in which the expected payments from the CGU are discounted. These are based on the financial planning for the next fiscal year as approved by the Supervisory Board and the medium-term planning derived from it. The financial planning and medium-term planning cover a total period of four years.

Detailed financial planning is derived from the revenue forecast by the Group's management and the resulting cash inflows. Forecast revenue defines the necessary consultant capacity and the associated cash outflows. These figures are based on past experience and external market data. Payments associated with fixed costs are extrapolated on the basis of past experience. The most significant value drivers in planning are projected revenue and the EBIT margin calculated on this basis. The EBIT margin is determined in particular by projected licensing revenue for internally generated software products. The EBIT margin also takes future wage and salary increases and rising costs for freelance workers into account.

The pretax cost of debt ranges from 1.41% to 1.64%. A market risk premium of 7% is applied. The unindebted beta factor ranges from 0.62% to 0.91%.

The specific cost of capital per CGU was calculated. Two different peer groups were used. The same peer group was used for the USU Technologies (formerly Aspera), USU Service Business, USU Product Business, and USU Solutions (formerly LeuTek) cash-generating units. A separate peer group was used for USU SAS.

CGU	Post-tax WACC		Pre-tax WACC	
	2021	2020	2021	2020
USU Product Business	6.37%	5.75%	9.13%	8.24%
USU Service Business	6.37%	5.75%	9.13%	8.24%
USU Technologies	6.37%	5.75%	9.13%	8.24%
USU Solutions	6.37%	5.75%	9.13%	8.24%
USU SAS	4.91%	6.52%	6.84%	9.08%

Pre-tax WACC was calculated using the grossing up method.

Planning is based on the following growth rates for revenue:

	2022	2023	2024	2025
USU GmbH/Omega (Product Business)	18.16%	13.68%	10.89%	9.78%
USU GmbH (Service Business)	3.01%	9.82%	8.01%	7.85%
USU Solutions (Product Business)	6.70%	3.46%	3.19%	8.06%
USU Technologies (Product Business)	16.61%	10.99%	12.61%	12.79%
USU SAS (Product Business)	31.67%	28.59%	22.82%	19.96%

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 0.1% (2020: 0.1%).

The respective discount rates are composed of a risk-free basic rate and a market risk premium weighted to reflect the risk structure of the Group and the respective CGU.

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

CGU	2021 EUR thousand	2020 EUR thousand
USU GmbH/Omega (Product Business)	14,233	14,233
USU GmbH (Service Business)	4,019	4,019
USU Solutions (Product Business)	10,448	10,448
USU Technologies (Product Business)	7,773	7,773
USU SAS (Product Business)	3,919	3,919
	40,392	40,392

In the annual impairment tests, no impairment requirement was found for any of the CGUs. The carrying amounts of the CGUs were lower than the recoverable amounts, so that no impairment was to be recognized on goodwill.

The changes in goodwill for each reporting unit in fiscal 2020 and fiscal 2021 are shown in the following table.

EUR thousand	Product Business	Service Business	Group
As of January 1, 2020	36,372	4,019	40,392
Change in 2020	0	0	0
As of December 31, 2020	36,372	4,019	40,392
Change in 2021	0	0	0
As of December 31, 2021	36,372	4,019	40,392

The following table shows the sensitivity of goodwill impairment to certain underlying assumptions:

Additional goodwill in impairment at	Increase in capitalization rate of 1 percentage point	Increase in capitalization rate of 1.1 percentage points
USU GmbH/Omega (Product Business)	0	0
USU GmbH (Service Business)	0	0
USU Solutions (Product Business)	0	0
USU Technologies (Product Business)	0	0
USU SAS (Product Business)	0	0

An increase in the capitalization rate of 1% or 1.1% or a reduction in the future cash flows (after taxes) of 10% would not result in an impairment loss in any of the CGUs.

10. Property, plant and equipment

Depreciation of property, plant and equipment amounted to EUR 1,196 thousand in fiscal 2021 (2020: EUR 1,128 thousand). There are no restrictions on the Group's rights of disposal over its property, plant and equipment, nor have any such items been assigned as collateral.

Information on the composition of property, plant and equipment can be found in the consolidated statement of changes in non-current assets (see Annexes 3A and 3B).

11. Right-of-use assets

Leases for buildings and motor vehicles will continue to be entered into in the future. However, the form and scope of the leases will remain largely constant.

	Land and buildings EUR thousand	Software EUR thousand	Other equipment, operating and office equipment EUR thousand	Total EUR thousand
Amortized Cost as of Jan 1, 2021	17,593	575	2,192	20,360
Additions	2,377	0	962	3,339
Disposals	-231	-575	-557	-1,363
Currency differences	49	0	0	49
As of Dec. 31, 2021	19,788	0	2,597	22,385

	Land and buildings EUR thousand	Software EUR thousand	Other equipment, operating and office equipment EUR thousand	Total EUR thousand
Cumulative depreciation and amortization As of Jan 1, 2021	-2,553	-575	-952	-4,080
Additions	-2,051	0	-850	-2,901
Disposals	126	575	510	1,211
Currency differences	-31	0	0	-31
As of Dec. 31, 2021	-4,508	0	-1,292	-5,801
Carrying amount as of Dec 31, 2021	15,279	0	1,305	16,584

12. Financial assets

The capitalized values of insurance policies under which the beneficiaries have no access to the insurance are reported in other financial assets; they totaled EUR 686 thousand (2020: EUR 780 thousand).

13. Inventories

Inventories in the amount of EUR 374 thousand (2020: EUR 351 thousand) essentially relate to software licenses from third-party providers and IT hardware. As there were no inventory risks at the end of the reporting period, no write-downs were necessary.

14. Contract assets

The following table provides an overview of total unbilled services and the associated billings as of December 31, 2021 and December 31, 2020:

	2021 EUR thousand	2020 EUR thousand
Contract costs plus unbilled contract earnings	8,898	7,613
of which from service contracts	5,323	5,187
of which from construction contracts	3,575	2,426
less amounts received from progress billings	-5,592	-4,056
Deferred tax assets (net)	3,307	3,557
of which: unbilled work in progress	4,962	4,606
of which: liabilities from advance payments	-1,655	-1,049

The methods for calculating impairment losses are described in section "7.4 Financial assets". No impairment was required on contract assets in the past fiscal year or the previous year. Revenue of EUR 3,705 thousand was recognized from contract liabilities carried as liabilities in the previous year (2020: EUR 4,395 thousand).

15. Trade receivables

Trade receivables are typically non-interest-bearing and short-term in nature. Receivables are classified in past due categories with each receivable being assessed individually.

Write-downs on receivables take place in line with the following classification:

Maturity	Valuation allowance:
not due	0 %
past due up to 30 days	0 %
past due more than 30 days	25 %
past due more than 90 days	50 %
past due more than 180 days	75 %
past due more than 360 days	100 %

For receivables past due for which no impairment has been recognized, there are no indications that the respective debtors will default on their payment obligations.

There were no receivables whose due date was renegotiated and for which impairment would otherwise have been recognized either at the end of the reporting period or in the previous year.

The maturity bands of the trade receivables and the impairment loss recognized for "expected credit losses" are broken down as follows:

	2021 EUR thousand	2020 EUR thousand
Trade receivables (gross)	15,465	17,172
Impairment loss as of January 1, 2021	-448	-335
Amounts utilized in the fiscal year	0	0
Charge for the year	-257	0
Reversals	60	-112
Impairment loss as of December 31, 2021 (loss allowance in accordance with IFRS 9)	-645	-448
	14,820	16,725

As of December 31, 2021, trade receivables with a nominal value of EUR 1,397 thousand were impaired (2020: EUR 1,167 thousand). Of this figure, EUR 374 thousand was up to 90 days past due, EUR 745 thousand was more than 90 days past due and EUR 278 thousand was more than 360 days past due.

16. Income tax receivables

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

17. Financial assets

Financial assets include receivables in connection with research funds of EUR 306 thousand (2020: EUR 332 thousand).

18. Prepaid expenses

Prepaid expenses essentially contain prepaid trade fair costs and expenses relating to maintenance agreements.

19. Cash on hand and bank balances

This item is broken down as follows:

	2021 EUR thousand	2020 EUR thousand
Fixed-term overnight money	17,355	8,543
Demand deposits	6,919	9,975
Cash on hand	12	16
	24,286	18,534

20. Equity

The development of equity is shown in the consolidated statement of changes in equity in Annex 5.

20.1 Share capital and shares

As in the previous year, the fully paid-up issued capital of the Company totaled EUR 10,524 thousand as of December 31, 2021. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

20.2 Authorized capital

By resolution of the Annual General Meeting of July 4, 2017, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,630,942.00 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 3, 2022 (Authorized Capital 2017). Shareholders must be granted preemption rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights for fractional amounts and, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' pre-emption rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares does not exceed 10% – either on the date on which this authoriza-

tion is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 of the Aktiengesetz (AktG – German Stock Corporation Act). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2017 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG, and by the pro rata amount of the share capital that relates to option and/or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2017 in analogous application of section 186 (3) sentence 4 AktG.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' pre-emption rights in the case of non-cash capital increases, particularly in connection with the acquisition of participations, companies, parts of companies, or assets – including for exchanging shares – and in the case of mergers.

The shares may also be acquired by one or more banks or a company operating in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the Kreditwesengesetz (KWG – German Banking Act) with the obligation to offer them to share-holders for subscription.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from Authorized Capital 2017, including the further content of the share rights and the conditions for issuing shares.

20.3 Contingent capital

By way of resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The sole purpose of the contingent capital increase is to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2021.

20.4 Capital reserves

Capital reserves essentially contain the cash premium from the issue of shares by USU Software AG and were unchanged at EUR 52,792 thousand as of the end of the reporting period.

20.5 Other retained earnings

Details of the composition of retained earnings can be found in the consolidated statement of changes in equity in Annex 5 and the consolidated statement of comprehensive income in Annex 2.

20.6 Earnings per share

In accordance with IAS 33, basic and diluted (due to the lack of dilutive effect) earnings per share for the individual periods are calculated by dividing the Group's net profit for the period by the annual average number of shares outstanding.

	2021	2020
Consolidated earnings attributable to the shareholders of USU Software AG in EUR thousand	6,758	5,484
Average number of shares during the year: Number	10,523,770	10,523,770
Basic and diluted earnings per share: in EUR	0.64	0.52

The number of shares outstanding at the respective reporting dates is calculated as follows:

	2021 Number	2020 Number
Number of shares as of January 1	10,523,770	10,523,770
Number of shares as of December 31	10,523,770	10,523,770

20.7 Appropriation of net profit

The resolution on the utilization of USU Software AG's unappropriated surplus in fiscal 2020 was adopted at the Annual General Meeting on July 6, 2021. The Annual General Meeting approved the proposal of the Management Board and Supervisory Board to distribute a dividend of EUR 0.40 for the 10,523,770 participating shares (EUR 4,209 thousand).

For fiscal 2021, the Management Board is proposing to distribute a dividend of EUR 0.50 per share for a total of 10,523,770 no-par value shares (EUR 5,262 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2021.

20.8 Other comprehensive income

The currency translation reserve of EUR 414 thousand at the reporting date (2020: EUR 322 thousand) primarily relates to currency translation differences in connection with USU Solutions Inc., USA. The change is reported in the statement of comprehensive income under currency translation differences.

EUR thousand	As of Jan 1, 2020	Other comprehensive income	As of Dec 31, 2020
Pensions	-116	-33	-149
- deferred taxes	0	0	0
Currency translation differences	1	321	322
- deferred taxes	0	0	0
Total	-115	288	173

EUR thousand	As of Jan 1, 2021	Other comprehensive income	As of Dec 31, 2021
Pensions	-149	46	-103
- deferred taxes	0	-13	-13
Currency translation differences	322	92	414
- deferred taxes	0	0	0
Total	173	125	298

21. Pension provisions

Pension commitments exist only for employees of USU Solutions, providing for a one-time payment to the beneficiaries when they reach the age of 65, and for all senior employees of USU SAS, who are to receive a one-time payment when they reach the age of 62.

The pension provisions of USU Solutions are calculated using the projected unit credit method. The future obligations were measured using actuarial calculations. In Germany, the 2018 G mortality tables published by Prof. Klaus Heubeck are applied. The method of calculation used by USU SAS is the retrospective pro rata temporis method with reference to the "INSEE 2012-2014 regulation table prov." mortality tables.

The basis of calculation is shown in the following table:

	USU Solutions GmbH		USU SAS	
	2021	2020	2021	2020
Discount rate	1.30%	0.75%	0.90%	0.34%
Subsequent contributions	0.00%	1.60%	2.00%	2.00%
Pension trend	0.00%	0.00%	0.00%	0.00%
Probability of fluctuation	0.00%	0.00%	strong: 10%	strong: 10%
Duration in years	6.5 years	7.7 years	6.5 years	7.7 years

As of December 31, 2021, the Company recognized actuarial gains netted against actuarial losses of EUR 268 thousand (before taxes) in equity.

