DEAR SOFTWARE!

2022 ANNUAL REPORT OF USU SOFTWARE AG

THE FISCAL YEAR FOR USU: IFRS FIGURES IN EUR THOUSAND

	2022	2021
Sales	**126,522**	111,904
EBITDA	**16,836**	14,391
EBIT	**11,802**	9,665
Net profit	**7,582**	6,758
Earnings per share, diluted	**0.72**	0.64
Earnings per share, undiluted	**0.76**	0.64
Equity	**56,954**	64,444
Total liabilities and equity	**112,979**	116,016
Equity ratio	**50.4 %**	55.5 %
Cash and cash equivalents	**15,525**	24,286
Net cash from operating activities	**10,369**	13,346
Number of employees at the end of the year	**783**	750

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“What is software
is real.
And what is real
is software.”

Fritz Hegel,
Swabian social media
dialectician

“Act in such a way
that the maxim of your will
can always be incorporated
into collaborative software
development.”

Manual R. Kannt,
Prussian anti-meta
mystic

"DEAR USU...

“And yet it is there!”

Leo Galilei,
Italian software
discoverer

“Then streams in the
wealth in an unending measure,
The silo is filled thus with
valuable treasure.”

Frieder Schillerglocke,
Pathos Computer Club,
regarding software piracy

... WE ARE PART OF THAT FORCE THAT ALWAYS WILLS THE GOOD AND THEREFORE PRODUCES SOFTWARE"

Heinrich Faust,
modern Goethe creation,
correcting a bad friend

QUIET PRIDE

It's all good. That's our conclusion about fiscal year 2022. For USU Software AG. Unfortunately, this doesn't apply to much else in global politics – or to many other things, either. Life has changed significantly in recent years. For each of us. For our shareholders, our partners and our customers. For our employees.

Reason enough to inquire within our company's innermost circle – among our software developers – as to what holds the world of USU together. Every day, they invent the thing that gives our company its name and purpose. We call ourselves USU Software AG, after all.

We on the Management Board and Supervisory Board of USU Software AG are mightily proud of these colleagues, who mostly work together hidden away in small groups and make very little fuss about themselves – and yet are full of wit and humor, charm and thoughtfulness, with high ethical standards and incredible warmth. In concentrated form, they represent what has defined USU Software AG since it was founded 45 years ago: humanity.

We have dedicated the 2022 annual report to these software people. In countless interviews in Germany and abroad. And, being the way they are, our colleagues have made their subject, software, the focus, rather than themselves.

Well, they tried to, anyway. Because this led to a portrait of the "species" itself. They were asked – for example – to dedicate a declaration of love to their subject, software, in a kind of poetry album. An absurd request, actually, but one to which they submitted themselves with full passion. And they were asked to give their opinions on the issues of the day. A really big, hot topic is the question of whether computers will ever have their own consciousness.

We captured what they said in vision and sound, with their consent, of course. They spoke with so much vitality, and so much from our corporate culture, that we made short films featuring individual aspects and attributes. Excerpts of the films can be seen at the Annual General Meeting. We're looking forward to it. Because we have good results to present.

However, in this annual report we mainly want to show our company's soul. In the form of the people whose spontaneous statements we're reproducing here, overlaid with photos we took directly from the films. It's this diversity of people and styles, tolerance and humanity, and the high intellectual standards and unwavering integrity of our employees that make those of us in the management team so tremendously proud. We know very well that these are the reasons we've been around for almost half a century. We've earned our "harvest of '23" honestly.

One USU has been our overriding theme throughout, both internally and externally. We had respect for this transformation process, which aims to bring the different parts of our company closer together. It mainly affects our employees' sense of belonging, after all. Do they identify with the company as a whole or only with the team they work in or location they work at?

We received a wonderful response from our software developers: USU Software AG is where they feel completely at ease. Across all borders. And it was for this reason, too, that they agreed to be interviewed on camera, because they'd like to know what the other more than 780 employees think. They want to open themselves up to them, too. They're curious about one another.

In some ways, this annual report is a declaration of love to your USU Software AG.

That should fill us all with quiet pride.

Yours,

Bernhard Oberschmidt and Dr. Benjamin Strehl

„ART DOES NOT REPRODUCE WHAT WE SEE. IT MAKES US SEE."

Paul Klee (1879–1940), German painter and graphic artist

They know what they can do.
And they can do more than they know.
They are software developers.

They think about what they control.
And they control more than they think.
They are software developers.

They understand what they create.
But they create more than they understand.
They are software developers.

What they do is more art than science.
They write software.
Captured in our name: USU Software AG.

Software is the soul of our business.
Ever since 1977.
A never-ending story.

Software is never finished and never ends.
Software is development.
That's why the people who write it are software developers.
Twenty one of them answered our questions.
Into our microphone. In front of our camera.

No secret science.
No black art.
And yet full of magic, fascination,
rigorous logic and the highest level of discipline.

Software is teamwork and solitude.
Software has style – often a very personal one.

SOFTWARE IS POETRY.

So this annual report became a poetry album:
a declaration of love from our software developers.

"Art"

"Art"

"Art"

"Art"

"Science"

"Art"

"Science"

"Art"

"Art"

"Art"

"Art"

IS SOFTWARE AN ART OR A SCIENCE?

"Art"

"Art"

"Science"

"Art"

"Art"

"Science"

"Science"

"Art"

"Science"

"Art"

"THE SPIRIT FROM WHICH WE ACT IS THE PRINCIPAL MATTER."

Johann Wolfgang von Goethe (1749–1832),
German prince among poets, from Wilhelm Meister's Apprenticeship

Poets are rigorous with themselves and with others.
They look very closely at things – at every word.
So, really rigorous – like software developers.

"Wilhelm Meister's Apprenticeship" was "hooked on reality."
According to Goethe's colleague, poet Gottfried Keller.
So, really hooked on reality – like software developers.

The reality is always a little different.
Like a novel. Full of surprises.
So, really complex – like software developers.

Masters of good will
With the highest level of skill,
That's our software developers.

Masters of solitude
And togetherness,
That's our software developers.

Masters of breathtaking logic
And the most rigorous creativity,
That's our software developers.

SOFTWARE GIVES EVERYTHING.

That's how our masters see software development, anyway.
It's an apprenticeship. Then comes the masterpiece.

```
{  Dear Software, you're a labyrinth it's fun to be caught in.

   A labyrinth one sometimes wants to break free from; one never succeeds,
   but nevertheless doesn't despair. You manage to drive me up the wall
   sometimes – and bring me back down again.

   In short: It's fun to work with you }
```

{ href="Athanasios" }

DOES SOFTWARE CREATE ITS OWN REALITY?

"You kind of have to think differently to be able to write software."

Florine

"Software is effectively like a painting, like a work of art where all the elements have to align with each other."

Harald

"The way you organize yourself and your work as a developer is reflected in the software, for sure. That's why you can very often tell from the code who's written it."

Tim

"THE OLDEST AND SHORTEST WORDS 'YES' AND 'NO' ARE THOSE WHICH REQUIRE THE MOST THOUGHT."

Pythagoras of Samos (580–500 BC), philosopher and mathematician

This is Pythagoras' most important theorem.
More important than any A^2, B^2 or C^2.

What do you think? Yes or no?

All software is based on this. On the bit.
Billions and billions of lines of coding.

Can anyone still read all that? Yes or no?

Software is everywhere. Even in space. All the time.
Software is a never-ending story.
Will software ever be finished? Yes or no?

How much software does humanity need?
There's always more. Whether we want it or not.

Is that good or bad? Yes or no?

SOFTWARE DEMANDS DECISIONS.

That's how it is.
And nobody can take decisions away from us.

```
{  Dear Software, you often bring us to the point of despair.
       You go wrong when you shouldn't. You whine because
       you need something we don't have …

   … at the same time, we're pleased every time it does then work
       after all and we can make a customer happy because they get
       their problem solved and save millions again.}
```

{ href="Daniela" }

CAN SOFTWARE LEARN WITHOUT KNOWING?

"Even if a chatbot could answer all the questions in the world, it still wouldn't know anything about itself. That's key."

Athanasios

"With artificial intelligence, everything depends on the data. Algorithms are trained by data. They learn what's right and wrong themselves using data."

Sören

"THE GOOD IS BEING AND THE BAD IS NON-BEING."

Ramon Llull (1232–1315), Majorcan philosopher and pioneer in information technology

He's their thought leader, this scholar,
who developed a language logic long ago,
making him an early computer scientist.
So you might say, anyway.

He was so smart, such an all-round genius,
that even the Swabian world spirit philosopher
Georg Wilhelm Friedrich Hegel turned all green with envy.
So you might suspect, anyway.

As long as 700 years ago,
Ramon Llull devised
a thinking machine without a bible.
So you might think, anyway.

But this philosopher hadn't yet thought
of artificial intelligence.
He merely wanted to lead people to Christianity through pure logic.
So you might believe, anyway.

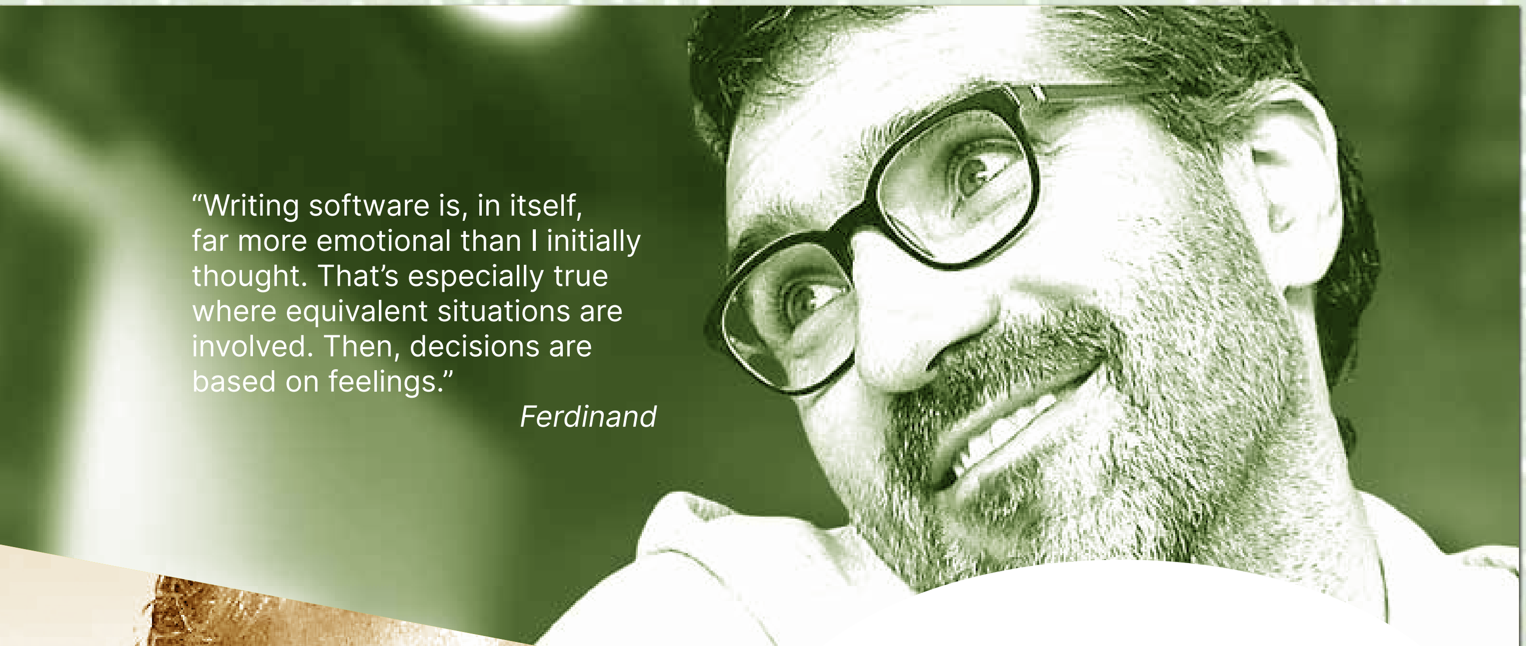
All software people have been converted somehow.
Without them knowing it. They don't need to know, either.
Because they believe in the good.
So you might hope, anyway.

SOFTWARE LETS US BE GOOD.

This applies to everyone who develops and uses
our software, in any case.

```
{  The thing I like so much about you, dear Software,
   is that I can always make something new.
   This means it's never boring with you.
   So many languages, so many frameworks, so many libraries.
   Yours is a special world in which one has to think differently somehow. }
```

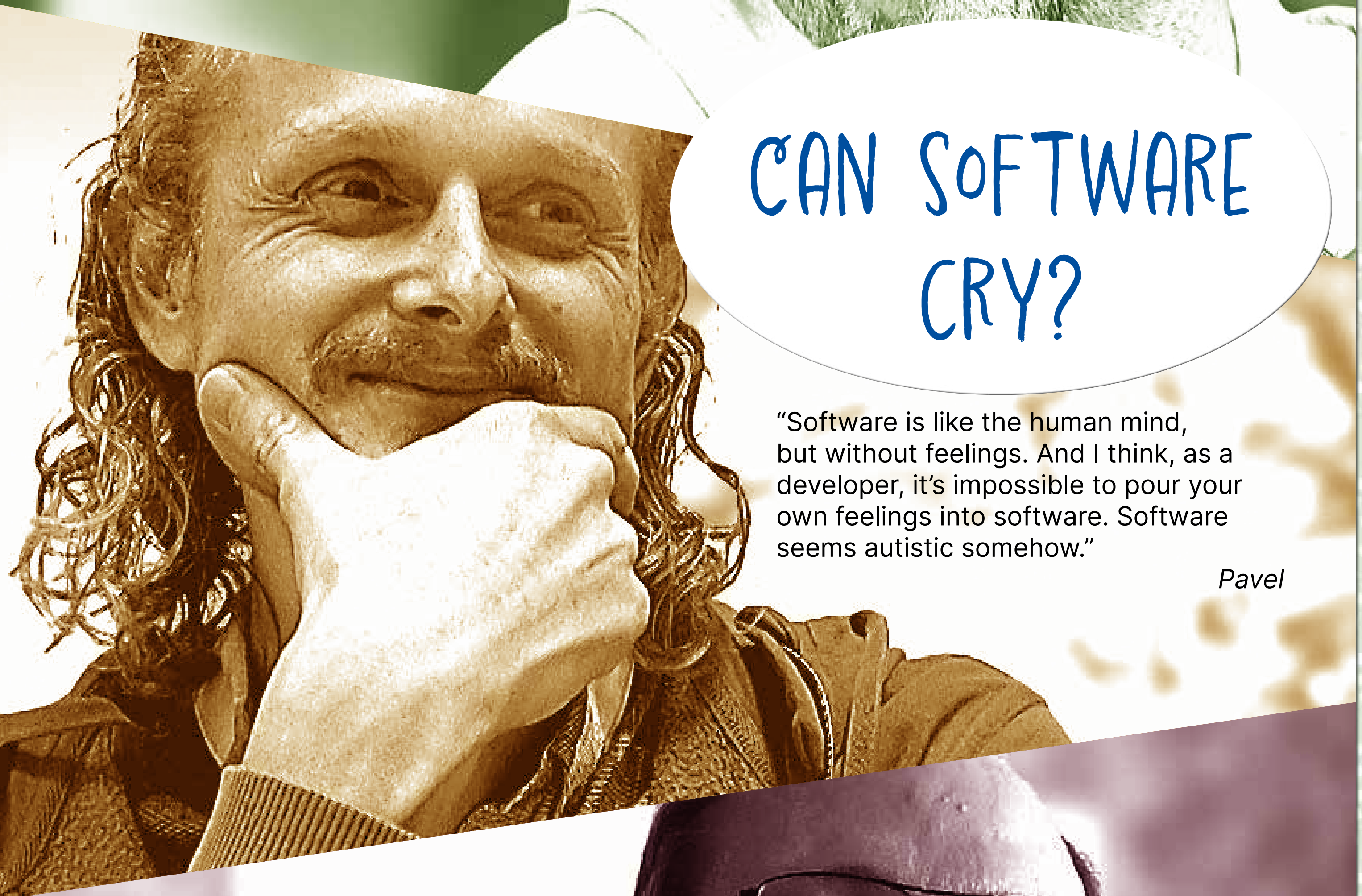
{ href="Florine" }



"Writing software is, in itself, far more emotional than I initially thought. That's especially true where equivalent situations are involved. Then, decisions are based on feelings."