The Company's policy is to invest amounts with insurance companies to cover the actuarial present value of its pension obligation. Insofar as they were pledged to the beneficiaries, insurance policies were classified as qualifying plan assets.

The following tables show the development of the pension obligation and plan assets.

Development of the pension obligation:

	2021 EUR thousand	2020 EUR thousand
Present value of benefit obligation at the start of the fiscal year	1,636	1,521
Current service cost	61	63
Interest cost	11	15
Actuarial gains/losses in other comprehensive income from		
- demographic assumptions	0	0
- financial assumptions	-54	33
- experience adjustments	15	3
Transfer of pension obligations	0	0
Present value of benefit obligation at the end of the fiscal year	1,669	1,636

Development of plan assets:

	2021 EUR thousand	2020 EUR thousand
Fair value of plan assets at the start of the year under review	320	312
Income from plan assets (interest income)	2	8
Payments to/from plan assets	0	0
Amortization of plan assets	0	0
Actuarial gains/losses in other comprehensive income	7	0
Fair value of plan assets at the end of the year under review	329	320

Development of the obligation reported in the statement of financial position:

	2021 EUR thousand	2020 EUR thousand
Present value of pension obligation	1,669	1,636
Fair value of plan assets	329	320
Obligation reported in the statement of financial position	1,340	1,316

There were no significant adjustments to the pension obligation or the plan assets to reflect past experience. Employer contributions to plan assets for fiscal 2022 are estimated at EUR 9 thousand.

The following amounts were recognized in the statement of profit or loss:

	2021 EUR thousand	2020 EUR thousand
Current service cost	-61	-63
Interest cost	-40	-15
Income from plan assets (interest income)	2	8
Amortization of plan assets	-7	0
	-106	-70

The interest cost arising from the discounting of the pension provision and the income from plan assets are recognized in net financial income. Current service cost is reported in operating expenses.

Sensitivity analysis:

With other assumptions remaining constant, changes in one of the major actuarial assumptions that were considered reasonably possible at the end of the reporting period would have influenced the defined benefit obligation by the following amounts.

December 31, 2021	Increase in defined benefit obligation	Reduction in defined benefit obligation
Effect in EUR thousand	EUR thousand	EUR thousand
Discount rate (1% change)	50	-47

Although the analysis does not consider the full distribution of the planned cash flows, it provides an approximation of the sensitivity of the assumptions presented.

The weighted average duration of the pension obligation was around 6.5 years as of December 31, 2021.

On the basis of coverage from insurance policies, the following net pension payments are forecast for the next ten years for the defined pension commitments existing as of the end of the reporting period:

Fiscal year as of Dec 31	Expected payments EUR thousand
2022–2026	351
2027–2031	614

A pension commitment has been entered into for the Management Board members of the Group subsidiary USU GmbH. This pension commitment is covered by an insurance policy. This defined contribution plan does not result in any liability for the Group beyond the premiums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 28 thousand in the year under review (2020: EUR 28 thousand).

In addition, the German statutory pension scheme is considered to represent a defined contribution plan. The expenses recognized for the statutory pension scheme amounted to EUR 3,461 thousand (2020: EUR 3,261 thousand), of which EUR 18 thousand related to Management Board members (2020: EUR 17 thousand).

22. Lease liabilities

As of the end of the reporting period, there were non-current lease liabilities of EUR 14,141 thousand (2020: EUR 14,036 thousand) and current lease liabilities of EUR 2,680 thousand (2020: EUR 2,396 thousand) with a remaining term of up to one year.

Concluded leases whose inception is after December 31, 2021, and any contract extensions are recognized only as of the date of contract inception or when the option is exercised. Future cash outflows of EUR 3,057 thousand may arise due to extension options (2020: EUR 4,061 thousand). A cash outflow of EUR 289 thousand from short-term and low-value leases is still anticipated for fiscal 2022 (2020: EUR 313 thousand).

Total lease payments amounted to EUR 2,816 thousand in 2021 (2020: EUR 2,840 thousand).

23. Income tax liabilities

Income tax liabilities of EUR 635 thousand (2020: EUR 347 thousand) result primarily from corporation tax and the solidarity surcharge of EUR 359 thousand (2020: EUR 150 thousand) and from trade tax for USU Software AG of EUR 274 thousand (2020: EUR 196 thousand).

24. Financial liabilities

In the previous year, USU Solutions Inc. had liabilities to banks in the amount of EUR 733 thousand. In fiscal 2021, the eligibility criteria were met and the government awarded a grant in the form of a loan waiver that is reported in personnel expenses. The grant was provided by the US Small Business Administration as assistance for the effects of the coronavirus pandemic.

The current financial liabilities of EUR 837 thousand reported in the previous year no longer exist.

25. Personnel-related liabilities

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

	2021 EUR thousand	2020 EUR thousand
Vacation and variable compensation	8,613	8,013
Other personnel-related liabilities	1,425	1,525
	10,038	9,538

	As of Jan 1, 2021 EUR thousand	Utilization EUR thousand	Reversals EUR thousand	Additions EUR thousand	As of Dec 31, 2021 EUR thousand
Vacation and variable compensation	8,013	5,713	1,075	7,389	8,613
	8,013	5,713	1,075	7,389	8,613

26. Other provisions and liabilities

Other provisions and liabilities include the following items:

	2021 EUR thousand	2020 EUR thousand
Other liabilities	1,977	2,206
Other provisions	925	856
	2,902	3,062

	As of Jan 1, 2021 EUR thousand	Utilization EUR thousand	Reversals EUR thousand	Additions EUR thousand	As of Dec 31, 2021 EUR thousand
Other provisions	855	460	2	532	925
	855	460	2	532	925

Other provisions essentially comprise provisions for obligations under company law and other identifiable individual risks from projects with a term of no longer than one year. Other liabilities essentially comprise VAT liabilities.

27. Liabilities from advances received (contract liabilities)

The item firstly relates to advances that exceed the services rendered for the individual contracts in question. Further information in this regard can be found in the disclosures on unbilled work in progress (note 14). Secondly, advances received for licenses ordered are also included in this item.

28. Trade payables

All trade payables are due within one year. The figure for the year under review includes liabilities for outstanding invoices received in the amount of EUR 984 thousand (2020: EUR 1,076 thousand).

29. Financial instruments

The following tables show the relationships between the categories of financial instruments prescribed by IFRS 9, the classification of financial instruments in accordance with IFRS 7, and the carrying amounts of financial instruments. At the Company, classification in accordance with IFRS 7 corresponds to the categories of financial instruments prescribed by IFRS 9. The fair values are also shown; at the Company, these were the same as the

corresponding carrying amounts in both the year under review and the previous year.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy must be established with three levels of measurement based on whether the fair value of financial instruments was determined by reference to quoted prices in active markets (level 1), derived from quoted prices in active markets (level 2) or derived from unobservable inputs (level 3).

in EUR thousand as of December 31, 2021	IFRS 9 category/ bzw. IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair Value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Work in process	IFRS 15	4,962	4,962	0	0	4,962
Trade receivables	Amort. cost	14,820	14,820	0	0	14,820
Financial assets (current)	Amort. cost	599	599	0	0	599
Cash on hand and bank	Amort. cost	24,286	24,286	0	0	24,286
Aggregated by class/category						
Loans and receivables	Amort. cost	39,705	39,705	0	0	39,705
Work in progress	IFRS 15	4,962	4,962	0	0	4,962

in EUR thousand as of December 31, 2021	IFRS 9 category/ bzw. IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair Value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort. cost ¹⁾	4,455	4,455	0	0	4,455
Liabilities from leases advance payments	Amort. cost/ IFRS 15	3,178	3,178	0	0	3,178
Liabilities from leases	Amort. cost/ IFRS 16	16,821	16,821	0	0	16,821
Aggregated by class/category						
Measured at amortized cost	Amort. cost/ IFRS 15+16	24,454	24,454	0	0	24,454

¹⁾ Amort cost: Amortized cost

in EUR thousand as of December 31, 2020	IFRS 9 category/ bzw. IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair Value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Work in process	IFRS 15	4,606	4,606	0	0	4,606
Trade receivables	Amort. cost	16,725	16,725	0	0	16,725
Financial assets (current)	Amort. cost	570	570	0	0	570
Cash on hand and bank	Amort. cost	18,534	18,534	0	0	18,534
Aggregated by class/category						
Loans and receivables	Amort. cost	35,829	35,829	0	0	35,829
Work in progress	IFRS 15	4,606	4,606	0	0	4,606

in EUR thousand as of December 31, 2020	IFRS 9 category/ bzw. IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair Value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort. cost	4,171	4,171	0	0	4,171
Liabilities from leases advance payments	Amort. cost/ IFRS 15	5,057	5,057	0	0	5,057
Liabilities from leases	IFRS 16	16,432	16,432	0	0	16,432
Aggregated by class/category						
Measured at amortized cost	Amort. cost/ IFRS 15+16	25,660	25,660	0	0	25,660

Cash on hand and bank balances, unbilled work in progress, trade receivables and other receivables typically have short remaining terms. Their carrying amounts as of the end of the reporting period therefore approximately

match their fair value. The same applies to trade payables and other liabilities.

The following table shows the net income from financial instruments broken down by IFRS 9 category:

in EUR thousand	from subsequent valuation							net profit/loss	
	from interest	at fair Value	Impair- ment	Rever- sal of Impair- ment	accu- mulation	from currency transla- tion	from dispos- als	2021	2020
Net gains or losses from financial instruments categorized as									
Amortized cost	1	0	0	24	0	148	74	247	-124
Financial liabilities at amortized cost	104	0	0	0	0	0	0	104	86
Total	105	0	0	24	0	148	74	351	-38

The interest from financial instruments and the other components of the net profit are recognized in net financial income (see notes 39 and 40). This does not include impairment on trade receivables, which are reported under selling expenses.

As in the previous fiscal year, income and expenditure from fees and commission were not material in the year under review.

The following table provides an overview of the impairment for each class of financial asset:

	2021 EUR thousand	2020 EUR thousand
Impairment recognized in the category		
Amortized cost	196	102

30. Deferred income

Deferred income relates to income from maintenance and service agreements for software invoiced in the period under review.

31. Deferred taxes

Given the positive business development in previous years and the growth in earnings forecast for the period from 2022 to 2026, deferred tax assets are recognized at USU Software AG for tax loss carryforwards of the consolidated tax group in the amount of the forecast future results. The amount recognized was determined on the basis of the forecast results of USU Software AG approved by the Supervisory Board for a five-year planning period. Deferred tax liabilities are offset against deferred tax assets at the level of the consolidated tax group.

Deferred tax assets and liabilities result from the following items of the statement of financial position:

	2021 EUR thousand	2020 EUR thousand	Change recognized in profit or loss 2021 EUR thousand	Change taken directly to equity 2021 EUR thousand
Deferred tax assets:				
Liabilities IFRS 16	4,676	4,639	37	
Provisions	302	182	133	-13
Prepaid expenses	0	0	0	
Intangible assets	52	207	-155	
Property, plant and equipment	0	0	0	
Other assets	0	315	-315	
From loss carryforwards	4,860	6,977	-2,117	
Deferred tax assets (gross)	9,890	12,320	-2,417	-13
Less netting	-5,030	-5,343		
Deferred tax assets (net)	4,860	6,977		
Deferred tax liabilities:				
Undistributed profits	0	337	337	
Provisions	0	0	0	
Intangible assets	828	994	166	
Right-of-use assets IFRS 16	4,607	4,593	-14	
Work in progress	508	647	139	
Other	11	112	101	
Deferred tax liabilities (gross)	5,954	6,682	729	0
Less netting	-5,030	-5,343		
Deferred tax liabilities (net)	924	1,339	-1,689	
Deferred tax assets (net)	3,936	5,638	-1,689	-13
After netting:				
Deferred tax assets	4,860	6,977		
Deferred tax liabilities	924	1,339		

As of December 31, 2021, deferred tax assets on tax loss carryforwards in Germany of approximately EUR 1,433 thousand (2020: EUR 1,433 thousand) were not recognized as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized on foreign tax loss carryforwards totaling approximately EUR 10,960 thousand (2020: approximately EUR 9,128 thousand). Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

D. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

32. Sales

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

Revenue from the sale of goods and services breaks down as follows:

	2021 EUR thousand	2020 EUR thousand
Consulting	63,682	60,175
Licenses	11,957	12,927
Maintenance	34,525	32,491
Other	1,740	1,734
	111,904	107,327

Revenues from contracts with customers break down as follows in terms of their recognition in time:

	2021 EUR thousand	2020 EUR thousand
Transfer of goods or services		
At a specific date	71,903	66,320
Over a specific period	40,001	41,007
	111,904	107,327

EUR 34,525 thousand (2020: EUR 32,491 thousand) of sales recognized over a specific period is attributable to maintenance and SaaS sales.

The cost of sales includes the following amounts:

	2021 EUR thousand	2020 EUR thousand
Included in contract liabilities at the beginning of the fiscal year	852	1,329
From performance obligations complied in previous fiscal years	0	0
Total	852	1,329

33. Cost of sales

The cost of sales includes the following expenses:

	2021 EUR thousand	2020 EUR thousand
Personnel expenses	27,278	25,391
Fees for freelance staff and temporary workers	20,880	17,857
Depreciation and amortization	1,664	1,707
Other expenses	5,904	5,862
	55,726	50,817

34. Selling and marketing expenses

Selling and marketing expenses include the following expenses:

	2021 EUR thousand	2020 EUR thousand
Personnel expenses	13,861	12,865
Depreciation and amortization	820	2,321
Other expenses	5,860	5,212
	20,541	20,398

35. General and administrative expenses

General and administrative expenses include the following expenses:

	2021 EUR thousand	2020 EUR thousand
Personnel expenses	5,948	9,266
Depreciation and amortization	1,184	1,322
Other expenses	3,110	3,711
	10,242	14,299

36. Research and development expenses

Research and development expenses include the following expenses:

	2021 EUR thousand	2020 EUR thousand
Personnel expenses	14,260	12,570
Depreciation and amortization	1,057	1,005
Other expenses	1,369	1,852
	16,686	15,427

37. Other operating income

Other operating income primarily includes the following items:

	2021 EUR thousand	2020 EUR thousand
Research funds in the form of government grants	857	858
Income from the reversal of provisions	153	30
Income from currency translation differences	37	143
	1,047	1,031

Government grants were grants for income received in line with subsidized expenses. The grants have been recognized under other operating income. Receivables from grants for income are reported under current financial assets. There are no unfulfilled conditions or other contingencies.

38. Other operating expenses

This item includes the VAT from non-cash benefits amounting to EUR 189 thousand (2020: EUR 158 thousand). It also includes expenses resulting from exchange rate differences of EUR 290 thousand (2020: EUR 244 thousand).

Other operating expenses include expenses in connection with short-term leases of EUR 195 thousand (2020: EUR 207 thousand) and expenses for leases for low-value assets that are not included in short-term leases of EUR 94 thousand (2020: EUR 106 thousand).

39. Finance income

Financial income includes the following items:

	2021 EUR thousand	2020 EUR thousand
Interest income	7	22
Income from currency differences in bank balances	148	5
Other	29	23
Finance income	184	50

40. Finance income

Financial costs include the following expenses:

	2021 EUR thousand	2020 EUR thousand
Cost of currency differences in bank balances	0	162
Other	119	110
Finance expenses	119	272

Other finance expenses include interest expenses for lease liabilities of EUR 104 thousand (2020: EUR 86 thousand).

41. Income taxes

Income taxes are composed as follows:

	2021 EUR thousand	2020 EUR thousand
Income taxes for the fiscal year	-1,293	-1,054
Income taxes for previous years	10	21
Deferred taxes	-1,689	-282
Tax expenditure (-)/ tax income (+)	-2,972	-1,315

In fiscal 2021, the Company's income was again subject to a corporate income tax rate of 15%, plus a solidarity surcharge of 5.5% on corporate income tax, and an effective trade tax rate of 12.8%. The total tax rate including solidarity surcharge and effective trade tax was 28.6%. The tax rate for the consolidated tax group was 30.0%.

Deferred taxes on intercompany profits are calculated on the basis of the applicable current or future tax rate.

The following table shows a reconciliation of tax income/expense based on the theoretical tax rate of the parent company:

	2021 EUR thousand	2020 EUR thousand
Profit before income taxes	9,730	6,799
Theoretical tax expense (28.6%) (2020: 28.6%)	-2,783	-1,945
Changes in the theoretical tax expense due to:		
Use of tax loss carryforwards/use of loss carryforwards not previously capitalized	614	814
Allowance/non-recognition of deferred tax assets	-422	-32
Tax back payments/refunds for prior periods	10	22
Tax-exempt income/non-deductible expenses	-296	-117
Deviation of tax rates from the Group's tax rate	-95	-57
Tax expenditure (-)/ tax income (+)	-2,972	-1,315

42. Other disclosures on the statement of profit or loss

The average number of employees (quarterly average) in the fiscal year was:

	2021 EUR thousand	2020 EUR thousand
Consulting and services	306	313
Research and development	214	206
Administration and finance	106	102
Sales and marketing	117	108
	743	729

Staff costs break down as follows:

	2021 EUR thousand	2020 EUR thousand
Salaries	52,162	50,610
Social security, pensions and other benefit costs	9,184	9,482
	61,346	60,092

Depreciation and amortization expense can be broken down as follows:

	2021 EUR thousand	2020 EUR thousand
Amortization of intangible assets	629	870
Depreciation of property, plant and equipment	1,196	1,128
Amortization on rights of use IFRS 16	2,901	2,877
Goodwill impairment	0	0
Amortization of trademarks and brands	0	1,480
	4,726	6,355

Amortization of intangible assets includes the amortization of intangible assets recognized in connection with company acquisitions of EUR 519 thousand (2020: EUR 742 thousand).

E. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows the changes in the Group's cash in the year under review as a result of cash inflows and outflows. The effects of acquisitions and other changes in the consolidated group are eliminated. When purchased subsidiaries are consolidated for the first time, only the actual cash flows are shown in the consolidated statement of cash flows. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities.

The cash and cash equivalents shown in the consolidated statement of cash flows correspond to the item "Cash on hand and bank balances" in the statement of financial position (see note 46). Investments in securities are made more with a view to generating a profit than for liquidity purposes, and are therefore not included in cash and cash equivalents.

Cash flows from investing and financing activities are calculated on the basis of the actual cash payments, whereas cash flows from operating activities are derived indirectly from the net profit for the period. This indirect calculation eliminates the effects contained in items of the statement of financial position due to currency translation and changes in the consolidated group. As a result, changes in the items concerned of the statement of financial position cannot always be derived from the consolidated statement of financial position.

Cash flow from operating activities is calculated using the indirect method. Non-cash earnings components are eliminated from consolidated earnings after taxes.

Interest income and expenses and the components of "Other net financial income" is allocated to operating activities.

Dividend payments are reported in cash flow from financing activities.

Tax payments are allocated to operating activities as a whole because it is not practical to allocate the payments to individual operations.

Interest paid/received and income taxes paid/refunded are reported in cash flow from operating activities using the direct method. In the first step, consolidated earnings are adjusted for the expenses and income reported in the consolidated statement of comprehensive income. Next, the interest paid/received and income taxes paid/refunded are reported separately.

43. Cash flow from operating activities

The USU Group generated cash flow from operating activities of EUR 13,346 thousand in fiscal 2021 (2020: EUR 17,736 thousand).

44. Cash flow from investing activities

Cash flow from investing activities totaled EUR -829 thousand in the 2021 reporting year after EUR -2,442 thousand in fiscal 2020.

Investments in property, plant and equipment and intangible assets totaled EUR 855 thousand (2020: EUR 2,449 thousand) and essentially relate to cash outflows for new and replacement investments in hardware and software and for investments in operating equipment.

45. Cash flow from financing activities

Cash flow from financing activities of EUR -7,025 thousand in the period under review related to the dividend distribution to USU Software AG shareholders in fiscal 2021 of EUR 4,209 thousand (EUR 0.40 per share for a total of 10,523,770 no-par value shares). Lease liabilities of EUR 2,816 thousand were paid.

46. Cash and cash equivalents

The following table shows the components of cash and cash equivalents.

	2021 EUR thousand	2020 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	17,355	8,543
Demand deposits	6,919	9,975
Cash on hand	12	16
	24,286	18,534

F. SEGMENT REPORTING

IFRS 8 requires the disclosure of information on the Group's business segments in accordance with the management approach. It also states that the reporting segments must be the same as those used for internal reporting.

USU operates in two business segments: Product Business and Service Business.

The product range of the **Product Business** segment includes those activities relating to USU's product portfolio in the markets for business service management and knowledge solutions. This includes products and services for areas such as:

- infrastructure management (efficient administration of IT assets, contracts and software licenses);
- service/change management (compliance with and formalization of IT service processes including procurement, support and maintenance);
- finance management (transparency, planning and budgeting in addition to charging of IT costs and services based on their origin);

- process management (monitoring, visualization and controlling of all systems and processes required for IT operation); and
- knowledge management for the optimization of knowledge-intensive business processes.

The **Service Business** segment comprises consulting services for IT projects and individual application development. The service portfolio covers a wide range of technical topics that are implemented using dedicated methods and proven process models. These include selected specialist areas, the inhouse implementation of IT projects and providing project support with qualified IT staff.

Unallocated activities essentially comprise the administrative expenses incurred by the parent company (Management Board, Finance, Legal, etc.), sales of goods to employees, the on-charging of liability insurance premiums to freelance staff, current financial instruments and bank balances.

Internal management and reporting are based on the IFRS accounting standards described in note 7. The Group measures the success of its segments based on the key performance indicator described in our internal management and reporting as "EBIT."

Segment EBIT is composed of the gross income from revenue, selling and marketing expenses, general and administrative expenses, research and development expenses, other operating expenses, goodwill impairment and other operating income and expenses.

As with the segment profit/loss, segment assets and segment liabilities are determined in accordance with the accounting standards used by the Group in the consolidated financial statements.

Segment assets comprise all assets except those from income taxes or certain financial instruments (including liquidity).

Segment liabilities comprise all liabilities except those from income taxes, pension liabilities and similar obligations or certain financial instruments (including financial liabilities).

The information on segment investments, depreciation and amortization in the following table includes intangible assets (including goodwill) and property, plant and equipment.

The following table provides a reconciliation of segment revenue and earnings to consolidated revenue and earnings.

EUR thousand	Product Business		Service Business		Total Segments		Unallocated		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	81,526	79,775	30,235	27,393	111,760	107,168	144	159	111,904	107,327
Earnings before net financial income and income tax (EBIT)	9,224	12,223	2,881	3,371	12,105	15,594	-2,439	-8,573	9,665	7,021
Finance income	33	27	3	1	36	28	148	22	184	50
Finance expenses	-89	-34	-29	-1	-118	-35	-1	-237	-119	-272
Income taxes	-505	-305	-288	-49	-793	-354	-2,179	-961	-2,972	-1,315
Consolidated net earnings	8,662	11,911	2,567	3,321	11,229	15,232	-4,471	-9,748	6,758	5,484
Segment assets/ Group assets	74,550	78,557	17,476	17,904	92,025	96,461	23,991	19,005	116,016	115,466
of which goodwill	36,373	36,373	4,019	4,019	40,392	40,392	0	0	40,392	40,392
Segment liabilities/ Group liabilities	37,608	40,249	9,338	8,819	46,946	49,068	4,627	4,628	51,573	53,696
Segment investments	523	1,540	277	550	800	2,091	55	359	855	2,450
Depreciation and amortization	3,202	4,267	1,387	1,154	4,589	5,421	137	934	4,726	6,355
Goodwill impairment	0	0	0	0	0	0	0	0	0	0
Employees at the reporting date (Dec, 31)	529	520	114	110	643	630	107	102	750	732

There was no intersegment revenue in fiscal 2021 or the previous year.

The geographic allocation of revenue is based on the country in which the respective customer is domiciled.

	2021		2020	
	EUR thousand	%	EUR thousand	%
Germany	84.575	75,58	78.771	73,39
Abroad	27.329	24,42	28.557	26,61
Total	111.904	100,00	107.328	100,00
Abroad:	2021		2020	
	EUR thousand	%	EUR thousand	%
- USA	10,324	37.78	12,465	43.65
- Swiss	4,344	15.89	4,497	15.75
- France	2,980	10.90	3,240	11.35
- Austria	2,578	9.43	2,496	8.74
- Other countries	7,103	25.99	5,859	20.52
Total	27,329	100.00	28,557	100.00

The Group has no transactions with external individual customers accounting for more than 10% of its revenue.

Investments outside Germany account for 17.84% of the consolidated total amount. Investments outside Germany essentially comprise the Group companies in the US, Czechia and France.