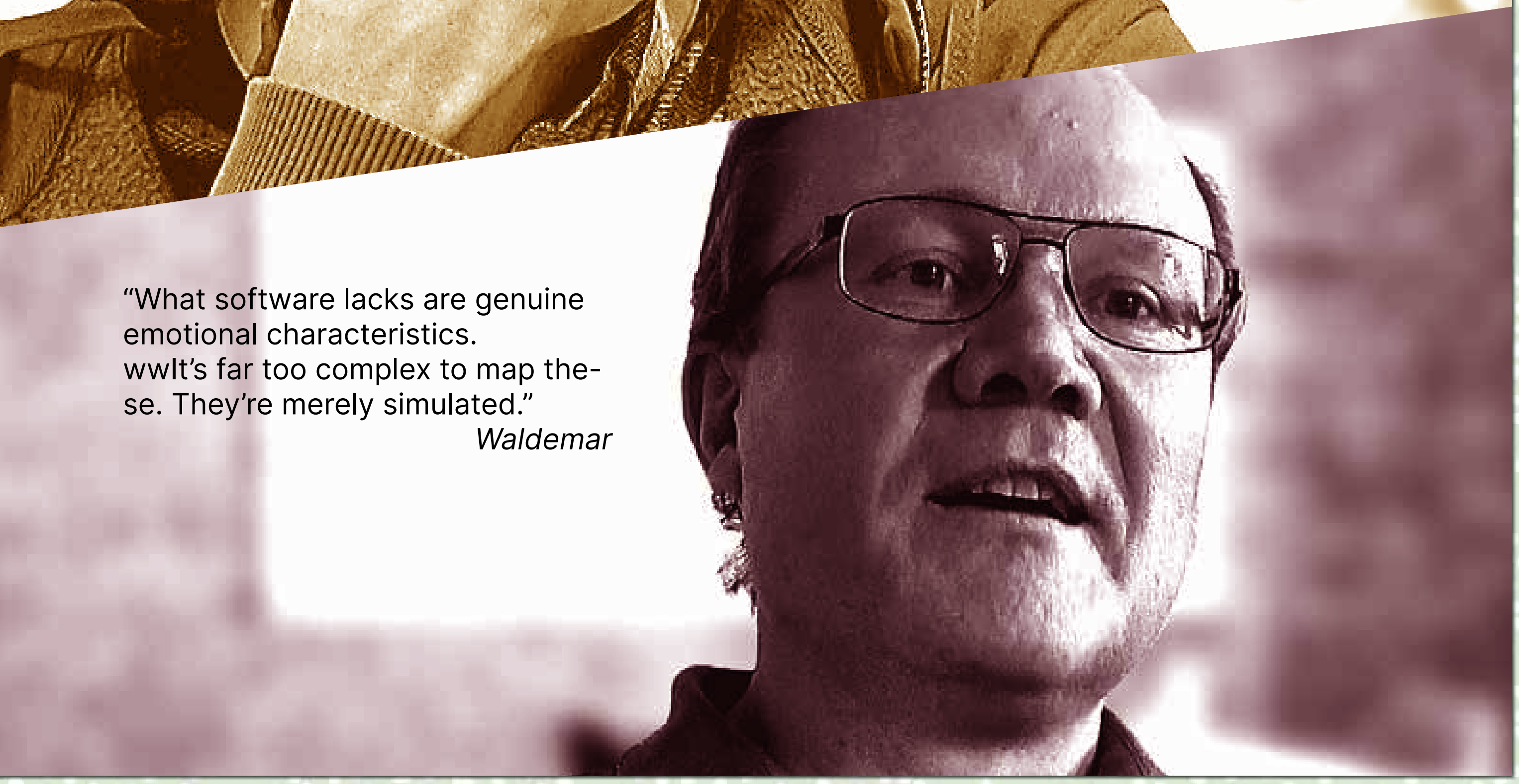
Ferdinand

CAN SOFTWARE CRY?



"Software is like the human mind, but without feelings. And I think, as a developer, it's impossible to pour your own feelings into software. Software seems autistic somehow."

Pavel



"What software lacks are genuine emotional characteristics. wwIt's far too complex to map these. They're merely simulated."

Waldemar

"PEOPLE DO NOT THINK IN GERMAN, ENGLISH, CHINESE OR APACHE; THEY THINK IN A LANGUAGE OF THOUGHT."

Steven Pinker (born in 1954), American cognitive scientist

Thinking precedes all software.
Thinking is human. Day after day.
No programming without us thinking.
Yet only software becomes the mind of machines.

Language precedes all software.
350 key programming languages. Line after line.
No language is always right.
Yet software justifies the purpose of machines.

Machines precede all software.
260 million new computers. Year after year.
No machine can do everything.
Yet software unites all machines.

Software precedes all smartphones.
2.5 billion users worldwide. Network after network.
No one is always "on."
Yet software doesn't sleep.

Software always precedes all software.
EUR 600 billion worldwide for new software. Euro after euro.
No software without software.
Yet we alone define the values.
We, the people. With our thoughts.
In our language. Incorporated in the software.

SOFTWARE IS UNDERSTANDING.

```
{  Dear Software,

   You've certainly put me to the test over the years,
   sometimes making me doubt myself, but it was always worth it.

   In my devotion, I forgive you. }
```

{ href="Jens" }

As a software developer, you have a plan. And the more you determine what you do yourself, the more you enjoy your work. On the one hand. On the other hand, you're part of a larger, collaborative process from which you derive your ideas. That also increases your enthusiasm."

Jiří

"Software development primarily consists of reading code, not writing code."

Emanuel

WHERE ARE YOUR THOUGHTS?

"Dealing with software gets easier, whereas the complexity is increasing at the same time. Much is hidden away; there's constantly something new. In particular, there's increasingly a discussion about values. What are we actually doing here? Does it have a purpose?"

Manuel

"MATHEMATICAL SCIENCE SHOWS WHAT IS. IT IS THE LANGUAGE OF UNSEEN RELATIONS BETWEEN THINGS."

Lady Ada Byron Lovelace (1815–1852), British mathematician and the first female programmer, describing exactly what software does.

"The miracle of the appropriateness of the language of mathematics
for the formulation of the laws of physics
is a wonderful gift, which we neither understand nor deserve."
1960: Eugene Paul Wigner (1902–1995), Hungarian-American Nobel Prize winner.

They initially flirted with pure mathematics,
but many of them subsequently became computer scientists,
the software developers at USU Software AG.
They want to understand the world.

"Is identifying the immense vastness, variety and changeability of reality
only possible in the abstract formulas of mathematics?
Is God therefore a mathematic formula?"
1975: Paul Schulz (born in 1937), atheist theologian

Using mathematics to structure the world in such a way
that it grows and thrives: that's what
the software developers at USU Software AG want.
They want a human world.

"The social world is not driven by natural laws and randomness alone, as the physical world is, but also by human wills."
2006: Ivar Ekeland (born in 1944), French mathematician of Norwegian descent

Where there's a good will, there's also our mathematics:
that's what the software developers at USU Software AG think.
They want a rational world.

SOFTWARE – GOOD WILL BE DONE.

```
{  Dear Software,

   You accomplish great things. That's why we like you.

   But at the same time I hope you never become a danger.
   Because you yourself have no feelings at all. }
```

{ href="Pavel" }

IS MATHS IMPORTANT!

"There comes a point at which mathematics becomes very abstract. That's why I preferred to study IT, because there's a more direct practical focus."

Sebastian

"Mathematics is great. But the creative side is more my thing, although I consider IT to be more a science than an art."

Maroš

"We should never forget that mathematics is primarily defined as an auxiliary science in IT. But mathematics is certainly the underlying philosophy.

Michael

"MIRROR, MIRROR ON THE WALL ..."

Well-known line from the fairy tale Snow White

Who is the fairest of them all?
We know that no one knows this.
Although we don't know why we don't know it.
That's impossible!

Can software know that?
We know it can't.
Because we know exactly why it can't.
That's impossible!

Is software a mirror?
We know it can even show us the invisible.
Although we know very well that that's not all.
That's impossible!

"Above us are the mirrors you call Thrones,"
wrote Dante more than 700 years ago.
He called it Paradise.
That's impossible!

We, we are the fairest of them all.
Let's be realistic!

SOFTWARE IS SOFTWARE.

"Reality IS fantastical."
Heinrich Böll (1917–1985), German Nobel Prize winner for literature

```
{ Dear Software,

  You're my life somehow. You permanently reinvent yourself.

  That's what fascinates me. You never stand still.
  I get feedback all the time – either it works, or it doesn't work. My rela-
  tionship with you is very, very immediate. Like a magic mirror. }

```

{ href="Manuel" }

“Magic? No. Just because I can’t explain something to myself doesn’t mean it’s not logical.”

Tim

“Software – that’s invisible but very effective magic.”

Waldemar

IS SOFTWARE A MAGIC MIRROR?

“Software is definitely a mirror. Totally. If a team has a bad day, you can see it immediately – and you can still see it five years later in the code.”

Daniela

"WE SHALL REQUIRE A SUBSTANTIALLY NEW MANNER OF THINKING IF MANKIND IS TO SURVIVE."

Albert Einstein (1879–1955), Man of the Century

A thousand dollars...

is what you paid in 1975 for your computer
to think as fast as bacteria.
– A thousand instructions. Per second.

is what you paid in 1990 for your computer
to think as fast as a worm.
– A million instructions. Per second.

is what you paid in 2000 for your computer
to think as fast as a lizard.
– Ten billion instructions. Per second.

is what you paid in 2010 for your computer
to think as fast as a mouse.
– A hundred billion instructions. Per second.

is what you paid in 2020 for your computer
to think as fast as a monkey.
– A trillion instructions. Per second.

Soon, you'll pay 100 dollars for your computer
to think as fast as you.
Per second.

But who writes the software? At what price?

SOFTWARE MAKES THE WORLD GO ROUND.

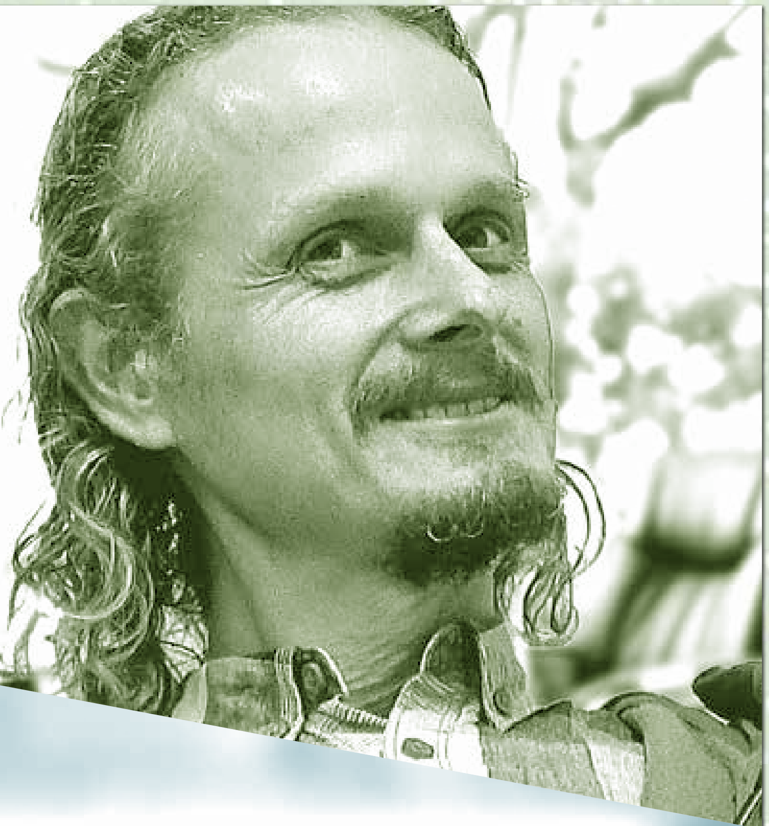
```
{  Dear Software,

        You've changed our lives enormously.
        And you also align with USU's vision, which says:
        'The whole world is touched by USU,' that is, 'by software.'
        That sounds abstract. It isn't only about efficiency;
        software creates completely new possibilities. }
```

{ href="Harald" }

"When I talk to applicants, I tell them USU isn't a money machine. We have to earn good money, of course, but always with decency and dignity. For our customers. For our employees. And for the shareholders."

Pavel



"Quarterly thinking doesn't dominate here; we think long term. Employees are looked after. The management knows that our employees' knowledge is our greatest asset. And that trend can now be felt in many IT companies."

Sebastian

IS USU A MONEY MACHINE?

"I hope so! (laughs) Otherwise we'd no longer exist. The great thing is that we're not satisfied with what we've got, but want to grow even more. Including in an international context."

Manuel

"THE PROGRAMMER, LIKE THE POET, WORKS ONLY SLIGHTLY REMOVED FROM PURE THOUGHT-STUFF."

Frederick P. Brooks (1931–2022), IT genius

Count ten lines.
Day after day.
How I like it.

Count ten lines.
First study,
then code.

Count ten lines.
Using the keys.
Into the box.

Count ten lines.
Elegance.
Without frills.

Count ten lines.
Daily test winner.

Count ten lines.
We work well.
Including in pairs.

Count ten lines.
Shaped by years
of experience.

Count ten lines.
For the team.
As part of the team.

Count ten lines
more than a hundred.
Who's surprised?

Ten thoroughly well-thought-out lines per day is – according to rough estimates – what good software developers achieve per day of programming on average.

SOFTWARE – A CONSTRUCT.

```
{  When I see

        that 180,000 people are working with the product I helped develop,
        this fills me with a feeling of happiness.

        And I have you to thank for that, dear Software. }
```

{ href="Michael" }

"In AI, the rules are derived from the data, from a vast amount of data – and not the other way around. Software creates its own construct, as it were."

Sören

"When you're developing the user interface, it's very, very important to keep it simple. When doing this, it's very, very difficult to think of all types of user at the same time."

Florine

HOW IS SOFTWARE CREATED, ANYWAY?

"Software is very often seen as a mechanical activity. But software isn't a Lego set; it requires a great deal of contemplation and creativity."

Harald

"PEOPLE AREN'T MACHINES."

Joseph Weizenbaum (1923–2008), the man who invented the chatbot.

The first chatbot was a woman.
Eliza was her name, Cambridge her location.
1966 – a long time ago. It's hard to believe.
Her creator was called
Joseph Weizenbaum.

She became a doctor of psychology.
And was soon considered a question genius.
Creating Eliza – a developer's dream.
It was fun, said
Joseph Weizenbaum.

She was as good as Dr. Freud,
never shied away from any question.
She created her own treatment room.
She became a nightmare for
Joseph Weizenbaum.