The following table shows the reconciliation of segment assets and liabilities to Group assets and liabilities:

	2021	2020
	EUR thousand	EUR thousand
Segment assets	92,025	96,461
Unallocated assets		
Cash on hand and bank	16,510	8,928
Right-of-use assets		
IFRS 16	1,225	1,205
Financial assets	0	455
Deferred taxes	4,860	6,977
Income tax receivables	0	122
Other assets	1,395	1,318
	23,991	19,005
Group assets	116,016	115,466

	2021	2020
	EUR thousand	EUR thousand
Segment liabilities	46,946	49,068
Unallocated liabilities		
Financial liabilities	1,647	1,071
Lease liability IFRS 16		
Non-current	162	182
Deferred taxes	414	734
Other income tax liabilities	0	287
Other liabilities	2,404	2,354
	4,627	4,628
Group liabilities	51,573	53,696

H. OTHER DISCLOSURES

47. Related party disclosures

In accordance with IAS 24, the related parties of USU Software AG are defined as persons or entities with the ability to control the Group or exercise significant influence over it, including members of the management and the Supervisory Board, and any persons or entities over which the Group has significant influence. Companies that are already included in consolidation are not considered related parties.

The senior management and the members of the Supervisory Board are considered as related parties within the meaning of IAS 24.9. In fiscal 2021, the business relationships described below existed between members of the Management Board and the Supervisory Board and the persons and entities not included in the consolidated financial statements.

The Management Board confirms that all the related party transactions described below were conducted under arm's length conditions.

48.1 Udo Strehl / AUSUM GmbH (AUSUM)

USU GmbH and USU Software AG reimbursed AUSUM for costs of EUR 67 thousand (2020: EUR 5 thousand) in fiscal 2021. In return, in 2021 USU GmbH invoiced AUSUM for pro rata vehicle costs of EUR 0 thousand (2020: EUR 8 thousand).

USU Software AG leased the Spitalhof administrative building and, since August 2020, the USU Campus in Möglingen from AUSUM GmbH. The total monthly rent

currently amounts to EUR 51 thousand (2020: EUR 51 thousand) plus ancillary costs. In the past fiscal year, USU Software AG was invoiced EUR 619 thousand (2020: EUR 462 thousand) for the rental of the buildings and parking spaces.

As of December 31, 2021, there were open items of EUR -31 thousand.

48.2 Karin Weiler-Strehl

USU GmbH engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, via AUSUM on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 29 thousand in fiscal 2021 (2020: EUR 32 thousand).

USU Software AG also leased an office in Münchinger Strasse, Möglingen, from Ms. Karin Weiler-Strehl. In the past fiscal year, rent of EUR 11 thousand (2020: EUR 10 thousand) was paid for this office.

As of December 31, 2021, there were no open items.

48.3 Stefan Merkel/Lysant GmbH (Lysant)

Through Stefan Merkel, USU commissioned Lysant to provide technical consulting and support in the areas of test management and design. Contracts amounting to EUR 276 thousand (2020: EUR 63 thousand) were awarded to Lysant in the year under review.

As of December 31, 2021, there were no open items.

48.4 Loans to shareholders

There were no claims under loan agreements as of December 31, 2021.

49. Auditor's fees

The total fee paid to the auditor of the consolidated financial statements in the year under review in accordance with section 314 (1) no. 9 HGB was composed as follows:

	2021 EUR thousand	2020 EUR thousand
Fee for		
- Auditing services	143	135
- Attention services	4	0
- <i>Workshop IDW PS951</i>	2	0
- <i>ISAE-Audit</i>	2	0
- Tax consulting	0	0
- Other services	8	8
- <i>Quarterly reviews</i>	8	8
Total	154	143

50. Other disclosures

Contingent liabilities

There were no reportable contingent liabilities as of December 31, 2020 or December 31, 2021.

51. Litigation, other contingent liabilities and events after the reporting period

Reporting date

In the course of its normal business operations, the Company may be subject to litigation, claims for damages, or court proceedings, including product liability issues and commercial disputes. The outcome of currently pending or future litigation cannot be predicted with reasonable assurance, hence future court decisions may result in expenses that are not fully covered by the insurance in place and that could have a material impact on the Company's business, financial position, and operating results. In the opinion of the Company and its legal counsel as of December 31, 2021 and December 31, 2020, no decisions that could have a material impact effect on the net assets and results of operations of the Group are expected from the litigation that is currently pending.

There were no other significant reportable events prior to the approval of the consolidated financial statements by the Management Board.

52. Executive bodies

52.1 Management Board

In fiscal 2021, the Management Board of the parent company consisted of:

Bernhard Oberschmidt,

Chairman of the Management Board,
economics graduate

Chairman of the Supervisory Board of Dürr Dental SE,
Bietigheim-Bissingen

Dr. Benjamin Strehl,

Management Board member, business graduate

Member of the Supervisory Board of Marc O'Polo AG,
Stephanskirchen

The total compensation paid to the active members of the Management Board in the past fiscal year was EUR 857 thousand.

52.2 Supervisory Board

In fiscal 2021, the Supervisory Board consisted of:

Udo Strehl, Chairman

Managing director of AUSUM GmbH, Möglingen

Erwin Staudt,

Management consultant, Leonberg

Member of the Supervisory Board of PROFI

Engineering Systems AG, Darmstadt

Member of the Advisory Board of

Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

Gabriele Walker-Rudolf,

Partner of Drees & Sommer SE, Stuttgart

Deputy Chair of the Supervisory Board of

Real Blue Kapitalverwaltungs-GmbH, Stuttgart

The total compensation paid to the active members of the Supervisory Board in the past fiscal year was EUR 161 thousand. Details of the compensation paid to the members of the Supervisory Board can be found in the separate compensation report.

53. Financial risk management

In its financial activities, the Group is subject to various risks that are assessed, managed and monitored by way of systematic risk management. The following section

discusses the management of credit risk, liquidity risk and market risk (exchange rate, interest rate and securities price risk).

53.1 Default risk

The Group is exposed to default risk in conjunction with its cash and cash equivalents and trade receivables.

Cash and cash equivalents are deposited with banks of good standing and companies with good credit ratings. The Group constantly monitors the creditworthiness of these companies and does not expect any defaults. As no collateral has been pledged, the risk of default is limited to the amount recognized in the statement of financial position.

The default risk for trade receivables is minimized by constantly monitoring the credit-worthiness of the respective counterparties. As there are no general netting agreements with customers, the total of the amounts reported as assets also represents the maximum default risk.

In the event that the Group becomes aware of any evidence that the ability of a particular customer company to meet its financial obligations is impaired, it recognizes a specific impairment loss on the amounts due in order to reduce the net receivable to the most likely recoverable amount. The Group also performs portfolio-based measurement to reflect the risk of uncollectability.

As in the previous year, there are no indications that the Group's debtors whose financial assets are neither past due nor impaired will default on their payment obligations. Financial assets are examined at each reporting date to determine whether there has been a deterioration in the credit quality necessitating a change in classification.

53.2 Liquidity risk

For USU, liquidity risk means the risk that it will be unable to fulfill its payment obligations due to insufficient cash and cash equivalents. To ensure solvency, sufficient cash and cash equivalents are held at USU on the basis of rolling liquidity planning that provides a current overview of the expected liquidity development for the individual companies and currencies. The cash and cash equivalents required by the Group in order to meet its financial obligations are largely covered by its ongoing operations. USU had cash and cash equivalents of EUR 24,286 thousand at the reporting date (2020: EUR 18,534 thousand).

The Company also has authorized capital in the amount of EUR 2,631 thousand (2020: EUR 2,631 thousand) available for further capital increases.

The liquidity risk to which USU is exposed on account of its financial instruments relates to future interest and principal payment obligations for financial liabilities. The future payments are broken down as follows:

	Carrying amount	Cashflow	Cashflow	Cashflow
Financial liabilities	As of Dec 31, 2021	within 1 year	within 5 years	after more than
EUR thousand	(Fiscal year)	(Fiscal year)	(Fiscal year)	6 years
				(Fiscal year)
Financial liabilities	0	0	0	0
Contract liabilities	17,348	2,775	7,566	7,007
Trade payables	4,455	4,455	0	0
Other	16,117	16,117	0	0
Total	37,920	23,347	7,566	7,007

	Carrying amount	Cashflow	Cashflow	Cashflow
Financial liabilities	As of Dec 31, 2020	within 1 year	within 5 years	after more than
EUR thousand	(Fiscal year)	(Fiscal year)	(Fiscal year)	6 years
				(Fiscal year)
Financial liabilities	837	837	0	0
Contract liabilities	17,038	2,496	6,275	8,267
Trade payables	4,171	4,171	0	0
Other	17,657	17,657	0	0
Total	39.703	25.161	6.275	8.267

53.3 Interest-related cash flow risk

At USU Software AG, changes in market interest rates essentially affect cash flow from financial investments. If the market interest rate as of December 31, 2021 had been 1% higher (lower), net profit and equity would each have been EUR 196 thousand (December 31, 2020: EUR 156 thousand) higher (lower).

53.4 Exchange rate risk

The Company performs a certain volume of foreign currency transactions, and is therefore exposed to exchange rate fluctuations that have a corresponding impact on the assets and income reported in euro. Transaction risks also exist for financial assets denominated in foreign currencies. Sensitivity disclosures are not provided for reasons of materiality.

54. Additional disclosures on capital

USU Software AG is not subject to any minimum capital requirements, either externally or in accordance with its Articles of Association. The Company pursues the goal of ensuring a high level of equity financing, using this financial flexibility to achieve its growth targets. Customers also demand a high equity ratio and extensive liquidity in order to guarantee their investments.

Equity and total assets were as follows as of December 31, 2021 and December 31, 2020:

	2021	2020	Change
	EUR thousand	EUR thousand	
Non-current liabilities	18,005	18,731	-3.9 %
Current liabilities	33,568	34,965	-4.0 %
Total liabilities	51,573	53,696	-4.0 %
Equity	64,443	61,770	4.3 %
Total liabilities and equity	116,016	115,466	0.5 %
Equity ratio	55.5 %	53.5 %	

As in the previous year, the Company has no net financial liabilities as its cash and cash equivalents exceed its interest-bearing liabilities. The current capital structure can be maintained by expanding the unappropriated surplus by generating future net profit or issuing new shares, for example.

55. Exemption in accordance with section 264 (3) HGB

The following domestic subsidiaries included in the consolidated financial statements of USU Software AG exercised the exemption provisions of section 264 (3) HGB for fiscal 2021:

- USU GmbH, Möglingen
- USU Technologies GmbH (until January 27, 2021: Aspera GmbH), Aachen
- USU Solutions GmbH (until February 4, 2021: LeuTek GmbH), Leinfelden-Echterdingen
- Omega Software GmbH, Obersulm
- Openshop Internet Software GmbH, Möglingen

I. SECURITIES TRANSACTIONS BY MEMBERS OF EXECUTIVE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies. As of December 31, 2021, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

Shareholdings subject to mandatory disclosure	2021 Shares	2020 Shares
Management Board		
Bernhard Oberschmidt	162,518	162,518
Dr. Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl *)	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	1,000	0

*) An additional 5,355,578 voting rights (2020: 5,349,578) in USU Software AG are allocated to Mr. Udo Strehl through AUSUM GmbH as the majority shareholder of that company in accordance with section 34 (1) sentence 1 no. 1 of the new version of Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

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 (new version).

On July 6, 2021, Gabriele Walker-Rudolf, a member of the Supervisory Board of USU Software AG, purchased 1,000 shares in USU Software AG via the Stuttgart Stock Exchange and notified USU Software AG of this securities transaction. AUSUM GmbH, whose majority shareholder is the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, also purchased 4,000 shares in USU Software AG on July 9, 2021 and a further 2,000 shares in USU Software AG on November 25, 2021 via the Trade Exchange stock exchange and subsequently notified USU Software AG of the corresponding securities transactions. The Company in turn published this notification of securities transactions as required.

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

J. DIVIDEND PAYMENT

The Management Board and the Supervisory Board are proposing the payment of a dividend of EUR 5,262 thousand (EUR 0.50 per share).

K. DECLARATION OF CONFORMITY

On December 13, 2021, the Management Board and the Supervisory Board of USU Software AG issued the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at <http://www.usu.com>. Further information on the declaration of conformity can be found in the report on the situation of the Company and the Group in these consolidated financial statements.