Students saw in her a person
she could fake wonderfully.
Even the Turing test could hardly keep her in check.
To the great dismay of
Joseph Weizenbaum.

For example, the professor jokingly asked the machine:
"Do you have a conscience, Eliza, or even a heart?"
The answer was promptly returned as a question.
She hit the keys:
Am I mad?

SOFTWARE – BETWEEN HUMAN AND MACHINE.

```
{  Dear Software,

   When I think about how much trouble you cause me sometimes...

       But we always fix it again
       after some discussion. }
```

{ href="Tim" }

Will computers ever have their own consciousness?

"No. You'd first have to clarify what consciousness actually is. Even the Turing test – which a machine is only deemed to have passed if we humans can no longer tell whether a computer or a human is answering us – is still far from proof of an artificial consciousness."

Ferdinand

"We don't even know how consciousness suddenly comes about from all the synapses in the human brain. I can't imagine how consciousness is suddenly supposed to rise up from all the silicon in a computer."

Emanuel

"Its own consciousness? No, I don't think so. We'll also never reach the point when robots take over the earth, like in science fiction."

Samuel

"THE WORLD IS MY IDEA."

Arthur Schopenhauer (1788–1860), German philosopher

"Of the many worlds
that humans have not
received as a gift from nature,
but created from their own intellect,
the world of books is the greatest."
Hermann Hesse (1877–1962), German Nobel Prize winner for literature

Book sales amounted to around
EUR 82 billion worldwide in 2022.

"Intent on separating, proving, blending,
Their only aim some innovative finding,
With gentle touch and spiritual power,
They build transparent forms, by the hour."
Johann Wolfgang von Goethe, German prince among poets, in Faust, Part II

Software sales amounted to around
USD 634 billion worldwide in 2022.

SOFTWARE – IS DESIGN.

Worldwide. All the time. At the ready.

```
{  Dear Software,

   You're like a child to me. You grow and grow,
       and learn a lot along the way. Sometimes I have to be more brutal with
       you than I would ever even remotely be with my child.

   On the other hand, you have to put a lot of love into software –
   into the underlying idea that you're helping to develop.
   Otherwise it comes to nothing. }
```

{ href="Jirí" }

IS SOFTWARE TEAMWORK?

"Some and some. I need some time on my own every now and again. To think. But, then again, it's the discussions that provide the good solutions."

Jens

"For me, software is 90% teamwork. That's especially true for the kind of large software products we develop at USU. It only works if everyone also understands each other's work."

Tim

"It's definitely teamwork. It isn't important to me to be able to say: 'I did that.' I find it much cooler to say: 'We built that as a team.'"

Samuel

"GIVE THE COMPUTER THAT WHAT THE COMPUTER IS, AND THE HUMAN THAT WHAT THE HUMAN IS."

Norbert Wiener (1894–1964), the father of cybernetics

IRREPLACEABLE

1965: Even if one were only to charge the ridiculous price of 20 pfennigs per cell and 4 pfennigs per connection, artificially imitating all the connections and cells in the brain would cost DM 4 quintillion,
or 4 billion times DM 1 billion.
'Der Spiegel' magazine on June 23, 1965: "Intelligenz aus der Maschine" ("Intelligence of Machines"

Therefore, EUR 2,000,000,000,000,000 for the human brain

INSATIABLE

2025: Even if one were only to charge the ridiculous price of 0.3 cents per search and 2 cents per chatbot answer, artificially searching all the connections and cells on the Internet would bring USD 9,500 per search second,
or USD 63,000 per answer second.
'Möglinger Kristall-Kugel' ('Möglingen Crystal Ball') on June 23, 2035: "Future of Machines"

Therefore, USD 2,000,000,000,000 annual chatbot sales

SOFTWARE – FUTURE FOR HUMANS.

THERE'S NO ALTERNATIVE TO US

```
{  Dear Software,

   At the start, everything always looks great. But then you get old and
   need care. With standard software, it's just not possible simply to throw
   you away and replace you with something new each year.

   That doesn't change the fact that we have to reflect critically on you all
   the time. We then have to accept that the care isn't necessarily always fun.
   And somehow that's how it should be, too.

   It stands for longevity – something our customers expect. }
```

{ href="Emanuel" }

"I don't think machines can imitate the full complexity of the human psyche. My job as a scrum master, which is 85% based on understanding people, could never be taken over by a computer."

Daniela

"We'll never be able to replace our brains. But what we're doing with computers is getting cooler all the time."

Florine

HOW MUCH HUMAN CAN BE FOUND IN COMPUTERS, ANYWAY?

"The computer is a counterpart with incredible potential that can't be seen at all at first glance. We have to integrate this counterpart into our world. And we're not yet good enough at that."

Harald

"IT TAKES AS MUCH WISDOM AND SENSITIVITY TO LEAD ONE PERSON AS TEN."

Honoré de Balzac (1799–1850), French author

NUMBER ONE

"Several names are
of benefit to an idea,"
said the poet Novalis.

Software bears many names,
knows many authors.

Still, it's always the case that:
We are One. We are USU.

"Poetry is
a process,"
said the poet Enzensberger.

Software is our poetry,
a multilingual process.

So, let's all sing in chorus:
We are One. We are USU.

"The whole culture is
one big, endless collaboration,"
said the poet Strindberg.

Software knows many projects,
knows many teams.

Still, we're happy to admit:
We are One. We are USU.

"We are one,
although there are many of us,"
say our software poets.

Software requires a great deal
of sensitivity, wisdom and ideas.

No wonder, then, that it's
USU. Number One.

SOFTWARE – A DIVINE SPARK.

```
{  Dear Software,

   Everywhere I go, you pursue me. At home. In the car. In the store.
   On my smartphone. Everywhere. And that's okay. I'm not trying to avoid you.

   Accepted. }
```

{ href="Waldemar" }

"I think it's good if we also grow together as a company. From a software perspective, that's still some way off – we agree on that."

Tim

"We still have a long way to go in software development until everything fits. It's the only right way. That's why: One USU."

Jiří

ONE USU! Do WE AGREE?

"When developing new software – no question: One USU. It will take longer for existing large software packages."

Emanuel

1980: "THE MOST STRIKING CHANGE WILL BE THE RELOCATION OF WORK INTO THE HOME."

Alvin Toffler (1928 – 2016), American futurologist

THE SIX CHANGES

Scene 1

First speaker: In 1990, all US employees will work from home. That's what Ma Bell says, anyway.
Turning point: That was 1971.

Second speaker: One quarter of Americans will work from home at least one day a week. That's what Gartner Market Research says, anyway.
Turning point: That was 2005.

Scene 2

First speaker: In 2000, people will be able to work from any location. Says Massachusetts Institute of Technology (M.I.T.).
Turning point: That was 1980.

Second speaker: 21 million people in Germany work in an office, and only 860,000 at home. That's what the Statista statistics portal says, anyway.
Turning point: That was 2016.

Szene 3

First speaker: A new phenomenon is doing the rounds – teleworking. That's what weekly newspaper 'Die Zeit' writes, anyway.
Turning point: That was 1986.

Second speaker: 70 % of Germans would like to work from home more. That's what Sunday newspaper 'Frankfurter Allgemeine Sonntagszeitung' writes, anyway.
Turning point: That was 2020.

Scene 4

First speaker: "Items of furniture at home will talk to each other when we're not there." That's what American journal Computerworld says, anyway.
Turning point: That was 1986.

Second speaker: The War of the Roses was yesterday; tomorrow there'll be amorous cyberwar over the living room. That's what the 'Frankfurter Allgemeine Zeitung' newspaper says, anyway.
Turning point: That was 2017.

Scene 5

First speaker: Companies discover it's no longer worth making huge investments in office buildings. That's what futurologist Alvin Toffler says, anyway.
Turning point: That was 1980.

Second speaker: In Europe, the vacancy rate for office space remains stable at 7.4 %. That's what the bank BNP Paribas says, anyway.
Turning point: That was 2022.

Szene 6

First speaker: Software developers are invited to job interviews over weekends in Bermuda. That's what headhunters in the US say, anyway.
Turning point: That was 1980.

Second speaker: According to a labor market study, USU is one of the best employers in Germany again. That's what Great Place to Work, Germany, says, anyway.
Turning point: That was 2022.

SOFTWARE – IS AT HOME WITH US.

Whatever the changing times are currently saying.

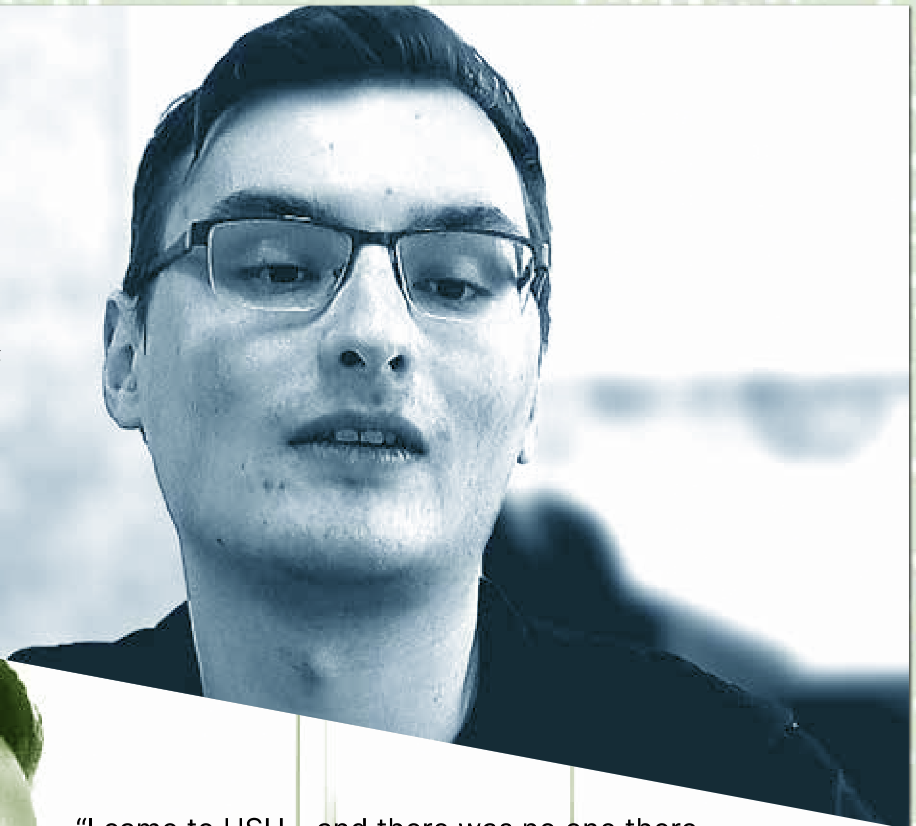
```
{  Dear Software,

       I admit: Working with you is creative and very fulfilling,
       although you can also be really frustrating and obstructive.
       On the other hand, that's quite justified in view of the high,
       thoroughly artistic value you represent. }
```

{ href="Jonas" }

“Coronavirus – not easy. On the one hand, I was already at work, sat at home and wrote software in the mornings, but studied in the afternoons. At home. In the evenings I was too tired to go out out. I spent far too long at home.”

Tomáš



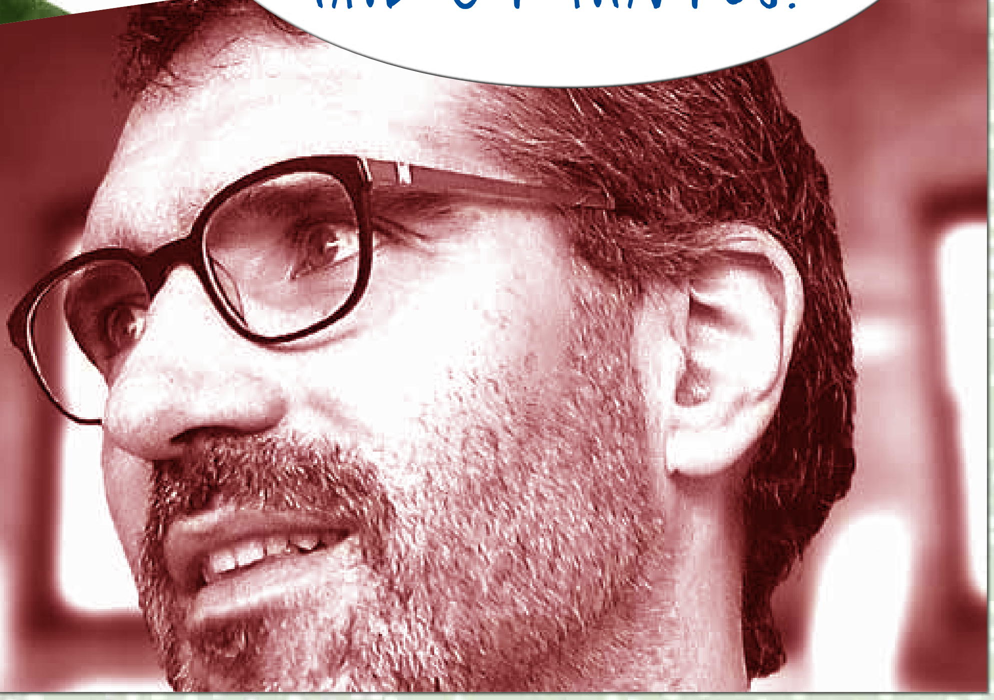
“I came to USU – and there was no one there. Coronavirus. Working from home. It has its benefits. Everything’s very relaxed. You can start working straight away. Minutes after getting up, I’m sitting at the computer. No hour’s travel there and back. I didn’t feel lonely.”

Tim

HOW DID IT GO WITH WORKING FROM HOME AND CORONAVIRUS?

“In some ways, collaboration was better during the pandemic. When co-developing, for example. As a duo. What did suffer were the meetings. Especially if more than two people were involved.”

Ferdinand



"THE MORE INTELLECT ONE HAS, THE MORE ORIGINAL PEOPLE ONE DISCOVERS."

Blaise Pascal (1623–1662), French mathematician and theologian

THE MYSTERY

1978: **Just think:** "Without the possibility of personal computing, the number of administration experts would steadily grow to meet the demand for solving problems and answer complex questions."
"IBM's DV System Handbuch" ("IT System Handbook"), regarding unfulfilled rationalization effects

1986: **You'd be surprised:** "By contrast, with computers, the recipient receives something different to what the sender sends; this change cannot be tracked."
Heinz Zemanek (1920–2014), Austrian computer pioneer, regarding digital transformation

1987: **Go figure:** "The march of technology is seemingly relentless and in some ways also predictable, but how companies will absorb and use the new machines remains a mystery."
Trade journal Datamation, September 17, 1987, regarding surprising effects

2023: **You may ask:** "How good is artificial intelligence at deceiving and seducing people? And who decides about this technology?"
Weekly newspaper 'Die Zeit' on January 12, 2023, regarding the question of our existence

SOFTWARE – FULL OF PUZZLES.

We'll solve them. Together.

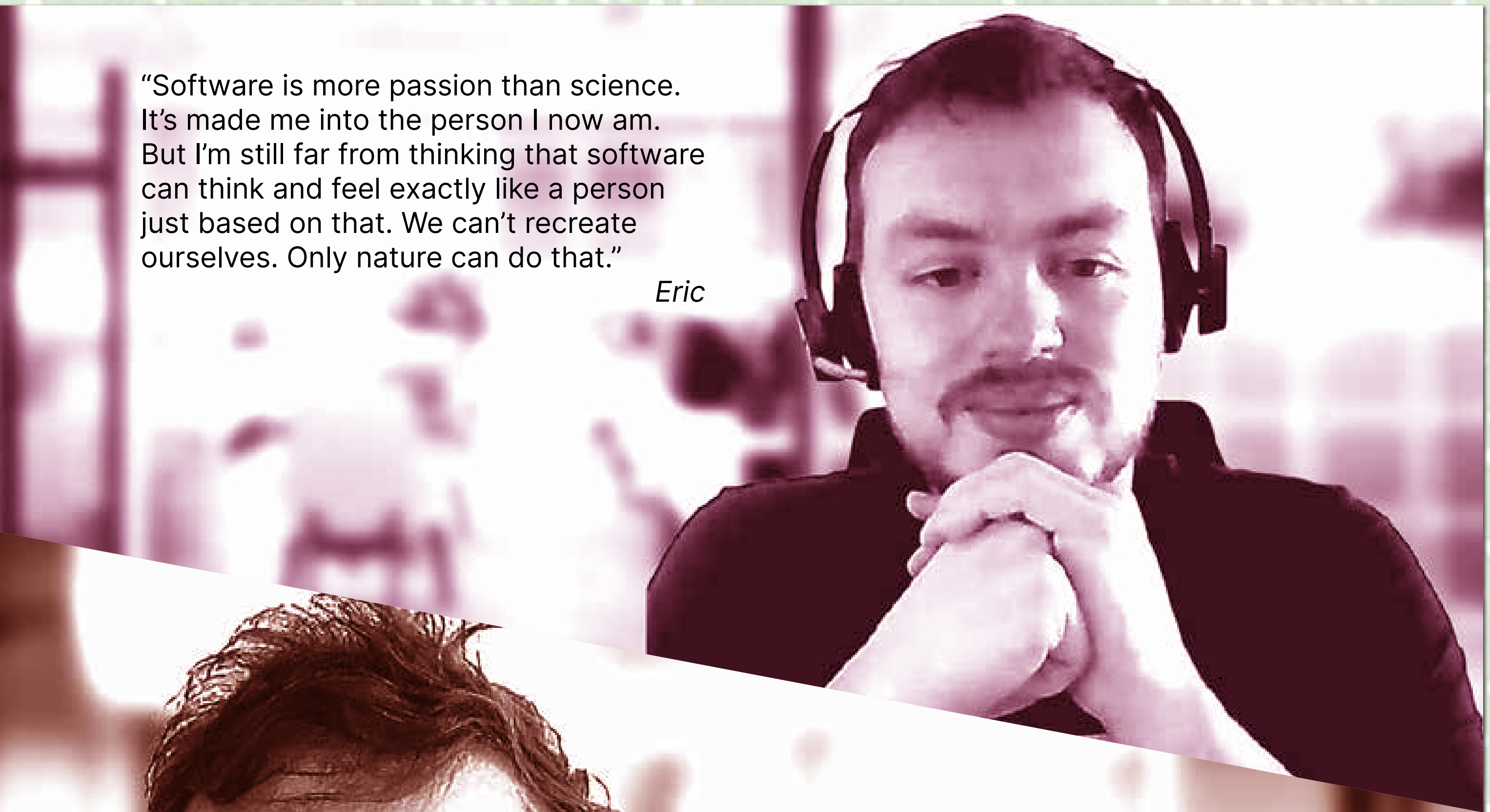
```
{  Dear Software,

   Rational thought certainly doesn't always get one any further with you.
   One needs imagination. One also has to compromise – as in a relationship.
   Sometimes it's also a kind of love-hate relationship.

   But we trust each other. }
```

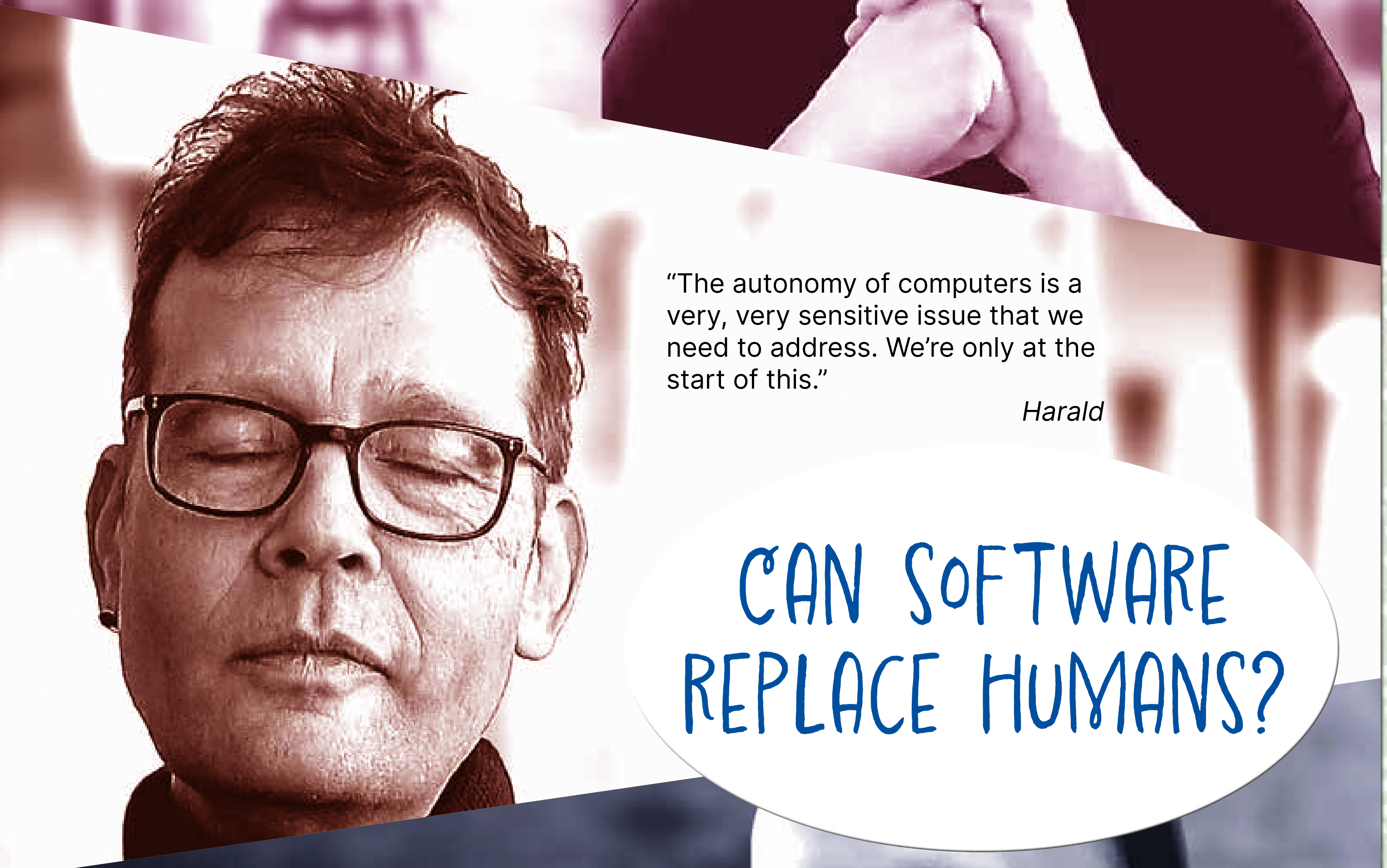
{ href="Samuel" }

CAN SOFTWARE REPLACE HUMANS?



"Software is more passion than science. It's made me into the person I now am. But I'm still far from thinking that software can think and feel exactly like a person just based on that. We can't recreate ourselves. Only nature can do that."

Eric



"The autonomy of computers is a very, very sensitive issue that we need to address. We're only at the start of this."

Harald

Software allows even the most fixed idea to come to life, even if it's only a simulation. But what motivates me are the people, and collaborating with them. They're the deciding factor.

Jonas

axel springer

CLOUD COSTS UNDER CONTROL

Axel Springer is a media and technology company that operates in over 40 countries. Through the information it provides via its diverse media brands (including BILD, WELT, INSIDER and POLITICO) and classified ad portals (StepStone Group and AVIV Group), Axel Springer SE helps people make free choices about their lives. Over the last few years, it has successfully mastered the transformation from traditional print media company to digital publisher. The associated strong growth in digital products went hand in hand with more extensive use of Software-as-a-Service solutions. This made it necessary to plan, manage and monitor the high costs of key business software to optimum effect.

The chosen solution, USU Software Asset Management (SAM), has already shown promising results in initial tests during the proof-of-concept phase. The software-metering project focused on the major SaaS vendors Adobe and Microsoft. Unused software licenses were automatically identified and added to a license pool for reuse. Active communication with the departments involved was particularly critical to the success of the project.

The license management solution now provides consolidated data for an up-to-the-minute overview of the company-wide cloud environments, enabling an automated inventory process, SaaS license optimization and immediate saving effects as a result. Automation is generally the key to success for license management at Axel Springer. Consequently, many manual activities have been digitalized, driving forward efficiency and productivity.

The project aim of achieving savings in the six-digit range through software metering with Adobe and Microsoft was thus surpassed in a very short time. And this success is having a ripple effect, as the departments' high level of confidence is enabling them to take the next steps and tie in other relevant software providers.

"Software metering is active software asset management! However, this isn't feasible without the support provided by a fully integrated SAM tool."
Holger Weber, Head of Contract & License Management, Axel Springer SE

"Decisive factors in a successful software metering project are extensive communication with end users together with simple, automated processes."
Hannes Nitsche, Software Asset Manager, Axel Springer SE

BOSCH

COST TRANSPARENCY OF IT SERVICES

As part of the strategic reorientation of Bosch IT as a service organization, the entire portfolio, as well as the planning, calculation and charging of IT services, were to be redefined, structured and implemented. A service management solution was sought that would ensure a holistic view of services and their costs in a transparent and standardized way as a basis for the central management of group-wide IT investments.

Key requirements for this were, for example, a complete bill of material explosion for all services, the implementation of a service catalog and the realization of specified IT financial management disciplines based on this. USU impressed the 20-strong team at Bosch following a comprehensive evaluation and decision process involving several providers, various workshops, show cases and an extensive proof of concept based on demo systems. In addition to the USU team's expertise, a deciding factor was the effectiveness of USU Service Management with its modular structure, performance and integration capability, as well as the possibility to use the system as a flexible development platform.

Implementation of the USU Service Management modules and replacement of the legacy systems were carried out in several steps: First, the services were defined and structured for Client Systems (CS) and IT Security (IS), followed by integration of the planning, calculation and charging processes. Subsequently, the complex Business Applications (DA) and Operations (OS) areas were switched over.

The USU solution now also provides a detailed, trackable and transparent overview of Bosch's entire portfolio, currently comprising 4,000 IT services and their composition, calculation and prices. The consolidated IT-related financial data makes it possible to plan, assess and manage these elements. Each month, Bosch charges for 3.5 million data sets worldwide, allocating them to several thousand recipient cost centers based on their origin.

"With USU Service Management, we've managed to support our complex global IT controlling processes consistently and thus build a bridge between the technical and commercial worlds."
Anja Unglaub, Senior Vice President IT Transformation (CI/PJ-TFD)
Robert Bosch GmbH

CENTRAL IT MONITORING

The Emmi Group's vision is to create the best milk moments. Emmi's vision reflects its employees' passion for producing high-quality milk products and specialities with respect for nature and people. Emmi is the largest milk processor in Switzerland and one of the most innovative premium dairies in Europe. In Switzerland, the company focuses developing, producing and marketing a full range of dairy and fresh products as well as producing, aging and trading in Swiss cheese.

Following the group-wide harmonization of business processes, one requirement was a new central IT monitoring solution to optimize the availability and performance of all information technologies and safeguard further growth.

The plan was to replace a Microsoft system that, in particular, could no longer meet the increasing requirements for full integration of all source systems as well as consistent alerts and process automation.

Emmi's officers had described the demanding technical requirements in a detailed catalog. The main aims and aspects were:

- Ensuring the smooth operation of the entire hybrid IT infrastructure
- Minimizing administrative operating expenses
- Incorporating all IT asset classes operated within Emmi's infrastructure environment, e.g. Windows, Linux, databases (SQL, Oracle, Hana), network, the ESX environment etc.
- Establishing a central alert system
- Integrating the CMDB and connecting it to event management to increase the degree of automation

A decision was made in favor of USU in 2022 following a tender and an extensive test and pilot phase. Deciding factors here were the functional range and depth of USU's IT monitoring solution. The practical benefits were also demonstrated in an exchange with a reference customer from Switzerland and the on-site service via USU.

"Based on our tender and the aims described above, USU's monitoring solution clearly prevailed vis-à-vis the other mainstream providers in terms of functionality, automation and operating costs."
Martin Zeindler, Head of Operations Management & Yvar Schafer,
IT Project Manager at the Emmi Group

Digital Service Chain

"For all who love music" – that's the motto, aspiration and expression of the business model of the German society for musical performing and mechanical reproduction rights, GEMA (Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte). The aim of an organization-wide service offensive was to meet the increasing service requirements of the different stakeholders, including the around 85,000 members and over two million music users, for speed, comprehensibility and transparency in an optimal way. To this end, the officers at GEMA evaluated the results of extensive customer surveys and developed a comprehensive solution concept in line with customer and member expectations.

The issue of "service automation" had key significance. To address this, a uniform customer service management (CSM) solution was implemented based on the low-code and case management platform Pega Infinity. This now connects the GEMA service teams with their members across channels and in real time. Incoming service requests are processed across the entire service chain in a transparent and automated manner – from receipt via the portal and processing in support to downstream processes in the various GEMA departments. This prevents media disruptions, increases efficiency and optimizes costs. However, it is primarily GEMA's members who benefit from greater transparency and faster, high-quality, needs-based services.

The GEMA website was the focus of a second initiative. The aim was to develop this into a digital service hub. New functions and role-based access required improvements in the areas of user experience, design and text as well as optimizations of the front end and system architecture. Furthermore, editorial production and content maintenance was to be made significantly easier. The chosen solution was Liferay Experience Cloud Self-Managed. Following a successful project, GEMA now has a powerful, future-proof and high-performance information and service platform for all stakeholders.

"With the support of our solution partner, USU, within a few months we were able to implement a powerful overarching service management system that creates special customer experience moments for GEMA members and customers."
Christian Bachus, Director of Customer and Member Service, GEMA

gkv informatik
unternehmen synergien

AUTOMATED IT SERVICES

Industry knowledge and IT expertise were the success factors at gkv informatik. The largest IT service provider for the German statutory health insurance funds has some superlatives to offer, as the around 600 employees in the gkv informatik team provide countless services that benefit not only their 41,000 users, but also 17 million policyholders in Germany. This exceptional service performance is only possible with an optimal IT set-up.

In particular, gkv informatik considers further automation of its processes as a key value-added factor and is implementing this rigorously through strategic initiatives.

Further expansion of the service request management system was required for the task of carrying out complex IT order processes between gkv informatik, external IT providers and customers such as BARMER or AOK completely electronically. With this in mind, the gkv informatik team developed a data exchange protocol to be mapped in USU Service Management. To this end, the USU system's development platform capabilities were used to develop key individual functions to serve as control components, making existing procurement processes faster and more user-friendly. The gkvi project team created the capability to process digital orders within just five months. Complex and error-prone manual activities therefore belong to the past.

A second project is currently addressing the further automation of IT support processes. The system supports process management via USU's incident management module and integrated solution database. In future, incoming fault messages or service-related issues are to be classified and forwarded automatically through the use of an AI-based module. The new ticket routing system promises significant increases in efficiency and productivity, as it reduces response and solution times for hundreds of thousands of tickets.