Möglingen, March 15, 2022



Bernhard Oberschmidt
Chairman of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR FISCAL YEAR 2021

USU SOFTWARE AG, MÖGLINGEN

	Acquisition/production cost					As of Dec. 31, 2021 EUR thousand
	As of Jan. 1, 2021 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand		
Intangible assets						
Purchased software/ orders on hand	10,196	4	16	728		9,488
Trademarks and brands	2,532	0	0	0		2,532
Maintenance agreements/ beneficial contracts	3,621	0	0	3,621		0
Customer base	9,669	0	0	0		9,669
	26,018	4	16	4,349		21,689
Goodwill	64,101	0	0	0		64,101
Property, plant and equipment						
Land and buildings	711	15	27	0		753
Other equipment, operating and office equipment	7,916	56	812	1,126		7,658
	8,627	71	839	1,126		8,411
Right-of-use assets						
Software	575	0	0	575		0
Land and buildings	17,593	49	2,377	231		19,788
Other equipment, operating and office equipment	2,192	0	962	557		2,597
	20,360	49	3,339	1,363		22,385
	119,106	124	4,194	6,838		116,586

	Cumulative depreciation and amortization				Carrying amounts		
	As of Jan. 1, 2021 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of Dec. 31, 2021 EUR thousand	As of Dec. 31, 2021 EUR thousand	As of Dec. 31, 2020 EUR thousand
	8,003	4	372	728	7,651	1,837	2,193
	2,001	0	0	0	2,001	531	531
	3,621	0	0	3,621	0	0	0
	8,749	0	257	0	9,006	663	920
	22,374	4	629	4,349	18,658	3,031	3,644
	23,709	0	0	0	23,709	40,392	40,392
	219	13	111	0	343	410	492
	4,944	41	1,085	1,105	4,965	2,693	2,972
	5,163	54	1,196	1,105	5,308	3,103	3,464
	575	0	0	575	0	0	0
	2,552	31	2,051	126	4,508	15,280	15,041
	953	0	850	510	1,293	1,304	1,239
	4,080	31	2,901	1,211	5,801	16,584	16,280
	55,326	89	4,726	6,665	53,476	63,110	63,780

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR FISCAL YEAR 2020

USU SOFTWARE AG, MÖGLINGEN

	Acquisition/production cost					As of Dec. 31, 2020 EUR thousand
	As of Jan. 1, 2020 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand		
Intangible assets						
Purchased software/ orders on hand	10,216	-1	42	61		10,196
Trademarks and brands	2,532	0	0	0		2,532
Maintenance agreements/ beneficial contracts	3,621	0	0	0		3,621
Customer base	9,668	0	0	0		9,669
	26,038	-1	42	61		26,018
Goodwill	64,101	0	0	0		64,101
Property, plant and equipment						
Land and buildings	430	-17	300	2		711
Other equipment, operating and office equipment	6,236	-35	2,107	392		7,916
	6,666	-52	2,407	394		8,627
Right-of-use assets						
Software	575	0	0	0		575
Land and buildings	8,637	-27	10,642	1,659		17,593
Other equipment, operating and office equipment	1,681	0	842	331		2,192
	10,893	-27	11,484	1,990		20,360
	107,698	-80	13,933	2,445		119,106

	Cumulative depreciation and amortization				Carrying amounts		
	As of Jan. 1, 2020 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of Dec. 31, 2020 EUR thousand	As of Dec. 31, 2020 EUR thousand	As of Dec. 31, 2019 EUR thousand
	7,636	-2	430	61	8,003	2,193	2,580
	521	0	1,480	0	2,001	531	2,011
	3,530	0	91	0	3,621	0	91
	8,400	0	349	0	8,749	920	1,269
	20,087	-2	2,350	61	22,374	3,644	5,951
	23,709	0	0	0	23,709	40,392	40,392
	118	-11	114	2	219	492	312
	4,326	-27	1,014	369	4,944	2,972	1,910
	4,444	-38	1,128	371	5,163	3,464	2,222
	278	0	297	0	575	0	297
	1,567	-19	1,754	750	2,552	15,041	7,070
	515	0	826	388	953	1,239	1,166
	2,360	-19	2,877	1,138	4,080	16,280	8,533
	50,600	-59	6,355	1,570	55,326	63,780	57,098

INDEPENDENT AUDITOR'S REPORT

To USU Software AG, Möglingen

Report on the Audit of the Consolidated Financial Statements and the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of **USU Software AG, Möglingen**, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the (consolidated) non-financial statement contained in Section VIII. of the combined management report or the content of the (Group) corporate governance declaration contained in Section VII. of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- > the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- > the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

1. Impairment testing of goodwill
2. Revenue recognition from consulting and maintenance services and the sale of software licenses and software-as-a-service (SaaS)

Re 1: Impairment testing of goodwill

a) The risk for the financial reporting

Goodwill of EUR 40.4 million is carried in the consolidated financial statements of USU Software AG (hereinafter: USU) under the line item "Goodwill". This corresponds to 35% of the Group's total assets. Goodwill is subject to an impairment test as at 30 September of each respective financial year.

The annual impairment test is based on an independent valuation report from an external expert. The valuation was performed using the discounted cash flow method. If the carrying amount of goodwill is above its recoverable amount, an impairment loss must be recorded.

The result of this valuation is heavily dependent on the estimate made by the executive directors of the future cash flows generated by the development of the business and earnings over the planning horizon and also how the respective discount rates have been determined. The valuation is therefore complex and subject to substantial uncertainty. In this regard there is a risk for the financial reporting that a potential need to record an impairment loss is not identified on the reporting date. To this extent, this matter constitutes a key audit matter.

The disclosures of the Company regarding goodwill are contained in Sections 7.1, 7.3 and 9 of the notes to the consolidated financial statements.

b) Auditor's response and conclusions

To assess the appropriateness of the planning assumptions, we obtained an understanding of the planning process in interviews with the executive directors and other officers bearing responsibility for the process as well as an understanding of the key value drivers underlying the projected cash flows. We compared the planning figures used in the impairment test with the business planning compiled by the executive directors and approved by the supervisory board. The reliability of the business planning was assessed using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in fiscal year 2021. In those cases where any material discrepancies arose, we discussed

these with the executive directors depending on their materiality for the annual financial statements.

Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we intensively addressed the parameters used to determine the discount rate including the weighted average cost of capital and verified the formula used in the calculation.

Due to the material significance of goodwill and the fact that the valuation of goodwill also depends on the macroeconomic environment, which lies outside the sphere of influence of the Company, we also assessed the sensitivity analyses of the cash generating units with lower coverage (carrying amount compared to net present value) conducted by the Company and found that the goodwill carried in the books is suitably covered by discounted future cash surpluses.

The measurement parameters and assumptions applied by the executive directors are, in our opinion, appropriate in sum to perform the impairment test properly. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

Re 2: Revenue recognition from consulting and maintenance services and the sale of software licenses and software-as-a-service (SaaS)

a) The risk for the financial reporting

The Group generates significant revenue from consulting and maintenance services related to software as well as from selling licenses to software products to end users and SaaS sales. Revenue of EUR 110.2 million was generated from these revenue streams in the reporting year, compared to total revenue of EUR 111.9 million.

Revenue from software licenses is realized when the software has been supplied, the sales price has been fixed or is determinable, collection is reasonably assured and an agreement can be demonstrated. The revenue from consulting services is realized upon the service being rendered. The revenue attributable to maintenance services and SaaS is spread over the term of the service contract on a straight-line basis.

The Group offers combinations of its services to its customers, either within the framework of one single contract (combination contract, license and maintenance) or in a number of separate contracts (a bundle of license, maintenance and consulting). To the extent that the bundle of contracts or the combination contract does not constitute a combination of contracts for the purpose of IFRS 15, the Group recognizes the revenue arising from the bundle or the combination contracts at the fair value of the individual components of the contract. The individual prices are determined on the basis of the price that would be asked for if the good or service was sold separately.

In those cases where the payment of royalties depends on providing consulting services which materially modify or expand the functionality of the software, the revenue from the software license and consulting services is deferred and recognized based on the percentage of completion of the underlying consulting service contract. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract.

For more information on revenue recognition, reference is made to the notes in sections 7.16 and 32 of the notes to the consolidated financial statements.

Due to the heterogeneity of the revenue streams and the complexity of the standards for revenue recognition, there is a risk that revenue is recognized in the financial reporting that does not actually meet the criteria for revenue recognition and that therefore recognized revenue is incorrect. To this extent, this matter constitutes a key audit matter.

b) Auditor's response and conclusions

We assessed the accounting policies applied by USU for the recognition of revenue against the requirements of the IFRS Framework and the requirements of IFRS 15.

We obtained an understanding of the processes and internal controls with regard to revenue recognition for the various revenue streams and reviewed the effectiveness of the controls we identified. In addition to auditing the internal system

of controls, which did not result in any exceptions, we also conducted substantive audit procedures. Based on a selected sample of sales transactions, we obtained and audited the contractual framework, including the purchase order or sales contract, invoice and proof of performance. In addition, we obtained confirmations of the outstanding balances from customers to verify the receivables carried by USU on the reporting date. In addition, we conducted differentiated analytical procedures relating to the development of revenue over the course of the financial year. Using samples, we tested whether revenues had been correctly classified as either at a point in time or over time.

Furthermore, we inspected customer contracts on a samples basis and assessed whether USU had identified all the separate performance obligations in a multiple-element arrangement and allocated the transaction price accordingly and whether the performance obligations were satisfied at a point in time or over time. Likewise, we assessed whether the applicable revenue recognition principles had been properly applied to each separate revenue stream to ensure the proper matching of revenue to the correct period. Moreover, we assessed the appropriateness of the associated disclosures in the notes to the consolidated financial statements.

We are of the opinion that the accounting policies applied by USU to recognize revenue from consulting and maintenance services, the sale of software licenses and SaaS were suitable in financial year 2021 to allow proper presentation in the consolidated financial statements.

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

- > the (consolidated) non-financial statement included in Section VIII. of the combined management report
- > the (group) declaration on corporate governance included in Section VII. of the combined management report
- > the report of the Supervisory Board,
- > the remuneration report 2021,

- > the remaining parts of the annual report, with the exception of the consolidated financial statements, the audited components of the combined management report and our auditor's report,
- > the confirmation from management pursuant to Sec. 297 (2) sentence 4 HGB and the management representation pursuant to Sec. 289 (1) Sentence 5 HGB in conjunction with Sec. 315 (1) sentence 5 HGB (that the consolidated financial statements present a true and fair view).

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] contained in the (Group) Declaration on Corporate Governance included in Section VII of the combined management report. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- > is materially inconsistent with the consolidated financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- > otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated, financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commer-

cial law pursuant to Sec. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of

future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- > Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- > Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- > Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to

draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- > Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- > Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- > Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Audit Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached file „USU_Software_AG_KAuKLB_ESEF-2021-12-31.zip“ hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the combined management report for the financial year 1 January to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any

assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB and for tagging the consolidated financial statements in accordance with Sec. 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- > Identify and assess the risks of material intentional or unintentional non-compliance with the requirements

of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- > Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- > Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2020/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- > Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- > Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 6 July 2021. We were engaged by the Supervisory Board on 2 December 2021. We have been the group auditor of USU Software AG, Möglingen without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published

in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ms. Katrin Wolfrum.

Stuttgart, 15 March 2022

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs
Wirtschaftsprüfer
[German Public Auditor]

Katrin Wolfrum
Wirtschaftsprüferin
[German Public Auditor]

BALANCE SHEET AS OF DECEMBER 31, 2021

USU SOFTWARE AG, MÖGLINGEN

Assets	As of Dec. 31, 2021 EUR	As of Dec. 31, 2020 EUR
A. Fixed assets		
I. Intangible assets		
Concessions, industrial and similar rights and assets	112,401.15	124,993.62
II. Tangible assets		
1. Land and buildings including buildings on third-party land	270,598.34	281,889.88
2. Other equipment, operating and office equipment	1,179,788.21	811,363.99
	<u>1,450,386.55</u>	<u>1,093,253.87</u>
III. Financial assets		
Shares in affiliated companies	47,528,279.32	48,105,035.61
B. Current assets		
I. Inventories		
Work in progress	0.00	28.13
II. Receivables and other assets		
1. Trade receivables	141,588.05	124,782.56
2. Receivables from affiliated companies	21,122,436.04	18,445,103.54
3. Other assets	301,044.96	733,852.19
	<u>21,565,069.05</u>	<u>19,303,738.29</u>
III. Cash and cash equivalents	6,238,591.30	3,953,546.48
C. Prepaid expenses	648,981.55	609,327.03
	<u>77,543,708.92</u>	<u>73,189,923.03</u>

Equity and liabilities	As of Dec. 31, 2021 EUR	As of Dec. 31, 2020 EUR
A. Equity		
I. Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)	10,523,770.00	10,523,770.00
II. Capital reserves	13,644,662.64	13,644,662.64
III. Unappropriated surplus	15,931,104.00	11,293,187.11
	<u>40,099,536.64</u>	<u>35,461,619.75</u>
B. Provisions		
1. Tax provisions	569,248.75	286,620.00
2. Other provisions	1,755,705.37	1,489,455.55
	<u>2,324,954.12</u>	<u>1,776,075.55</u>
C. Liabilities		
1. Advance payments received on account of orders	21,105.90	0.00
2. Trade payables	576,054.07	755,179.48
3. Liabilities to affiliated companies	34,298,400.20	34,994,703.61
4. Other liabilities	101,829.54	89,523.24
	<u>34,997,389.71</u>	<u>35,839,406.33</u>
D. Deferred income	121,828.45	112,821.40
	<u>77,543,708.92</u>	<u>73,189,923.03</u>