"We share with USU the central idea of driving the digital future forward with innovative solutions. USU Service Management offers us a central platform for our automation processes – such as for further digitalization in the area of IT procurement."
André Mosinski, Business Coordinator for Architecture, gkv informatik

IMPROVED IT PERFORMANCE

Companies from the energy sector, in particular, are confronted with diverse challenges during the transformation to modern digital public service provider – particularly in software and service management. Therefore, the topic of automation was very high on the agenda for the IT officers at Mainova AG, one of the largest regional energy providers in Germany. The goal was to release the IT team from performing recurring and error-prone routine activities manually and to provide IT services quickly and with consistently high quality. The requirements of a professional, readily integrable, ITIL-compliant solution that can support all service processes, enable flexible adaptations and also be operated as SaaS in Germany were correspondingly high. USU Service Management was chosen following an extensive selection process based on these decision criteria.

Based on effective IT asset management, the aim was to establish a comprehensive shop system to accelerate the performance of IT services considerably and support further ITSM disciplines over the medium term. The focus was on implementing an incident and service request management system. For this, it was important to develop a service catalog based on a configuration management database (CMDB). The maxim was: "No requests without the catalog." Therefore, everything from the ergonomic user interface to testing and approval processes, portfolio management and automated fulfillment had to be right in order to achieve the necessary acceptance.

Through standardizing and automating the service shop, Mainova has now implemented a central component for improved ITSM performance and thus also further growth and scalability. Over 1,800 different service offers reduce the processing times for tens of thousands of orders or tickets, in some cases dramatically, thanks to integrated license and approval tests etc. Sophisticated analysis and reporting options allow optimum control of these processes.

"For us, automation is one of the key issues for meeting our internal customers' needs. Using the USU solution led to significantly faster process cycles, fewer errors and, not least, higher employee satisfaction, too."
Christina Koch, Head of Service Strategy & Design, Mainova AG

STADTREINIGUNG HAMBURG

SERVICE KNOWLEDGE AT THE TOUCH OF A BUTTON

Stadtreinigung Hamburg (SRH) is one of Germany's largest public service providers in the area of waste management. Around 4,000 employees offer full services for over one million private households and 100,000 businesses in Hamburg. Whether it's the waste collection calendar, the fee calculator or questions regarding waste separation, IT has long played a critical role in the majority of knowledge-intensive SRH services.

A powerful modern knowledge management solution was needed as the mainstay of customer communications to meet increasingly exacting requirements. The Service Center team at SRH therefore devised a comprehensive concept for processing, transferring and using service knowledge intelligently for active customer communication. The technical realization and implementation of USU Knowledge Management was carried out step by step following a tender process in which USU established itself as the solution partner with the most efficient offer.

The 35-strong service team at SRH now processes 25,000 calls and 7,500 written inquiries every month. Significant improvements – in service quality and efficiency – have been achieved in terms of processing service requests and exchanging internal knowledge thanks to efficient processes and a knowledge database with intelligent search options that is updated on a daily basis.

Word has got out about the success of this flagship project: The knowledge database is now also used at the recycling centers and other departments can see the need for it. And what's the conclusion of the real stakeholders – the citizens of Hamburg? The latest customer satisfaction analyses clearly rate SRH's services positively, awarding them the high grade of 1.46. In fall 2022, the SRH team received the USU Future 2Go Award on the basis of outstanding services and the wide range of specific ideas for practical enhancements to processes and tools.

"Good processing now ensures service knowledge can be accessed more quickly and we can see significant potential for continuously ensuring even higher service quality for our Hamburg citizens in the future."
Ronny Bornkast, Private Customer Service Center Manager,
Stadtreinigung Hamburg

TAILORED USE OF SAP

The Südzucker Group produces 4.4 million tons of sugar each year. But that's just one of the food conglomerate's product lines. Its transformation from a large processor of agricultural commodities to a leading partner for plant-based solutions is well underway. To realize this change, the IT department implemented a digitalization strategy through various focused initiatives. A continuous process for the efficient use of software plays an important role here.

One of the key software applications for Südzucker is SAP, whose license models have become increasingly complex over the years. The manual effort required to provide transparency across the acquired and used SAP portfolio rose accordingly. In a market evaluation for introducing a solution specifically for license management, USU established itself as the solution partner thanks to the effectiveness of the software and its in-depth expert knowledge of SAP.

The primary aim of the Software Asset Management (SAM) project was to allocate existing licensing versions automatically in line with users' different requirements and identify unneeded inactive licenses. This should ensure both compliance at Südzucker as well as optimal use of software in line with the applicable SAP agreements, thus generating appreciable cost savings.

Initial tests had already shown promising results during the pilot phase. Following its successful implementation, USU Software Asset Management now provides a detailed, trackable and transparent overview of the entire SAP portfolio and forms the basis for the best-possible use of licenses from an economic and legal perspective. Südzucker also considers itself well set up for SAP's complex Digital Access licensing model for the use of third-party systems, as it benefits from high-quality tailored analyses, simulations and evaluations thanks to regular managed services provided by USU.

"Our partnership with USU is a success story; thanks to the experts' SAM knowledge and the use of USU Software Asset Management, we can exploit the full potential of our SAP software every day while ensuring compliance and cost transparency at the same time."
Joachim Hugenschmidt, Group Lead Software License Management/IT Controlling, Südzucker Group

Advisory board of USU Group

USU Software AG operates in a dynamic, changing environment. To remain competitive in the long term, it is essential to identify market trends, technological developments and customer needs at an early stage and translate these into new business strategies, innovative products and services. After all, in the software sector today's knowledge will be obsolete by tomorrow.

USU represents knowledge in service. Intelligent USU solutions allow companies to stand out from their competitors with high-quality services. Rigorous customer focus is the overarching principle of the business strategy from the very outset. Within the context of a long-term business relationship based on cooperation, this means always offering customers a high level of service and demonstrable added value. This requires active dialog and continuous communication with USU customers. The aim is to understand the growing demands, requirements and expectations various customers have for their company's long-term performance, to take suggestions on board and integrate findings into business and decision-making processes. More than 1,200 companies from all areas of business now make up the international customer group of the USU Group.

In its efforts to make the right strategic and operating decisions for USU customers, USU Software AG is supported by an Advisory Board whose members advise the entire USU Group with their high degree of professional expertise and many years of management experience. The Advisory Board is composed of business figures with in-depth experience and expertise in the area of information technology. A large number of the Advisory Board members are direct customers of USU Software AG and its Group subsidiaries.

At the regular meetings of the Advisory Board with the USU Management Board and management, current topics and developments on the market and in the USU Group are discussed, along with future trends. Ideas and external drivers for Advisory Board members are invaluable for the company's current and future success.

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 2022 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 dedication, 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 2023 fiscal year.

Dear shareholders,

Regardless of the challenging overall economic conditions, USU Software AG again successfully closed the 2022 fiscal year with new record figures for sales, earnings, and orders on hand. With a rise in consolidated sales of more than 13% and higher-than-average growth in Group-wide EBITDA of 17 % to EUR 16.8 million, the USU Group even surpassed its original targets. As a standalone company, USU Software AG increased its profits by as much as 42.7 % to over EUR 12.6 million. In line with the dividend policy, the Company's shareholders are again to share in the positive business development of USU Software AG in the form of a higher profit distribution. Accordingly, the Supervisory Board concurs with the Management Board's proposal for the appropriation of net profit for the 2022 fiscal year, which provides for a dividend payment 10 % higher than the previous year's level. The Management Board and Supervisory Board of USU Software AG will therefore propose a dividend distribution of EUR 0.55 per share to the Annual General Meeting of the Company on June 20, 2023.

Performance of Supervisory Board duties

In the 2022 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 as a whole, 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 2022 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 or the Supervisory Board in the 2022 fiscal year. Since the Supervisory Board comprises three members, it also forms the Audit Committee. In accordance with the new regulations of the German Corporate Governance Code, Supervisory Board member Gabriele Walker-Rudolf was appointed Chairperson of the Audit Committee on 13 December 2022. However, apart from the audit committee established on 13 December 2022, no committees were set up in the 2022 financial 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

Five ordinary Supervisory Board meetings were held in the 2022 fiscal year. Other than the May meeting, all of these were held in person at the Company's headquarters in Möglingen. All members of the Supervisory Board were present at the Supervisory Board meetings, meaning that the average participation rate of Supervisory Board members in the meetings was 100 %.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Management Board, focused on the business 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, the war in Ukraine, the ongoing "One USU" strategy project, and the liquidity development of the Company and the Group. In addition, the Supervisory Board, together with the Management Board, discussed risk management at USU Software AG and the Group as a whole and defined in detail the existing risks and opportunities, as well as the planned strategies and measures to control and manage risk. 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 share buyback of about 5 % of share capital, the development of the Company's share price and investors relations activities of the Management Board.

At the accounts meeting of the Supervisory Board on March 18, 2022, 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 2021 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 of EUR 0.50 per share, 25 % higher than in the previous year. Furthermore, the Supervisory Board discussed the non-financial report (sustainability report and compensation report for 2021). Another topic addressed at this Supervisory Board meeting was the status report of the Management Board, including the impact of the war in Ukraine and the related withdrawal from the Russian market, as well as the projection for 2022.

The virtual Supervisory Board meeting on May 17, 2022 prepared and discussed the agenda for the 2022 Annual General Meeting, which was then adopted unanimously in the meeting. 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 meeting on June 30, 2022, the day before the Annual General Meeting, featured preparations for the Annual General Meeting and discussions of the challenges presented by inflation and the war in Ukraine, as well as the potential effects these could have on the USU Group and suitable measures. It also discussed progress and further planning regarding the "One USU" strategy and the challenges facing international business after the pandemic.

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 21, 2022 addressed the successes and further activities of USU in terms of the "One USU" strategy. The Management Board and the Supervisory Board also discussed workforce development and a potential loyalty and employee participation program to retain staff in the long term. The Management Board also presented a report on the public share buyback.

Reporting by the Management Board and the managing directors of the subsidiaries on current business development and projections for 2022 as a whole was a key topic at the Supervisory Board meeting on December 13, 2022. In this context, the merger of USU Solutions GmbH and USU Technologies GmbH into USU GmbH announced for the start of 2023 was also discussed. Management Board planning for the 2023 fiscal year was also presented at the Supervisory Board meeting. The Supervisory Board discussed these plans with the Management Board, and unanimously approved the planning for the 2023 fiscal year. Another aspect of this Supervisory Board meeting was the implementation of the provisions of the German Corporate Governance Code, both in the version of December 16, 2019 and in the amended version in the announcement dated June 27, 2022 and the related requirement to form an Audit Committee and appoint a Chairman. As the Supervisory Board of USU Software AG consists of only three members, it has also formed the Audit Committee since the amended version of Section 107 (4) of the German Stock Corporation Act (AktG) came into effect. In accordance with the new regulations of the German Corporate Governance Code, the Supervisory Board resolved to establish an Audit Committee and unanimously resolved to appoint Supervisory Board member Gabriele Walker-Rudolf as Chairperson of the Audit Committee. The Supervisory Board also approved the declaration of conformity regarding the recommendations of the German Corporate Governance Code. The Supervisory Board also received information on the USU Group's risk management from the Management Board and discussed this with it in detail. Another focus topic at the Supervisory Board's December meeting was the renewal of the Management Board contract with the Chairman of the Management Board, Bernhard Oberschmidt. In addition to these topics, the Supervisory Board conducted an efficiency audit on the basis of an extensive questionnaire at its final meeting in 2022, which was concluded with a positive outcome. In addition, the Supervisory Board discussed the Management Board compensation system and adopted a resolution on Management Board compensation.

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 13, 2022, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code, both in the version of December 16, 2019 and the amended version in the announcement dated June 27, 2022. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with section 161 of the 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 is available on the Company's website at https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/ and contains the individual compensation of the members of the Management Board and the Supervisory Board for the 2022 fiscal year.

Audit of the single-entity and consolidated financial statements

Based on a resolution by the Annual General Meeting on July 1, 2022, 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 2022 fiscal year.

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

The financial statements of USU Software AG, the consolidated financial statements and the combined management report for the 2022 fiscal year were each issued with an unqualified audit opinion. Each member of 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 auditor's reports, for examination in a timely manner. The auditors reported to the Audit Committee on the key findings of their audit at the accounts meeting on March 21, 2023. 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 2022 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, 2022 in the amount of EUR 23,293 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.55 per divident-bearing share, amounting to a total of EUR 5,500 thousand;
- to carry forward the remaining unappropriated surplus of EUR 17,793 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with sections 289 (3), (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 2022 fiscal year. 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 internal control and risk management system.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with section 312 AktG for the fiscal year from January 1, 2022 to December 31, 2022 (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.

At its meeting on March 21, 2023, the Supervisory Board also discussed and approved, together with the Management Board, the joint compensation report for the Management Board and the Supervisory Board in accordance with Sec. 162 AktG.

Concluding remarks and thanks

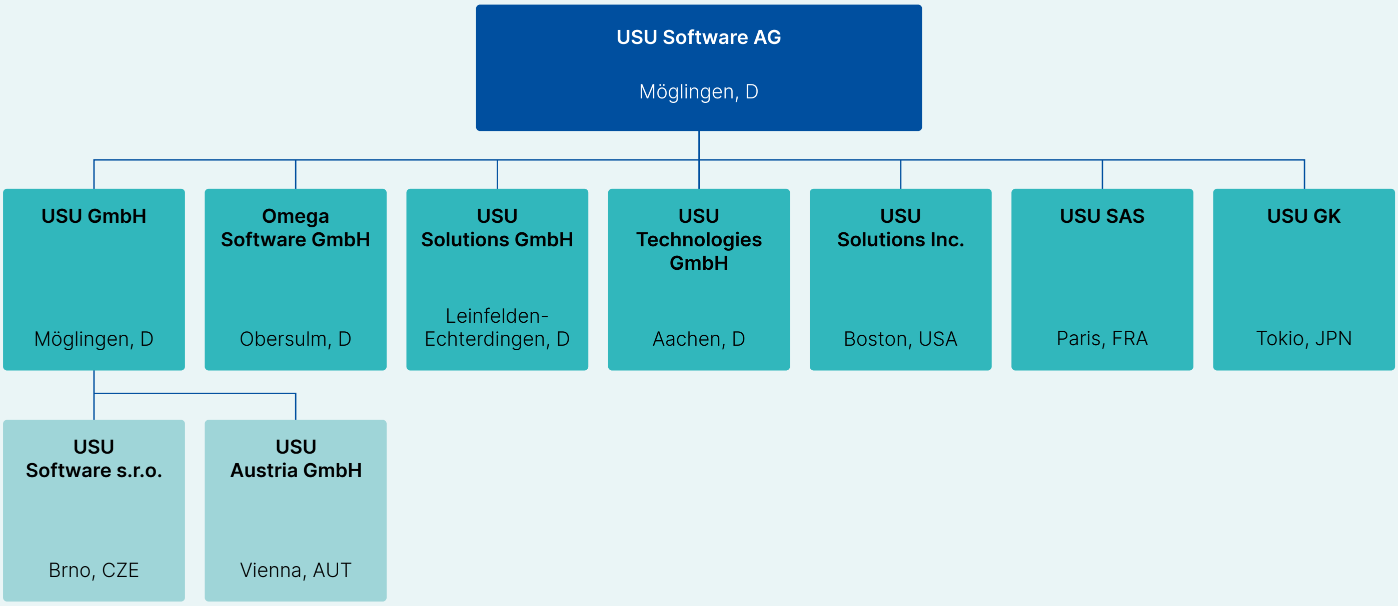
I would like to express my sincere thanks to all employees at USU Software AG and its subsidiaries for their outstanding commitment to the success of our USU Group, now established more than 45 years ago, which once again resulted in new record results in 2022. I would also like to thank the entire management of the subsidiaries for their loyal and professional efforts at USU. My particularly special thanks go to the Management Board team of USU Software AG, for their tireless dedication and exceptionally positive, trusting and successful collaboration. The Supervisory Board is optimistic that the Management Board will sustainably and profitably continue the Company's successful growth trend in 2023 and looks forward to further positive, trust-based cooperation.