INCOME STATEMENT OF FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2021

USU SOFTWARE AG, MÖGLINGEN

	2021 EUR	2020 EUR
1. Sales	9,959,137.64	4,925,671.96
2. Increase (previous year: decrease) in work in progress	31,596.97	-1,079.35
3. Other operating income	3,044,732.03	2,678,868.85
	13,035,466.64	7,603,461.46
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	41,396.50	175,756.35
b) Cost of purchased services	2,201,529.34	36,787.63
	2,242,925.84	212,543.98
5. Personnel expenses		
a) Wages and salaries	6,375,139.91	4,049,654.41
b) Social security, post-employment and other employee benefit costs (of which in respect of old age pensions: EUR 4 thousand; previous year: EUR 3 thousand)	1,014,889.93	591,008.78
	7,390,029.84	4,640,663.19
6. Amortization of intangible assets and depreciation of tangible assets	300,079.94	94,964.37
7. Other operating expenses	7,644,930.53	7,264,671.48
	-4,542,499.51	-4,609,381.56
8. Income from profit transfer agreements	15,623,265.53	14,050,536.64
9. Other interest and similar income	85,327.20	89,523.17
10. Depreciation on financial assets	596,177.49	544,958.97
11. Expenses from loss assumption	1,173.28	167,087.38
12. Interest and similar expenses	508,285.30	484,042.90
13. Income taxes	1,213,143.76	972,283.70
	13,389,812.90	11,971,686.86
14. Earnings after taxes	8,847,313.39	7,362,305.30
15. Other refunded taxes	-111.50	-640.30
16. Net profit	8,847,424.89	7,362,945.60
17. Profit carried forward from the previous year	7,083,679.11	3,930,241.51
18. Unappropriated surplus	15,931,104.00	11,293,187.11

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR 2021

USU SOFTWARE AG, MÖGLINGEN

A. GENERAL INFORMATION

USU Software AG is entered in the commercial register of the Stuttgart District Court under HRB 206442 and is domiciled at Spitalhof, 71696 Möglingen, Germany.

The single-entity financial statements of USU Software AG were prepared in accordance with sections 242 ff. and 264 ff. of the German Commercial Code (HGB) and the relevant provisions of the German Stock Corporation Act (AktG). As a listed company, USU Software AG is classified as a large stock corporation in accordance with section 267 (3) sentence 2 HGB.

The presentation, classification, recognition and measurement of the items in the single-entity financial statements are based on the same principles as in the previous year.

The income statement has been prepared using the nature of expense method set out in section 275 (2) HGB.

All figures are shown in thousands of euro (EUR thousand) unless otherwise stated.

B. ACCOUNTING POLICIES

As in the previous year, the single-entity financial statements were prepared in accordance with the following accounting policies.

Tangible and intangible assets are recognized at acquisition cost (plus transaction costs) less scheduled depreciation, amortization and write-downs.

Assets that can be used independently and that have an acquisition cost of less than EUR 800.00 are written off in full in their year of acquisition.

For intangible and tangible assets with limited useful lives, amortization and depreciation is generally determined using the rates permitted for tax purposes and is recognized on a straightline basis over a standard useful life of between 3 and 13 years.

With regard to financial assets, shares in affiliated companies are carried at the lower of cost or market. Write-downs are recognized for permanent impairment.

If the value of items of fixed assets calculated in accordance with the above principles exceeds the fair value of these assets at the reporting date, corresponding

write-downs are recognized. If the reasons for a write-down no longer apply in a subsequent fiscal year, the write-down is reversed in the amount of the increase in value, taking into account the amortization and depreciation that would have been recognized in the meantime.

Work in progress is recognized at production cost taking into account the principle of loss-free valuation. Production cost comprises the working hours accrued and individually documented, which are measured as direct costs plus proportionate overheads. The option of including administration overheads was not exercised. Interest for borrowings is not taken into account when calculating production cost. Purchased services are measured at acquisition cost.

Receivables and other assets are carried at their nominal value.

Identifiable individual risks are taken into account by recognizing appropriate valuation allowances.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. They are recognized in the amount dictated by prudent business judgment. Provisions with remaining terms of more than a year are measured at present value and discounted at an interest rate in line with the terms of the provisions. Cost increases which are expected to have a future impact until the obligation has been fulfilled are taken into account if there is sufficient objective evidence of their occurrence.

Provisions for variable components of remuneration for employees, including the USU Software AG Management Board, are based on the Management Board's individual opinion regarding the respective level of target achievement, taking into account the contractually agreed targets.

Liabilities are carried at their settlement amount.

Advance payments received are reported net of VAT.

Receivables and liabilities in foreign currencies with a remaining term of up to one year are translated at the middle spot exchange rate at the reporting date. Accordingly, these annual financial statements include unrealized gains and losses from currency translation. Items with a remaining term of over one year are translated at the exchange rate at the date on which they originated. In the event of exchange rate changes up until the reporting date, items are measured at the exchange rate at the reporting date, applying the lower of cost or market principle on the asset side and the higher of cost or market principle on the liability side.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with section 274 HGB. Deferred taxes are recognized for USU Software AG and its tax group companies for temporary differences between the accounting and tax carrying amounts of goodwill, pension provisions and other provisions in particular. Tax loss carryforwards at USU Software AG are taken into account in addition to the temporary accounting differences. Temporary differences and tax loss carryforwards that are expected to be offset within the next five years are measured using the Company's own tax rate (as of 12/31/2021: approximately 30.2%).

Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting. The Company has not exercised the option of utilizing deferred tax assets (Section 274 (1) sentence 2 HGB).

The Company has performed intragroup marketing and IT services since fiscal 2021. This involved bundling the Group-wide activities at USU Software AG.

C. NOTES TO THE BALANCE SHEET

1. Fixed assets

The separate statement of changes in fixed assets is an integral element of the notes to the financial statements.

Write-downs of EUR 596 thousand were recognized for the interest in USU SAS reported under financial assets. The Japanese subsidiary USU GK was formed in fiscal 2021. The additions to the cost reported under financial assets amounted to EUR 19 thousand.

2. Receivables and other assets

Receivables from affiliated companies are attributable to profit transfers from subsidiaries of EUR 15,623 thousand (2020: EUR 14,051 thousand) and short-term loans of EUR 4,862 thousand (2020: EUR 5,379 thousand); the remaining amount relates to services.

As in the previous year, all receivables and other assets have a remaining term of less than one year.

Other assets include input tax receivables of EUR 21 thousand (2020: EUR 11 thousand) that are deductible in the following year.

3. Cash and cash equivalents

This item contains cash on hand and bank balances as well as bank balances in transit.

4. Issued capital

The share capital of the Company reported as issued capital is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

Authorized capital

By resolution of the Annual General Meeting of July 4, 2017, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,630,942.00 on one or more occasions by issuing new no-par value bearer shares with a pro rata share in the Company's share capital of EUR 1.00 per share in exchange for cash or non-cash contributions until July 3, 2022 (Authorized Capital 2017). Shareholders must be granted preemption rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights disappplied does not exceed 10% – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category and with the same rights already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2017 with shareholders' pre-emption rights disappplied pursuant to or in line with section 186 (3) sentence 4 AktG, and by the pro rata amount of

the share capital that relates to option and/or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2017 in analogous application of section 186 (3) sentence 4 AktG.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' pre-emption rights in the case of non-cash capital increases, particularly in connection with the acquisition of participations, companies, parts of companies, or assets – including for exchanging shares – and in the case of mergers.

The shares may also be acquired by one or more banks or a company operating in accordance with section 53 sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to the shareholders for subscription.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to stipulate further details of the implementation of capital increases from authorized capital 2017, including the content of share rights and the conditions for the issuing of shares.

Contingent capital

By way of resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The sole purpose of the contingent capital increase was to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2021.

5. Other provisions

Other provisions primarily comprise provisions for bonus payments (EUR 1,009 thousand), for Supervisory Board compensation (EUR 161 thousand), for outstanding invoices (EUR 147 thousand), for vacation not yet taken (EUR 143 thousand) and for the annual financial statements (EUR 106 thousand).

6. Liabilities

Type of liabilities	Total		Due within 1 year		Due within 1 – 5 years	
	Dec. 31, 2021 EUR thousand	Dec. 31, 2020 EUR thousand	Dec. 31, 2021 EUR thousand	Dec. 31, 2020 EUR thousand	Dec. 31, 2021 EUR thousand	Dec. 31, 2020 EUR thousand
Trade payables	576	755	576	755	0	0
Liabilities to affiliated companies	34,298	34,995	4,775	5,064	29,524	29,931
Other liabilities	102	90	102	90	0	0
(of which from taxes)	(101)	(90)	(101)	(90)	(0)	(0)
	34,976	35,840	5,453	5,909	29,524	29,931

Liabilities to affiliated companies primarily relate to loan liabilities (EUR 33,854 thousand, 2020: EUR 34,261 thousand) and are secured in the amount of EUR 33,854 thousand (2020: EUR 34,261 thousand) by a global assignment of receivables. EUR 2 thousand (2020: EUR 568 thousand) relates to trade payables, EUR 1 thousand (2020: EUR 166 thousand) to loss assumption and EUR 443 thousand (2020: EUR 0 thousand) to interest for loan liabilities. As of the reporting date there were no liabilities with a remaining term exceeding five years.

D. NOTES TO THE INCOME STATEMENT

1. Sales

	2021 EUR thousand	2020 EUR thousand
Consulting	167	144
Licenses	471	420
Maintenance	40	31
Hosting	2	0
Other	9,279	4,331
	9,959	4,926

In the year under review, sales of EUR 8,580 thousand (2020: EUR 4,832 thousand) were generated in Germany and sales of EUR 1,379 thousand (2020: EUR 94 thousand) were generated abroad.

The increase in other sales is primarily due to the intragroup reorganization in the area of marketing and IT. The Group-wide activities for both areas were bundled at USU Software AG in the year under review, meaning that USU Software AG now acts as an internal service provider for marketing and IT services. Accordingly, this led to higher sales in 2021 due to the significant expansion of intragroup service provision in the area of marketing in particular.

2. Other operating income

Other operating income of EUR 3,045 thousand (2020: EUR 2,679 thousand) primarily relates to services for Group companies of EUR 2,088 thousand (2020: EUR 1,924 thousand) and research funds of EUR 635 thousand (2020: EUR 661 thousand).

Other operating income includes income from currency translation of EUR 2 thousand (2020: EUR 1 thousand) and prior-period income of EUR 181 thousand (2020: EUR 5 thousand).

3. Depreciation and amortization

The carrying amount of an equity interest in a subsidiary was written down in the amount of EUR 596 thousand.

4. Other operating expenses

This item includes expenses from currency translation of EUR 19 thousand (2020: EUR 1 thousand).

5. Income from profit transfer agreements/ expenses from loss absorption

The Company entered into a profit transfer agreement with Openshop Internet Software GmbH on March 2, 2000. Profit transfer agreements were entered into with Omega Software GmbH on May 19, 2005, with USU Solutions GmbH (formerly LeuTek GmbH) on December 29, 2006, and with USU Technologies GmbH (formerly Aspera GmbH) on May 31, 2012. They were adjusted slightly in 2014 in view of tax-related requirements. Under these agreements, the participating companies are required to transfer all of their profits to USU Software AG during the contractual term. Transfers to distributable reserves are permitted only with the approval of USU Software AG. In exchange, USU Software AG undertakes to offset every net loss incurred during the contractual term that cannot be offset by way of withdrawals from distributable reserves recognized during the same period.

There is a profit and loss transfer agreement with USU GmbH dated May 6, 2019 that came into effect retrospectively from the start of the fiscal year.

Accordingly, the profit generated by USU GmbH, USU Technologies GmbH, and USU Software GmbH in fiscal 2021 was transferred to USU Software AG in line with the profit and loss transfer agreement concluded. The loss reported by Openshop Internet Software GmbH in 2021 was offset by USU Software AG.

EUR 15,623 thousand (2020: EUR 14,051 thousand) of income from profit transfer agreements relates to affiliated companies.

Expenses from loss assumption of EUR 1 thousand (2020: EUR 167 thousand) relate to affiliated companies.

6. Net financial income

EUR 85 thousand (2020: EUR 79 thousand) of other interest and similar income relates to affiliated companies.