Möglingen, March 20, 2023

For the Supervisory Board

Udo Strehl
Chairman of the Supervisory Board of USU Software AG

USU Software AG and its subsidiaries



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 2022: 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; USU GK, Tokyo, Japan. In addition, USU Software AG has a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.

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") set standards for better service quality. USU enables companies to respond to changed customer and employee needs in a digital world. Well-known companies use USU solutions to create transparency, become more agile, cut costs, and reduce their risk – by means of smarter services, simpler workflows, and better collaboration.

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

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

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

The key performance indicators for USU Software AG and the Group are sales and EBITDA.

Since 2022, EBITDA has served as a important planning and control parameter alongside consolidated sales. It has replaced adjusted EBIT as an earnings-related planning and control parameter, as the adjustments were no longer of a relevant magnitude and mainly related to PPA adjustments. The Management Board expects sales to increase to EUR 134-139 million as a result of the accelerated shift from one-time license business in favor of software-as-a-service (SaaS) business. This will be accompanied by a significant rise in the proportion of SaaS contracts with new customers and strong growth of over 25 % in SaaS sales, whereas license revenue will decline. Accordingly, EBITDA is expected to amount to EUR 16.5-18 million.

In the medium term, the Management Board is anticipating average organic sales growth of around 10 % p.a., with the proportion of sales with new customers attributable to SaaS set to rise to over 75 %. The growth in high-margin SaaS sales will lead to a continuous upturn in EBITDA margins, which are expected to increase to 17-19 % by the end of 2026.

I. 2 Research and development

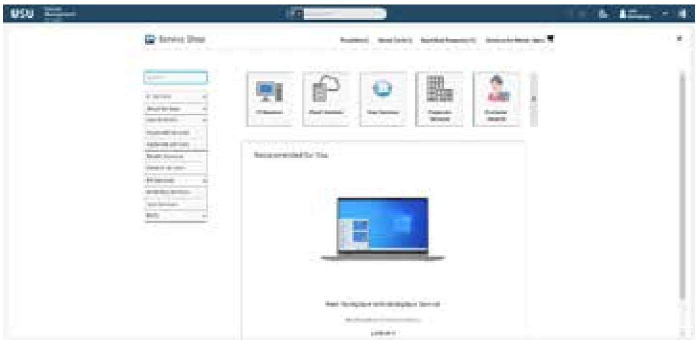
Cloud and AI technology is increasingly accelerating the development of information technology. According to studies, usable IT knowledge is currently superseded in less than 24 months. This makes it all the more important for companies in this industry to sustainably increase their innovative strength. For the USU Group, too, new software products and regular version updates with improved functions are also critical when it comes to successful growth. Accordingly, research and development plays an extremely important role at USU.

R&D expenditure amounted to EUR 18,072 thousand in 2022 (2021: EUR 16,686 thousand), corresponding to 14.3 % (2021: 14.9 %) of consolidated sales. These expenses are not capitalized. R&D at USU takes many forms: In addition to a dedicated research department in Karlsruhe, the development company in Czechia, and R&D teams in Germany and France for its software products, intensive collaboration with customers, partners, universities and institutes is another important aspect of its R&D activities. The number of employees in this area was 225 as of December 31, 2022 (December 31, 2021: 216).

In the medium term, the One USU strategy involves the establishment of a holistic SaaS-based USU platform that will integrate all USU applications and run on standardized data storage going forward. The platform will include preconfigured solutions for cloud management, IT service, customer service, IT asset management and IT operations management. In the future, customers will benefit from a portfolio from a single source, optimal user-friendliness, accessibility, AI-based functions, and flexible customization and expansion options thanks to no-code and low-code technologies. This will generate considerable synergy effects and efficiency gains for USU. Basic development work on the new platform began in 2022, and the various solution apps will be developed over the coming years.

At the same time, the existing portfolio of the individual divisions was continuously enhanced and expanded to include new innovations as it has been in recent years.

In late 2022, the R&D team in USU Service Management delivered the new version of the service management solution. The main new features include improved user management for greater automation. Optimized user friendliness was the driving principle behind various UX and UI measures for an ergonomic interface. New and expanded interfaces and configuration options will also improve application integration and ensure a smooth data flow. The new, accessible service shop developed in conjunction with USU customers represents another milestone. Among other things, the self-service portal has been expanded to include central functions.

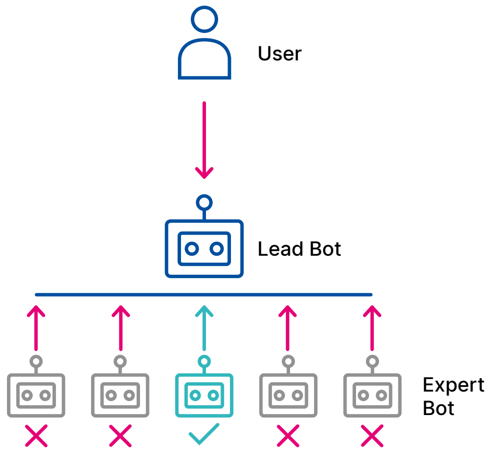


The clear user interface of the new service shop module

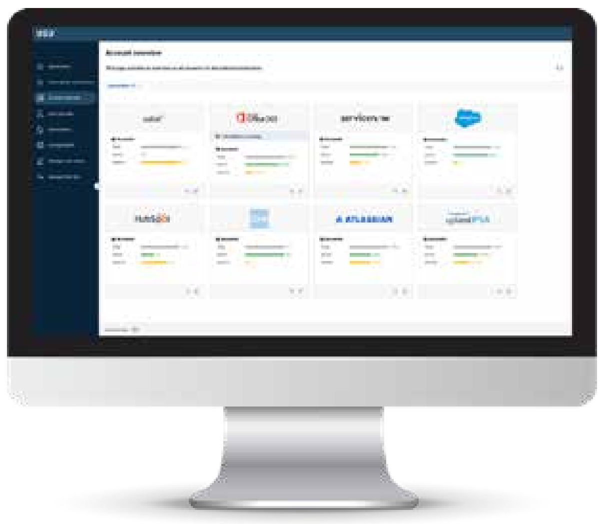
There were some new releases for the USU IT Monitoring solution in the period under review. These include the automated monitoring of service levels, the further expansion of the end-to-end module and improvements to the user experience, including with regard to the simplified commissioning and maintenance of server monitoring. In addition, the alarm app has been improved so that alarm notifications can be configured in line with the requirements of internal work instructions. One key new module is “Smart Baselining”, in which a special AI-based algorithm analyzes the behavioral patterns of the measured monitoring data and automatically determines thresholds and anomalies.

Threshold calculation with the new “Smart Baselining” module

R&D activities in USU Software Asset Management (SAM) also centered on the optimization of the ergonomic user interface. This included the addition of scrollable dashboards. Users can now also use an editor to modify transformation scripts and export log files more easily. The standardization of the modules means that all applications within the SAM platform now have the same look and feel. USU's systems can now deliver Oracle Java files in verified quality for Oracle Software Asset Management – making it one of the first manufacturers in the world to offer this capability. The content of the extensive software catalog also continued to grow. It now encompasses 216 manufacturers and almost 3,000 products, especially in the area of SaaS. USU Software Asset Management was also recognized by Gartner as one of the five most utilized solutions for SAP and SaaS license management.



Dialog concept of the new chatbot universe



Dashboard overview of key SaaS providers

A new version of USU Knowledge Management was completed in 2022. This optimizes the options for collaboration in the document creation process, especially in the important editorial area. Activities relating to chatbots focused on the expansion of the "Bot Universe" open-source project. The intelligent and flexible combination of dialog systems as a chatbot network will also make extensive customer services considerably more efficient. Analysts currently consider USU's chatbot concept to be unique worldwide. ChatGPT was integrated into the USU chatbot in the fourth quarter of 2022. This means USU is likely to be one of the first manufacturers to realize this function. Developed for the US market in particular, the first version of the new self-service module, Help Center, was released recently and offers extensive options for creating and administering self services on websites.

The R&D team in USU AI Services concentrates on the provision of technology components based on artificial intelligence for the existing USU portfolio. Two new AI-based technology components for service management were delivered in the period under review. "Major Incident Identification" automatically suggests new major incidents based on current incident data, making it easier to identify and rectify faults, while the "Identify Similar Tickets" function automatically creates references to existing tickets in order to ensure uniform resolution. Improvements included the dashboard area and statistics. For example, the distribution of tickets can now be analyzed directly in the dashboard.

USU has developed an integrated, scalable hybrid cloud management platform for efficient controlling in complex hybrid IT infrastructures. Thanks to its end-to-end view, users can comprehensively plan, coordinate, monitor, charge and optimally control a wide range of cloud resources and IT services. A first version was completed in summer 2022 and has since been continuously improved. In the dynamically growing market for hybrid cloud cost management, USU's application achieved the best overall ranking in the world in terms of cost controlling and optimization according to a study by the German market research company Research in Action (RIA).

Overview of cloud budgets

In the area of research, USU participates in a number of publicly subsidized IT projects as a technology partner with a view to developing and trialling innovations with a focus on artificial intelligence. The prototype of an AI-based service management system is currently being optimized further as part of the "Service-Meister" project. Additionally, the project team developed the first version of an intelligent service chatbot ("Alexa im Blaumann") that can access structured service and product knowledge and recognize contexts in which it operates. In another research project, FabOS, the R&D team also developed a new AI module for data-driven services. Launched in 2022, the AutoQML project will develop solutions for combining quantum computing and machine learning. The USU development aims to automate labor-intensive steps in the modeling and optimization of AI procedures. Use cases include data preprocessing and algorithm selection.

II. ECONOMIC REPORT

II. 1 Summary

Thanks to the recovery in international business, sustained positive domestic business and the associated above-average growth in high-margin SaaS sales, USU Software AG increased its consolidated sales (IFRS) by 13.1 % year-on-year to EUR 126,522 thousand in the year under review (2021: EUR 111,904 thousand).

USU recorded a particularly high year-on-year increase in SaaS sales of 31.5% to EUR 14,224 thousand thanks to the new orders acquired and the existing orders on hand (2021: EUR 10,820 thousand). Irrespective of the trend toward cloud business, however, USU again benefited from the renewed growth in license and maintenance business in the current year. With the number of licenses agreed increasing, maintenance sales rose by 6.1% year-on-year to EUR 25,145 thousand (2021: EUR 23,705 thousand). USU thus increased its recurring revenue by 14.0 % year-on-year to EUR 39,370 thousand (2021: EUR 34,525 thousand), meaning that the share of total sales attributable to recurring revenue rose from 30.9 % in the previous year to 31.1 % in the reporting period. At the same time, USU increased its license revenue by 19.0 % to EUR 14,224 thousand in the reporting period thanks to numerous on-premises orders (2021: EUR 11,957 thousand).

As a result of the business growth and the above-average increase in high-margin SaaS and license revenue, the USU Group also improved its operating profitability in fiscal 2022 as forecast. USU's EBITDA increased by 17.0 % year-on-year to EUR 16,836 thousand (2021: EUR 14,391 thousand). With a view to its medium-term margin target, USU increased its EBITDA margin to 13.3 % (2021: 12.9 %). Including depreciation and amortization totaling EUR 5,035 thousand (2021: EUR 4,726 thousand), USU generated EBIT of EUR 11,802 thousand in fiscal 2022 (2021: EUR 9,665 thousand). This corresponds to a year-on-year increase in EBIT of 22.1 %. At the same time, USU improved its consolidated earnings by 12.2% year-on-year to EUR 7,582 thousand in fiscal 2022 (2021: EUR 6,758 thousand). With an average of 10,523,770 shares outstanding, this corresponds to diluted earnings per share of EUR 0.72 (2021: EUR 0.64).

Net income (calculated in accordance with the German Commercial Code) of USU Software AG as a standalone company increased to EUR 12,624 thousand in fiscal 2022 (2021: EUR 8,847 thousand). This corresponds to a 42.7% increase in profit as against the previous year. Including the profit carried forward from the previous year of EUR 10,669 thousand (2021: EUR 7,084 thousand), the Company generated an unappropriated surplus of EUR 23,293 thousand (2021: EUR 15,931 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 0.55 per share for fiscal 2022 (2021: EUR 0.50) subject to the approval of the Supervisory Board. This takes into account the cash outflow for the share buyback in 2022 and represents an increase of 10 % compared with the previous year.

USU Software AG as a standalone company thus exceeded the "slight year-on-year increase in sales and earnings in the low single-digit percentage range" that was forecast for 2022. Following on from its substantial sales and earnings growth, it is anticipating further year-on-year sales and earnings growth in the low single-digit percentage range in 2023 and, in this respect, the continuation of the positive business development.

With a view to the accelerated shift from one-time license business to SaaS business, the Management Board now expects sales to increase to EUR 134-139 million accompanied by a significant rise in the proportion of SaaS contracts with new customers and strong growth of over 25% in SaaS sales, whereas license revenue will decline. Accordingly, EBITDA is expected to amount to EUR 16.5-18 million. In the medium term, the Management Board is anticipating average organic sales growth of around 10% p.a., with the proportion of sales with new customers attributable to SaaS set to rise to over 75%. The growth in high-margin SaaS sales will lead to a continuous upturn in EBITDA margins, which are expected to increase to 17-19 % by the end of 2026.

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

II. 2 Overall economic development

According to the German Federal Statistical Office (Destatis)[1], gross domestic product (GDP) adjusted for inflation was 1.8 % higher in 2022 than in the previous year. Adjusted for calendar effects, economic growth amounted to 1.9 %. "In 2022, the overall economic situation in Germany was affected by the consequences of the war in Ukraine and the extremely high energy price increases," said Dr. Ruth Brand, new President of the Federal Statistical Office since 1 January 2023. "There also were serious material shortages and delivery bottlenecks, massively rising prices, for example for food, skilled labor shortages, and the continuing though fading COVID-19 pandemic. Although these difficult conditions persist, the German economy as a whole managed to perform well in 2022," Brand continued. GDP in 2022 was 0.7 % higher than in 2019, the year before the onset of the coronavirus crisis.

According to an initial estimate of the annual growth rate by the Statistical Office of the European Union (Eurostat)[2], the euro area saw year-on-year GDP growth of 3.5 % in 2022 compared with growth of 5.2 % in 2021.

II. 3 Sector development

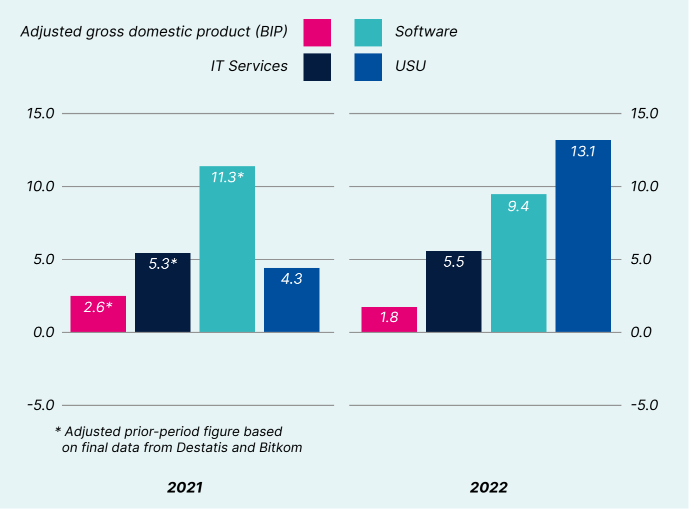
Thanks to substantial IT investment in particular, the German high-tech market enjoyed strong growth in 2022. According to forecasts by the German Federal Association for Information Technology, Telecommunications and New Media ("Bitkom")[3], the ICT market expanded by 4.0 % to EUR 196.1 billion in the reporting period (2021: +5.9 % to EUR 188.6 billion). 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 9.4 % to EUR 35.5 billion in 2022 (2021: +11.3 % to EUR 32.5 billion). At the same time, the market for IT services also saw year-on-year growth of 5.5 % to EUR 45.7 billion (2021: +5.3 % to EUR 43.3 billion). Accordingly, the German IT market as a whole expanded by 6.6 % to EUR 118.9 billion in 2022 according to Bitkom (2021: +9.1 % to EUR 111.6 billion). By contrast, worldwide IT spending declined by 0.2 % year-on-year to USD 4,385.3 million in 2022 according to calculations by the US market research company Gartner[4]. This was due in particular to the downturn in IT hardware, whereas the enterprise software and IT services market recorded growth of 7.1 % to USD 783.5 billion and 3.0 % to USD 1,244.7 billion respectively.

II. 4 Business performance

USU Software AG successfully continued on its dynamic growth path in 2022, enjoying another record year thanks to extremely strong SaaS business. USU increased its consolidated sales by 13.1 % year-on-year to a new all-time high of EUR 126.5 million, while also recording above-average EBITDA growth of 17.0 % to EUR 16.8 million. One successful aspect was international business, which increased by 11.3 % year-on-year to EUR 30,408 thousand following the slump caused by the coronavirus pandemic (2021: EUR 27,329 thousand), while domestic business continued the positive trend recorded in previous years with growth of 13.6 % to EUR 96,114 thousand (2021: EUR 84,575 thousand). With SaaS sales increasing by almost one-third to EUR 14,224 thousand (2021: EUR 10,820 thousand), the important indicator of recurring revenue (maintenance sales including SaaS revenue) rose by 14.0 % to EUR 39,370 thousand (2021: EUR 34,525 thousand). This meant that recurring revenue accounted for 31.1 % of total revenue after 30.9 % in the previous year. As planned, USU benefited from the fact that recurring revenue accounted for more than 40 % of new product business. This recurring revenue is one of the central pillars of USU's growth and allows the Company to significantly improve the predictability of its business compared with one-time license revenue.

Thanks to this positive business performance, USU again successfully exceeded its forecast of sales growth of EUR 120-125 million with recurring revenue accounting for 45 % of new business while simultaneously increasing its adjusted EBIT to EUR 10.5-12 million, corresponding to EBITDA of EUR 14.5-16 million.

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



1) cf. Destatis press release 20 dated January 13, 2023 and Destatis press release 37 dated January 30, 2023, published at http://www.destatis.de/
2) cf. Eurostat press release 15/2023 dated January 31, 2023, published at http://ec.europa.eu/eurostat
3) BITKOM press release dated January 10, 2023 and ICT market data (as of January 2023), published at www.bitkom.org
4) cf. Gartner press release dated January 18, 2023, 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 and the additional activities in connection with the "One USU" strategy project.

In light of this consistently positive business performance and our sustained healthy financial position, USU made a decision to repurchase treasury shares in the year under review. The public share buyback offer encompassed 523,770 treasury shares at a fixed offer price of EUR 18.75 per share, meaning that the Company has held almost 5 % of the shares in USU Software AG since mid-October 2022.

II. 5 Development of sales and costs

Consolidated sales

The USU Group accelerated its existing growth momentum in fiscal 2022. USU increased its consolidated sales by 13.1 % year-on-year to EUR 126,522 thousand (2021: EUR 111,904 thousand). This was due in particular to strong domestic business, which continued the positive trend of previous years by rising 13.6 % to EUR 96,114 thousand (2021: EUR 84.575 thousand). Thanks to strong international business in the second half of 2022, consolidated sales generated abroad also increased by 11.3 % year-on-year to EUR 30,408 thousand (2021: EUR 27,329 thousand), thereby returning to clearly positive performance following the slump caused by the coronavirus pandemic.

Broken down by sales type, USU recorded a particularly high year-on-year increase in SaaS sales of 31.5 % to EUR 14,224 thousand thanks to the new orders acquired and the existing orders on hand (2021: EUR 10,820 thousand). Irrespective of the trend toward cloud business, however, USU again benefited from the renewed growth in license and maintenance business in the current year. With the number of licenses agreed increasing, maintenance sales rose by 6.1 % year-on-year to EUR 25,145 thousand (2021: EUR 23,705 thousand). USU thus increased its recurring revenue by 14.0 % year-on-year to EUR 39,370 thousand (2021: EUR 34,525 thousand), meaning that the share of total sales attributable to recurring revenue rose from 30.9 % in the previous year to 31.1 % in the reporting period. At the same time, USU increased its license revenue by 19.0 % to EUR 14,224 thousand in the reporting period thanks to numerous on-premises orders (2021: EUR 11,957 thousand). Irrespective of the general trend toward SaaS projects, several customers opted to purchase one-time licenses during 2022. USU's consulting sales also increased by 12.8 % year-on-year to EUR 71,838 thousand in 2022 thanks to the sustained digitalization trend (2021: EUR 63,682 thousand).

Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 1,090 thousand (2021: EUR 1,740 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

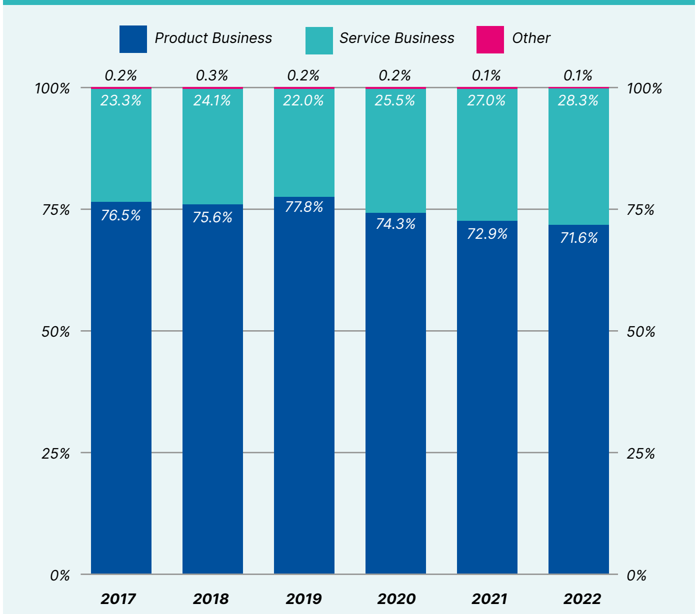
Sales by segment

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 2022, the Product Business segment increased its sales by 11.1 % year-on-year to EUR 90,592 thousand (2021: EUR 81,526 thousand), while USU increased its consulting-related sales in the Service Business segment by 18.4 % year-on-year to EUR 35,794 thousand in the same period (2021: EUR 30,235 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 slightly in the year under review. Sales not allocated to the segments totaled EUR 137 thousand in fiscal 2022 (2021: EUR 144 thousand).

Owing to the particularly strong performance of the service segment, the product segment's share of consolidated sales fell slightly from 72.9 % in 2021 to 71.6 % 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 12.1 % year-on-year to EUR 115,707 thousand in 2022 (2021: EUR 103,195 thousand). In particular, this reflects the higher costs resulting from the increased use of employed consultants, freelancers and partners in connection with the business growth. Operating costs also include costs for the implementation of the One USU strategy. USU has now concentrated its sales and marketing activities under the central "USU" brand. This means that all other names and brands have been dropped and employees are now focused not only on sales and marketing within their own company or area, but on marketing the entire USU portfolio under the umbrella brand. Corresponding activities have also been initiated in the areas of consulting and research and development.

Accordingly, the cost of sales rose by 13.6 % as against the previous year to EUR 63,311 thousand in the period under review (2021: EUR 55,726 thousand). The cost of sales as a percentage of consolidated sales thus increased slightly year-on-year to 50.0 % (2021: 49.8 %). At the same time, gross income rose from EUR 56,178 thousand in fiscal 2021 to EUR 63,211 thousand. The gross margin declined slightly to 50.0 % (2021: 50.2 %).

Marketing and selling expenses increased by 10.1 % year-on-year to EUR 22,616 thousand in the period under review (2021: EUR 20,541 thousand). Among other things, this reflects USU's return to event activities to attract new customers following the interruption due to the coronavirus crisis, as well as increased sales commission due to the higher number of orders generated. The above-average sales growth meant that marketing and selling expenses as a share of sales declined from 18.4 % in 2021 to 17.9 % in the period under review.

Following the sharp downturn in the previous year, general and administrative expenses rose by 14.3 % to EUR 11,708 thousand (2021: EUR 10,242 thousand) due to the higher level of non-staff operating costs. The ratio of administrative expenses to consolidated sales was essentially unchanged year-on-year at 9.3 % (2021: 9.2 %).

Due to higher staff costs and non-staff operating costs, research and development expenses also rose by 8.3 % year-on-year to EUR 18,072 thousand (2021: EUR 16,686 thousand). This increase also reflects the R&D activities initiated in the year under review as part of the "One USU" strategy for the development of a central platform to integrate all Group products. As forecast, the ratio of research and development expenses to consolidated sales also decreased in line with the above-average growth in sales, from 14.9 % in the previous year to 14.3 % in the period under review. USU is constantly investing in the development of its product portfolio and is always working on innovative, market-driven software solutions. Further information can be found under I.2 Research and development.

As in the current year, USU is planning to increase its R&D expenditure in absolute terms in the medium term while reducing the ratio of research and development expenses to consolidated sales on account of strong sales growth.

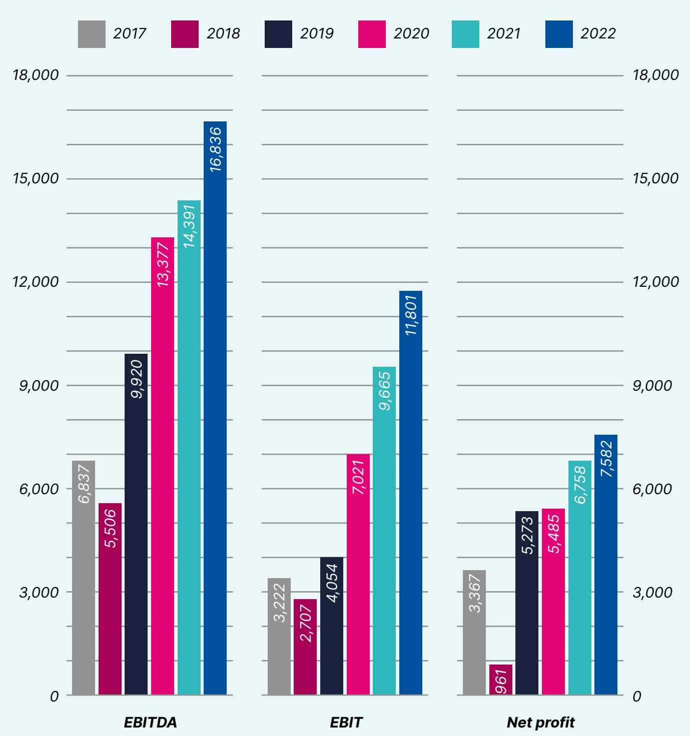
Net other operating income and expenses totaled EUR 987 thousand in fiscal 2022 (2021: EUR 956 thousand) and included income from currency translation differences.

Results of operations

As a result of the business growth and the above-average increase in high-margin SaaS and license revenue, the USU Group also improved its operating profitability in fiscal 2022 as forecast. USU's EBITDA increased by 17.0 % year-on-year to EUR 16,836 thousand (2021: EUR 14,391 thousand). With a view to its medium-term margin target, USU increased its EBITDA margin to 13.3 % (2021: 12.9 %). Including depreciation and amortization totaling EUR 5,035 thousand (2021: EUR 4,726 thousand), USU generated EBIT of EUR 11,802 thousand in fiscal 2022 (2021: EUR 9,665 thousand). This corresponds to a year-on-year increase in EBIT of 22.1 %.

Net finance costs amounted to EUR 164 thousand on the back of the stronger US dollar and the resulting positive exchange rate effects (2021: EUR 65 thousand). Due to negative effects from deferred taxes and the rise in profits, income taxes amounted to EUR 4,384 thousand in fiscal 2022 after EUR 2,972 thousand in fiscal 2021. The IFRS effects from deferred taxes are now negligible, meaning that USU is subject to a "normal" tax rate under IFRS. Despite this, USU's consolidated earnings increased by 12.2 % year-on-year to EUR 7,582 thousand in the reporting period (2021: EUR 6,758 thousand). With an average of 10,392,828 shares outstanding, this corresponds to diluted earnings per share of EUR 0.72 (2021: EUR 0.64).

Earnings development of the USU Group in EUR thousand



II. 8 Net assets and financial position

On the assets side of the consolidated statement of financial position, the USU Group's non-current assets declined to EUR 64,791 thousand as of December 31, 2022 (December 31, 2021: EUR 68,916 thousand). This was mainly due to depreciation and amortization of right-of-use assets in accordance with IFRS 16 and the lower level of deferred tax assets. In the same period, current assets increased from EUR 47,100 thousand as of December 31, 2021 to EUR 48,188 thousand. This was primarily due to the increase in trade receivables to EUR 22,274 thousand at the end of the reporting period as a result of the business expansion (December 31, 2021: EUR 14,820 thousand). As a result of the dividend payment to USU share-holders of EUR 5,262 thousand in early July 2022 and the repurchase of treasury shares in the amount of EUR 9,821 thousand, Group liquidity was down compared with the end of fiscal 2021 as expected, amounting to EUR 15,525 thousand as of December 31, 2022 (December 31, 2021: EUR 24,286 thousand).

On the equity and liabilities side of the consolidated statement of financial position, the share buyback and the associated reduction in capital reserves meant that the USU Group's equity decreased from EUR 64,443 thousand as of December 31, 2021, to EUR 56,954 thousand as of December 31, 2022. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 56,025 thousand as of December 31, 2022 (December 31, 2021: EUR 51,573 thousand). This increase primarily resulted from higher deferred income from maintenance and SaaS agreements invoiced at the start of the year for which services will be rendered and sales recognized later in the year, as well as the increase in trade payables to EUR 6,997 thousand as of the reporting date (December 31, 2021: EUR 4,455 thousand).

With total assets of EUR 112,979 thousand (December 31, 2021: EUR 116,016 thousand), the equity ratio was 50.4 % as of December 31, 2022 (December 31, 2021: 55.5 %). With this equity ratio, extensive Group liquidity, and no liabilities to banks, the USU Group still has extremely sound and secure financing.