EUR 507 thousand (2020: EUR 483 thousand) of interest and similar expenses relates to affiliated companies.

7. Income taxes

Income taxes included prior-period expenses of EUR 0 thousand (2020: EUR 16 thousand) and prior-period income of EUR 10 thousand (2020: EUR 38 thousand).

8. Other taxes

Other taxes include prior-period income of EUR 0 thousand (2020: EUR 1 thousand).

E. OTHER DISCLOSURES

1. Disclosures on participations

USU Software AG holds 100% of the shares in each of the following companies. The information on equity and net income represents the amounts recognized in accordance with the respective national accounting standards.

	Equity Dec. 31, 2021 EUR thousand	Net profit 2021 EUR thousand
USU GmbH, Möglingen ¹⁾	30,368	9,764
USU Solutions GmbH, Leinfelden- Echterdingen ^{1) 2)}	1,380	2,529
Omega Software GmbH, Obersulm ¹⁾	970	34
Openshop Internet Software GmbH, Möglingen ¹⁾	-667	-1
USU Technologies GmbH, Aachen ^{1) 2)}	300	3,296
USU Solutions Inc., Boston, USA ²⁾	-5,495	-1,309
USU SAS, Paris, France	-2,630	-469
USU GK, Tokyo, Japan	6	-9

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

²⁾ USU Solutions GmbH, formerly LeuTek GmbH, renamed on January 27, 2021
USU Technologies GmbH, formerly Aspera GmbH, renamed on February 4, 2021
USU Solutions Inc., formerly Aspera Technologies Inc., renamed on January 19, 2021

The following wholly-owned participations are held indirectly via USU GmbH, Möglingen.

	Equity Dec. 31, 2021 EUR thousand	Net profit 2021 EUR thousand
USU Software s.r.o, Brno, Czech Republic	1,428	241
USU Austria GmbH, Vienna, Austria	-868	-76

2. Employees

An average of 87 people were employed by the Company during fiscal 2021 (2020: 47). Of these, 32 were assigned to sales functions, 17 to development functions and 38 to administration functions.

3. Contingent liabilities

USU Software AG has issued letters of comfort in favor of Openshop Internet Software GmbH, Möglingen. Under these letters of comfort, USU Software AG, Möglingen, undertakes to manage this subsidiary and to supply it with financial resources such that it is able to settle its liabilities in 2021 and in 2022. In addition, USU Software AG has issued a declaration of subordination with respect to all receivables of EUR 674 thousand (2020: EUR 674 thousand) from Openshop Internet Software GmbH.

The Management Board assumes that there is no concrete risk of the contingent liabilities being utilized. The Company does not have any active business operations. It has sufficient cash and cash equivalents to fulfill its existing payment commitments to third parties. As of the reporting date, receivables of EUR 674 thousand held by USU Software AG against Openshop Internet Software GmbH, Möglingen, were impaired.

The Company issued a letter of comfort in favor of USU SAS, Paris, France, on December 8, 2021. Under this letter of comfort, USU Software AG undertakes to supply its subsidiary with financial resources such that it is able to settle its liabilities and fulfill active business operations for fiscal 2022.

The Management Board assumes that the Company will remain a going concern and does not currently expect any specific risk from utilization.

Profit transfer/profit and loss transfer agreements have been concluded with five affiliated companies.

4. Other financial commitments

As of the reporting date, other financial commitments amounted to EUR 9,135 thousand. They were broken down as follows:

	Due in 2022 EUR thousand	Due in 2023 EUR thousand	Due from 2024 onward EUR thousand	Dec. 31, 2021 Total EUR thousand	Dec. 31, 2020 Total EUR thousand
Operating leases					
Buildings	694	686	7,149	8,529	9,059
Office equipment	18	17	6	41	58
Cars	80	59	24	163	122
Total (nominal amount)	994	962	7,179	9,135	9,239

Transactions not recognized in the balance sheet in the field of operating leases primarily relate to building rentals, vehicle leases and rental agreements for office equipment including IT hardware. These contracts constitute a financing alternative with which a liquidity and equity commitment and the transfer of significant economic risks can be avoided. Furthermore, planning and calculation security exists with regard to lease conditions that have been agreed for the term. One risk lies in the possibility that the items assumed may not be freely available in the case of a lack of utilization.

5. Supervisory Board

In fiscal year 2021, the Supervisory Board consisted of:

Udo Strehl, Chairman
Managing director of AUSUM GmbH, Möglingen

Erwin Staudt, Deputy Chairman
Management consultant, Leonberg
Member of the Supervisory Board of
PROFI Engineering Systems AG, Darmstadt
Member of the Advisory Board of
Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

Gabriele Walker-Rudolf
Partner of Drees & Sommer SE, Stuttgart
Deputy Chair of the Supervisory Board of
Real Blue Kapitalverwaltungs-GmbH, Stuttgart

Total compensation of the Supervisory Board

The total compensation paid to the Supervisory Board in fiscal 2021 was EUR 161 thousand.

6. Management Board

Bernhard Oberschmidt
(Chairman of the Management Board)
Chairman of the Supervisory Board of Dürr Dental SE,
Bietigheim-Bissingen

Dr. Benjamin Strehl
Member of the Supervisory Board of Marc O'Polo AG,
Stephanskirchen

Total compensation of the Management Board

The total compensation paid to the Management Board in fiscal year 2021 was EUR 857 thousand. Details can be found in the compensation report of the Group for fiscal 2021.

7. Auditor's fees

The auditor's fees came to EUR 154 thousand in 2021. Of these, auditing services accounted for EUR 143 thousand, other services for EUR 12 thousand and tax consulting for EUR 0 thousand.

In addition to auditing activities, miscellaneous services were provided for the parent company and the subsidiaries that it controls. These entailed attestation services in connection with the preparation of USU Software AG's quarterly financial statements in 2021 and services in connection with an ISAE audit.

8. Events after the reporting date

There were no events of particular significance after the end of the fiscal year on December 31, 2021, that would have been reportable here.

9. Group affiliations

USU Software AG is the parent of the companies contained in the list of participations. These are companies affiliated with US Software AG. In accordance with section 315a (1) HGB, USU Software AG prepares the consolidated financial statements in accordance with IFRS for the smallest and the largest consolidated group. The consolidated financial statements and the Management Report on the Company and the Group are published in the electronic Bundesanzeiger (German Federal Gazette). In addition, the consolidated financial statements and the Management Report on the Company and the Group are available on request from USU Software AG in Möglingen. They are also available on USU Software AG's website at <http://www.usu.com>.

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

On December 13, 2021, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at <http://www.usu.com>. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group in these single-entity financial statements.

11. Disclosures by USU Software AG in accordance with section 160 (1) no. 8 AktG

USU Software AG has received the following voting right notifications from shareholders holding at least 3% of the voting rights:

Notifier	Date on which threshold reached	Share in voting rights	
		in %	Absolute
Peter Scheufler	Nov. 9, 2020	4.97	523,289
Main First SICAV	Feb. 19, 2020	5.05	531,661
AUSUM GmbH	Sept. 21, 2017	50.72	5,338,044

12. Appropriation of net profit

The Management Board proposes using the net retained profits of EUR 15,931 thousand as of December 31, 2021 as follows:

- to pay a dividend of EUR 0.50 per share for 10,523,770 shares, amounting to a total of EUR 5,262 thousand;
- to carry forward the remaining unappropriated surplus of EUR 10,669 thousand to new account.

Möglingen, March 15, 2022



Bernhard Oberschmidt
Chairman of the Management Board



Dr. Benjamin Strehl
Member of the Management Board

STATEMENT OF CHANGES IN FIXED ASSETS FOR FISCAL YEAR 2021

USU SOFTWARE AG, MÖGLINGEN

	Acquisition/production cost			As of Dec. 31, 2021 EUR
	As of Jan. 1, 2021 EUR	Additions EUR	Disposals EUR	
I. Intangible assets				
Concessions, industrial and similar rights and assets	377,919.35	5,100.00	0.00	383,019.35
II. Tangible assets				
1. Land and buildings including buildings on third-party land	289,616.32	20,467.00	0.00	310,083.32
2. Other equipment, operating and office equipment	1,187,596.70	619,959.35	338,062.11	1,469,493.94
	1,477,213.02	640,426.35	338,062.11	1,779,577.26
III. Financial assets				
Shares in affiliated companies	50,959,824.72	19,421.20	0.00	50,979,245.92
	52,814,957.09	664,947.55	338,062.11	53,141,842.53

	Cumulative depreciation and amortization			Carrying amounts		
	As of Jan. 1, 2021 EUR	Additions EUR	Disposals EUR	As of Dec. 31, 2021 EUR	As of Dec. 31, 2021 EUR	As of Dec. 31, 2020 EUR
	252,925.73	17,692.47	0.00	270,618.20	112,401.15	124,993.62
	7,726.44	31,758.54	0.00	39,484.98	270,598.34	281,889.88
	376,232.71	250,628.93	337,155.91	289,705.73	1,179,788.21	811,363.99
	383,959.15	282,387.47	337,155.91	329,190.71	1,450,386.55	1,093,253.87
	2,854,789.11	596,177.49	0.00	3,450,966.60	47,528,279.32	48,105,035.61
	3,491,673.99	896,257.43	337,155.91	4,050,775.51	49,091,067.02	49,323,283.10

INDEPENDENT AUDITOR'S REPORT

To USU Software AG, Möglingen

Report on the Audit of the Financial Statements and the Combined Management Report

Audit Opinions

We have audited the financial statements of **USU Software AG, Möglingen**, which comprise the statement of financial position as at 31 December 2021 and the statement of income for the financial year from 1 January to 31 December 2021 as well as the notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the (consolidated) non-financial statement contained in Section VIII. of the combined management report or the content of the (Group) corporate governance declaration contained in Section VII. of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- > the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German legally required accounting principles, and
- > the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

- > Bewertung von Anteilen an verbundenen Unternehmen

a) The risk for the financial reporting

Shares in affiliated companies are carried at a value of EUR 47,528k in the annual financial statements of USU Software AG, Möglingen. They account for 61% of the balance sheet total. An impairment of EUR 596k was recorded on the shares in USU SAS, Paris, France, in the financial year. The shares in affiliated companies are measured at the

lower of cost or net realizable value. Sections B and C.1 of the notes to the financial statements contain further explanations of the accounting of financial assets.

When measuring fair value, the perspective of the entity holding the shares in the affiliated company should be taken. The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. These also consider expectations of future market developments. The net present values are determined using the discounted cash flow method. As a discount rate the weighted average cost of capital is used. A valuation report from an external expert as well as the business valuations carried out by the Company were used to determine the fair values.

The result of these valuations is heavily dependent on the estimate made by the executive directors of the future cash flows generated by the development of the business and earnings of affiliated companies over the planning horizon and also how the respective discount rates have been determined. The valuation is therefore complex and subject to material uncertainty. In this regard there is a risk for the financial reporting that a potential need to record an impairment loss on an affiliated company is not identified on the reporting date. To this extent, this matter constitutes a key audit matter.

b) Auditor's response and conclusions

During our audit of the fair value of the shares in affiliated companies, we assessed the valuation method used and the calculation of the weighted costs of capital. Based on the knowledge that even small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we intensively addressed the parameters used to determine the discount rate including the weighted average cost of capital and verified the formula used in the calculation.

To assess the appropriateness of the planning assumptions, we obtained an understanding of the planning process in interviews with the executive directors and other officers bearing responsibility for the process as well as an understanding of the key value drivers underlying the projected cash flows. The reliability of the business planning was assessed using a retrospective comparison of the

deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in the financial year. In those cases where any material discrepancies arose, we discussed these with the executive directors depending on their materiality for the annual financial statements. In addition, we investigated to our satisfaction that future cash flows underlying the valuations and the weighted costs of capital together constitute a proper basis for the impairment test of the respective shares in affiliated companies. Moreover, we assessed the expert reports from independent valuers commissioned by the Company.

Based on the information available, the valuation parameters and assumptions applied by the legal representatives appear suitable to us to properly value the shares in affiliated companies. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

- > the (consolidated) non-financial statement included in Section VIII. of the combined management report
- > the (group) declaration on corporate governance included in Section VII. of the combined management report
- > the report of the Supervisory Board,
- > the remuneration report 2021,
- > the remaining parts of the annual report, with the exception of the financial statements, the audited components of the combined management report and our auditor's report,
- > the confirmation from management pursuant to Sec. 264 (2) sentence 3 HGB in conjunction with Sec. 315 (1) sentence 5 HGB (that the annual financial statements present a true and fair view)

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance

Code pursuant to Sec. 161 AktG [“Aktengesetz”: German Stock Corporation Act] contained in Section VII. of the combined management report. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

> is materially inconsistent with the financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or

> otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern

basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- > Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- > Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- > Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- > Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- > Evaluate the consistency of the combined management report with the financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- > Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the annual financial statements and the combined management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Audit Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached file „USU_Software_AG_JAuLB_ESEF-2021-12-31.zip“ hereinafter

also referred to as “ESEF documents”) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the rendering of the annual financial statements and the combined management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the combined management report for the financial year from 1 January to 31 December 2021 contained in the “Report on the audit of the annual financial statements and of the combined management report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the annual financial statements and the combined management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the “Auditor’s responsibilities for the assurance work on the ESEF documents” section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic rendering of the annual financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB. In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary

to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process

Auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- > Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- > Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- > Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- > Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited combined management report

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 6 July 2021. We were engaged by the Supervisory Board on 2 December 2021. We have been the auditor of USU Software AG, Möglingen without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter - Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ms. Katrin Wolfrum.

Stuttgart, 15 March 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs	Katrin Wolfrum
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

MANAGEMENT BOARD AND SUPERVISORY BOARD OF USU SOFTWARE AG



Bernhard Oberschmidt
Chairman of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board



Udo Strehl
Chairman of the
Supervisory Board

Erwin Staudt
Member of the
Supervisory Board

Gabriele Walker-Rudolf
Member of the
Supervisory Board

FINANCIAL CALENDAR OF 2022*

March 24	Publication Financial Figures 2021
March 30	Pareto Securities' 2nd annual TechIT Conference
May 19	Publication three months' statement 2022
May 23	Equity Forum – German Spring Conference
July 01	Annual General Meeting
August 31	Publication six months' statement 2022
September 09–10	IR-Tour Rüttnauer Research
November 24	Publication nine months' statement 2022
November 28–30	German Equity Forum

* These are preliminary dates for the 2022 fiscal year.
Any changes will be published on the Company's website at
www.usu.com

GLOSSARY

Adjusted EBIT

Adjusted EBIT describes the earnings before interest and taxes of USU Software AG not relating to → *IFRS* and adjusted for non-recurring acquisition-related effects.

AI

Abbreviation for artificial intelligence. AI is a branch of computer science that addresses the automation of intelligent behavior and machine learning.

AktG

Abbreviation for Aktiengesetz (German Stock Corporation Act).

Algorithm

Generally speaking, an algorithm defines a set of instructions for solving a problem. Input data is converted into output data in individual steps based on these instructions. Algorithms play an important role in → *IT* in particular. They are one of the cornerstones of programming and are independent of any specific programming language.

App

Abbreviation for application. This term refers to any type of application software. However, it usually describes applications for smartphones and tablet computers.

Bot

Derived from the word “robot”, a bot is a computer program that works off repetitive tasks on a largely automated basis.

Chatbots

Chatbots are software systems (→ *Bot*) that respond automatically to text prompts by human users. They act as virtual assistants, responding to user search requests.

Cloud

See: → *Cloud computing*

Cloud computing

Refers to → *IT services* that can be obtained in the Internet “cloud”. Users no longer need to buy the required hardware or software or install and maintain them on-site, but instead can flexibly obtain the desired services via the Internet and use them as a service when needed.

CMDB

Abbreviation for configuration management database. Information about all → *IT* equipment and resources is managed in this database, such as PCs and their software and hardware components, contracts, etc. Unlike conventional IT asset management databases, the mutual dependencies of the managed objects are also shown.

Compliance

Commitment by a company and its managers to observe the rules prescribed by the

law, shareholders or the Supervisory Board, including various ethical aspects of the corporate philosophy. The aim is to avoid a negative image and prevent cases of liability or actions for damages.

Configuration management

Configuration management provides the necessary information about the IT infrastructure and services for → *IT service management*. Constantly updated and historical information about configuration items (CIs) is available in the configuration management database (→ *CMDB*).

Corporate governance

Describes the responsible management and controlling of a company with a view to long-term value creation. Key standards are compiled by the Government Commission for the German Corporate Governance Code and consolidated in the German Corporate Governance Code.

DAX

Abbreviation for Deutscher Aktienindex (German Stock Index). As the most important stock index in Germany, the DAX reflects the development of the 40 largest companies with the strongest growth that are listed on the Frankfurt Stock Exchange.

Deferred taxes

See: Deferred tax assets/liabilities.

Deferred tax assets/liabilities

Income tax to be received/paid in the future resulting from differences between the financial statements and the tax base.

Destatis

Abbreviation for the German Federal Statistical Office

Digitalization

This term describes a megatrend and is now used almost exclusively to refer to the digital transformation and penetration of all areas of the economy, the state, society, and everyday life. It describes the transition from the industrial age and its analog technologies to an age characterized by the IT-based (digital) processing and additional processing of data and information.

EBIT

Abbreviation for earnings before interest and taxes.

EBITDA

Abbreviation for earnings before interest, taxes, depreciation and amortization.

End-to-end monitoring

Description for the cyclical performance monitoring of business-critical applications from the perspective of the users who work with the applications. End-to-end monitor-

ing is used to ensure the quality of → *IT service* from a user perspective.

Equity ratio

The ratio of shareholders' equity in the statement of financial position to total assets. The higher a company's equity ratio, the lower its debt-to-equity ratio.

Event

In IT, an event is an occurrence or activity in a computer system. It may be a sudden change in a condition or a parameter in a system that is responded to by a program, device, or system.

Facility management

A term that describes the management and administration of buildings, plant, and facilities. Facility management encompasses all support processes and activities that improve companies' operational and strategic management.

Forrester Research

Like → *Gartner*, Forrester is an international company that offers market research results and analyses on information technology.

Gartner

Abbreviation for Gartner Inc., a leading US-based provider of market research results and analyses of developments in information technology.

GDP

Abbreviation for gross domestic product. GDP is used to measure the economic performance of an economy within a specific period. It measures the monetary value of all goods and services produced domestically. Real GDP refers to GDP adjusted for price developments. The rate of change in real GDP serves to measure the economic growth of an economy.

GDPR

Abbreviation for General Data Protection Regulation.

Goodwill

Goodwill is an intangible asset resulting from the acquisition of business operations and capital consolidation.

Gross income

Sales less cost of sales.

HGB

Abbreviation for Handelsgesetzbuch (German Commercial Code).

Hybrid cloud management (HCM)

This term describes the consolidated administration and controlling of a company's complete IT infrastructure, whether in the → *Cloud* or at an in-house data center.

IFRS

International Financial Reporting Standards are designed in particular to ensure that accounting methods and disclosures in financial statements are internationally comparable and to improve confidence in the financial markets and investor protection.

Impairment test

An impairment test is used to examine non-current assets in order to identify whether the recognition of an impairment loss is necessary. Instead of amortization, impairment testing is performed at least once a year for the → *goodwill* reported in the consolidated statement of financial position in accordance with → *IFRS 3*. Impairment testing can result in either the confirmation of the reported goodwill or in an impairment loss that serves to reduce net profit for the period.

IPO

Abbreviation for initial public offering, which describes the start of public trading of a company's shares on the stock exchange or the actual launch of a company on the exchange.

ISIN

Abbreviation for International Securities Identification Number. The ISIN is a twelve-digit international identification number for securities that allows a security traded on the stock market to be clearly identified.

IT

Abbreviation for information technology.

IT assets

In contrast to the more general definition of assets, IT assets refer specifically to hardware components as well as the software used by a company.

ITIL

An "Information Technology Infrastructure Library" is a collection of best practices intended to enable effective → *IT service management* within an organization.

IT management

Describes the management tasks of planning, steering and controlling the skills, services, systems, and network infrastructures required for IT service performance.

IT monitoring

Describes the monitoring of operations on individual computers, servers or entire data centers.

IT self service

Provides users with easy, intuitive access to the solution to their inquiry or problem. This simplifies and accelerates processes and increases user satisfaction.

IT service

Provision of one or more technical or non-technical systems (hardware, software, employees) required to conduct business processes.

ITSM

Abbreviation for → *IT service management*.

IT Service Management

The sum of all tried and tested measures and methods that are required to achieve the best possible support for business processes by means of the IT organization. IT service management describes the transition of → *IT* towards customer and service orientation while taking into account economic objectives. IT support for shared service areas, such as HR or → *Facility Management*, is referred to as enterprise service management

Knowledge database

Knowledge databases are special databases for knowledge management. They provide the basis for gathering information. Organizations use them to make their ideas, solutions, articles, processes, user guides and other content available to all authorized parties. Knowledge databases require carefully structured classifications, formatted content and user-friendly search functions.

Knowledge Management

A summary term for all strategic and operational activities and management tasks aimed at handling knowledge as effectively as possible.

Loss carryforward

The transfer of tax losses to future fiscal years in order to offset them against future profits.

OMEGA

Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. It primarily performs IT services and distributes products.

On premises

On premises describes a software solution that is installed locally, as opposed to a rental solution like → *SaaS*. Users purchase, install and administer the software on their own hardware.

Prime Standard

Admission and market segment of the Frankfurt Stock Exchange for companies wishing to position themselves internationally. Prime Standard companies are required to meet strict international transparency requirements that go far beyond the minimum statutory requirements for the regulated market.

SaaS

Abbreviation for → *Software as a Service*.

SAM

Abbreviation for → *Software asset management*.

Service desk

The service desk is the central point of contact for all service requests within an organizational structure. The main responsibility of an → *ITIL* service desk is incoming and outgoing communication with the users of → *IT services*.

Service level agreement (SLA)

An agreement between the provider and the customer for the purpose of quality assurance. In IT, a service level agreement defines the specific performance properties and service levels for a product or service.

Software as a Service

Describes the flexible, scalable provision of software as a service on the Internet. Customers can use the required software via the Internet as required and no longer have to install it locally. In this respect, SaaS constitutes a sub-area of → *Cloud computing*.

Software asset management

Describes the transparent and efficient management and controlling of software licenses

Terabyte (TB)

A unit of measurement for the storage capacity of a computer or storage medium that roughly corresponds to one trillion bytes.

Ticket

In IT, a ticket is a support or service request that is submitted to a company's IT service desk and processed automatically using a ticket system.

USU

Abbreviation for the whole USU Group, i.e. the parent company USU Software AG and its subsidiaries, which include → *OMEGA*, USU GmbH, → *USU Solutions Inc*, → *USU Solutions GmbH*, → *USU Technologies GmbH*, → *USU GK* and → *USU SAS*. The USU Group has strategically positioned itself in the market for → *IT management* and → *Knowledge management* software.

USU AI Services

is a → *USU* division that emerged from USU's research department and that focuses on → *AI*-based applications and data-driven services.

USU Digital Services & Solutions

is a → *USU* division for "customer-first solutions". Service organizations are supported in the successful establishment of digital customer services and business models.

USU GK

is a subsidiary of → *USU Software AG* that was formed in 2021. In particular, USU GK markets USU's solutions for → *Software asset management* in Japan and Southeast Asia.

USU Knowledge Management

is a → *USU* division. Its portfolio ranges from standard software such as → *Knowledge databases*, intelligent → *Chatbots* and self-service solutions to diverse consulting services. The goal is to automate service processes and actively make knowledge available for all communication channels and customer contact points in sales, marketing and customer service.

USU SAS

is a subsidiary of → *USU Software AG*. USU SAS markets USU's solutions for → *Software asset management* and → *Knowledge management* in France.

USU Service Management

is a → *USU* division that develops and markets solutions for strategic and operational

IT and enterprise service management. It allows customers to digitalize and automate all of the processes required for planning, designing, operating, controlling, utilizing and billing services – in → *IT*, technical customer service, HR, or → *Facility management*.

USU Solutions GmbH

is a subsidiary of → *USU Software AG* that develops and distributes standard software in the field of → *IT monitoring*.

USU Solutions Inc.

is a subsidiary of → *USU Software AG* and was formed in Boston, USA, in 2012. The company performs distribution, maintenance, and implementation for USU's → *Software asset management* solutions.

USU Technologies GmbH

is a subsidiary of → *USU Software AG*. As a highly specialized solution provider for software license management and → *Software asset management*, USU Technologies GmbH operates in a rapidly growing market segment.

USU – U Step Up

→ *USU*'s career model for the continuous development and further training of its workforce.

WKN

Abbreviation for Wertpapier-Kenn-Nummer (German Securities Code Number), which serves to clearly identify securities in Germany. As part of the global standardization of securities identification, the WKN has been superseded by the International Securities Identification Number or → *ISIN*.

XETRA

Abbreviation for the exchange electronic trading system of the Frankfurt Stock Exchange.

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“If at first the idea is not absurd,
then there is no hope for it.”

Democracy

“Only humor saves us through everything; we want to hold it tight as long as our breath lasts.”

Albert Einstein (1879–1955), physicist and “Man of the Century”



Freedom

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