II. 9 Cash flows and capital expenditure

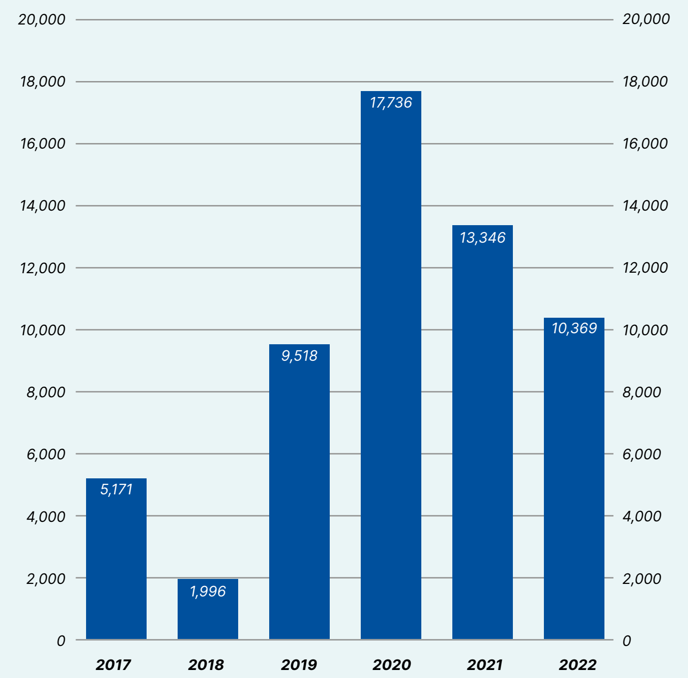
The USU Group had cash funds of EUR 15,525 thousand as of December 31, 2022 (2021: EUR 24,286 thousand). This represents a year-on-year decrease of EUR 8,761 thousand or 31.0 %. This was mainly due to the buyback of 523,770 USU shares in the amount of EUR 9,821 thousand as well as higher dividend payments in the year under review.

However, USU's cash flow from operating activities was down on the previous year at EUR 10,369 thousand due to working capital effects as of the reporting date (2021: EUR 13,346 thousand).

Net cash used in investing activities of EUR -1,275 thousand (2021: EUR -829 thousand) primarily includes investments in property, plant and equipment and intangible assets.

The cash flow from financing activities of EUR -17,985 thousand (2021: EUR -7,025 thousand) primarily results from the share buyback of EUR -9,821 thousand (2021: EUR 0 thousand), the 25.0 % increase in the dividend payment to USU's shareholders to EUR -5,262 thousand (2021: EUR -4,209 thousand), and payments for lease liabilities of EUR -2,902 thousand (2021: EUR -2,816 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 largely 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 2023. This is not least demonstrated by the USU Group's high level of orders on hand, which reached a new record of almost EUR 83 million at the end of fiscal 2022. This means USU already has secured orders for more than half of the sales targeted for 2023. Thanks to sustained demand for digitalization solutions, the Management Board expects to be able to gain a large number of new orders again in 2023, with international business in particular set to return to high growth rates following the slump in previous years caused by the coronavirus pandemic. Thus, the USU Group is still in an excellent economic situation and anticipates continued high potential for its short-, medium- and long-term future. In particular, the growth pillars of internationalization and innovation are expected to result in average organic sales growth of around 10 % over the coming years, while the expected strong development of SaaS sales should lead to continuous growth in EBITDA margins to between 17 % and 19 % by 2026 at the latest. Furthermore, USU has a high level of readily available Group liquidity as well as treasury shares that could serve as consideration for company acquisitions or equity investments, 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)..

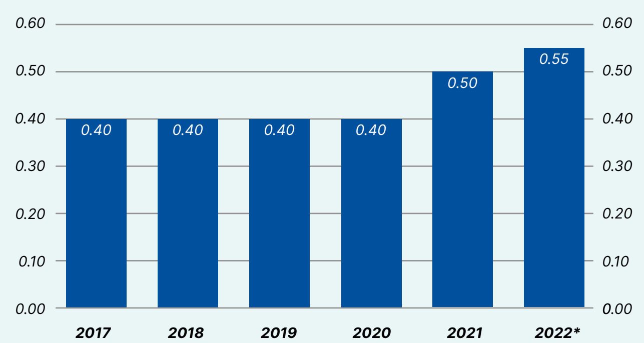
USU Software AG primarily focuses on acquiring and holding equity investments in other companies and on research, which is situated at the Karlsruhe site. USU Software AG's main earnings derive from its operating subsidiaries. These include the Group subsidiaries USU Technologies GmbH, USU Solutions 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.

USU Software AG generated sales of EUR 11,178 thousand in fiscal 2022 (2021: EUR 9,959 thousand), primarily from intragroup services and the USU AI Services division, which emerged from our research division and develops and markets solutions for big data and artificial intelligence. In addition, USU generated investment income of EUR 20,212 thousand (2021: EUR 15,621 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 subsidiary USU GmbH.

The Company's other operating income of EUR 3,475 thousand (2021: EUR 3,045 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 8,131 thousand (2021: EUR 7,645 thousand) essentially include event, advertising and marketing costs, fees for external services, IT/data center costs, rental expenses, legal and advisory costs, and stock exchange costs. The cost of materials increased year-on-year to EUR 2,514 thousand in fiscal 2022 (2021: EUR 2,243 thousand) due to the increased utilization of external resources. At the same time, staff costs rose from EUR 7,390 thousand in fiscal 2021 to EUR 8,937 thousand as a result of increased salaries and higher variable compensation, as well as the expansion of the Company's workforce to an average of 106 employees (2021: 87). Among other things, it should be noted that the implementation of the "One USU" strategy resulted in the transfer of additional employees who perform central Group functions from the respective subsidiaries to the Group parent, USU Software AG, as well as the further expansion of the workforce. Amortization of intangible assets and depreciation of tangible assets totaled EUR 433 thousand in 2022 (2021: EUR 300 thousand). At the same time, write-downs of financial assets amounted to EUR 0 thousand (2021: EUR 596 thousand). In the previous year, these related exclusively to the French subsidiary USU SAS. USU Software AG reported a net interest expense of EUR -432 thousand (2021: EUR -423 thousand), which primarily consisted of interest payments to subsidiaries.

Income taxes were up on the previous year at EUR -1,558 thousand due to the rise in profits (2021: EUR -1,213 thousand). Including other taxes of EUR 262 thousand (2021: EUR 0 thousand), USU Software AG as a standalone company reported net profit of EUR 12,624 thousand for fiscal 2022 (2021: EUR 8,847 thousand). This corresponds to a 42.7% increase in profit as against the previous year. Including the profit carried forward from the previous year of EUR 10,669 thousand (2021: EUR 7,084 thousand), the Company generated an unappropriated surplus of EUR 23,293 thousand (2021: EUR 15,931 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 0.55 per share for fiscal 2022 (2021: EUR 0.50) subject to the approval of the Supervisory Board. This takes into account the cash outflow for the share buyback in 2022 and represents an increase of 10% compared with the previous year.

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



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

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

On the assets side of the statement of financial position, USU Software AG's non-current assets increased to EUR 49,432 thousand (2021: EUR 49,091) at the end of fiscal 2022. This was due in particular to the additional software and hardware purchased in response to the workforce expansion and increased demand. Current assets declined to EUR 27,341 thousand as of December 31, 2022 (2021: EUR 27,804 thousand). This was mainly due to the reduction in cash and cash equivalents to EUR 737 thousand (2021: EUR 6,239 thousand) as a result of the share buy-back in the year under review, which involved the repurchase of 523,770 treasury shares at a fixed price of EUR 18.75. Under equity and liabilities, equity fell to EUR 37,641 thousand (2021: EUR 40,100 thousand) as a result of the share buyback and the dividend distribution in the reporting year. At the same time, total liabilities increased from EUR 37,322 thousand as of December 31, 2021 to EUR 40,510 thousand at the reporting date. This was due among other things to higher tax liabilities. With a slight year-on-year increase in total assets to EUR 78,151 thousand (2021: EUR 77,544 thousand), the equity ratio of USU Software AG amounted to 48.2% as of the end of fiscal 2022 (2021: 51.7%).

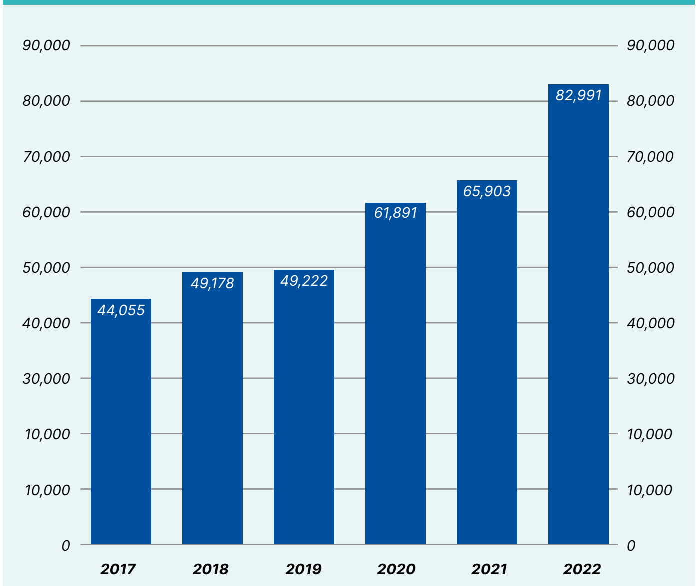
USU Software AG's focus on investment business means that it will remain highly dependent on the performance of its subsidiaries in future years. The Company is planning to merge USU Technologies GmbH and USU Solutions GmbH into USU GmbH, meaning that the majority of investment income will be generated by USU GmbH in the future. Information on the opportunities and risks of investment business can be found in the Group risk report in section IV. 2.

II. 12 Orders on hand

Thanks to the sales generated during 2022, the USU Group expanded its Group-wide orders on hand by EUR 17,088 thousand to EUR 82,991 thousand as of December 31, 2022 (December 31, 2021: EUR 65,903 thousand). This corresponds to a year-on-year increase of 25.9% and meant that USU reached another all-time high in terms of orders on hand. The increase primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders.

Orders on hand at 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 or-ders and maintenance and SaaS agreements.

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

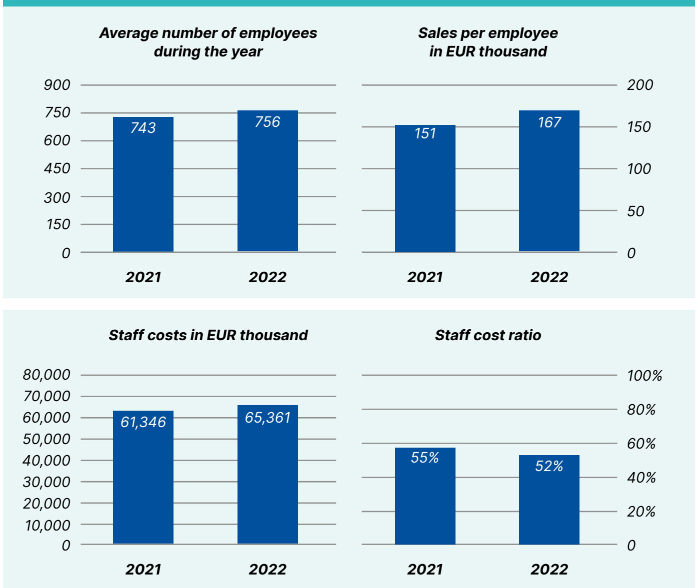


II. 13 Employees

The USU Group increased its workforce by 4.4 % or 33 employees year on-year to 783 employees as of December 31, 2022 (2021: 750). This meant that USU expanded its workforce in a targeted manner despite the skills shortage in the IT industry. Broken down by function, USU employed a total of 331 (2021: 311) people in consulting and services, 225 (2021: 216) in research and development, 116 (2021: 116) in sales and marketing and 108 (2021: 107) in administration as of December 31, 2021. Broken down by segment, USU had 548 (2021: 529) employees in the Product Business segment, 125 (2021: 114) in the Service Business segment and 108 (2021: 107) in central USU Group functions. The Group employee figures do not include the 2 (2021: 2) members of the Management Board of USU Software AG, 233 (2021: 237) freelance staff who can be employed for project work as required, 8 (2021: 8) temporary workers, 19 (2021: 16) trainees/dual study students or 39 (2021: 34) interns/student workers.

The average total workforce of the USU Group increased to 756 employees in fiscal 2022 (2021: 743). With consolidated sales of EUR 126,522 thousand (2021: EUR 111,904 thousand), the average sales contribution per employee rose from EUR 151 thousand in 2021 to currently EUR 167 thousand. Staff costs grew by 6.5 % year-on-year to EUR 65,361 thousand (2021: EUR 61,346 thousand) as a result of recruitment and salary increases in fiscal 2022. As a result of the higher increase in sales, the cost of sales as a percentage of consolidated sales fell sharply from 55 % in 2021 to 52 %.

Key personnel figures of the USU Group



Following the further successful increase in the Group's workforce in 2022, the Management Board is also planning a targeted expansion of the workforce in fiscal 2023 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 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 has received the "Top Company 2023" and "Most Wanted Employer 2022" hallmarks. From a positive working climate to the diversity of their work, USU's employees are satisfied or very satisfied with their company in almost all of the aspects evaluated. This means USU belongs to the exclusive group of best employers. USU's profile has hundreds of thousands of hits, thereby reflecting the relevance of the portal for many interested parties and potential applicants.

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. The most recent evaluation in 2020 found USU to be one of the 100 best employers in Germany, meaning it ranks among the top 15 % of the participating companies.

In conjunction with the IMWF Institute for Management & Economic Research, the F.A.Z. Institute also conducted a study investigating the employer qualities of around 15,000 German companies in which USU Software AG was certified as "Germany's most sought-after employer 2022".

In 2022, the share of women in the workforce as a whole was 27.1 % (2021: 28.3 %) and the share of women in management positions was 10.9 % (2021: 13.7 %), which is down on the previous year and below the Company's stated target. However, an increase in these figures is already being observed in 2023. In 2022, the Management Board consisted of two men, while the Supervisory Board consisted of two men and one woman. This means the share of women in the Supervisory Board is 33.3 %. In order to increase the share of women in the workforce, and especially in management positions, women with the same qualifications are preferred when it comes to new appointments and promotions.

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 14, 2022, the German economy is set to see a weak start to 2023 as high energy prices impact on the purchasing power of private households, and hence on consumer spending. At the same time, the global economic environment is weak and is not delivering any positive impetus for the economy. Although the "price brakes" introduced by the German federal government are limiting the burden of high energy costs on private households and companies, IfW Kiel expects high inflation – which is forecast at 5.4 % – to lead to a reduction in real income, and hence in private consumer spending, in 2023. Despite this, IfW Kiel does not expect Germany to fall into a recession, instead forecasting GDP growth of 0.3 %.

According to its Economic Report, IfW Kiel[6] expects the high energy prices and the resulting significant inflationary pressure to lead to a further tightening of monetary policy around the world. Industrial companies are expected to increasingly process the high level of orders on hand as a result of the coronavirus pandemic and supply bottlenecks, meaning that falling incoming orders are likely to have a more pronounced impact on production going forward. The negative factors affecting the economy – especially those emanating from the financial environment – are also set to intensify, with investments and private consumer spending being curbed by higher financing costs. Accordingly, IfW Kiel expects global economic growth to slow considerably in 2023. It is forecasting a 2.2 % increase in GDP, well below the level in the previous year (2022e: +3.2 %).

Sector

According to Bitkom[7] information, the digital industry is extremely stable even in an environment characterized by war, supply chain disruption and inflation, and is set to enjoy further growth. The digital industry association Bitkom expects companies in the IT, telecommunications and consumer electronics industry to record year-on-year sales growth of 3.8 % in 2023 (2022: 4.0 %), with total sales forecast to break the EUR 200 billion barrier for the first time at EUR 203.4 billion (2022: EUR 196.1 billion). "Digitalization is the answer to the

5) cf. Kiel Economic Reports, No. 98 (2022 | Q4) dated December 14, 2022, published at https://www.ifw-kiel.de
6) cf. Kiel Economic Reports, No. 97 (2022 | Q4) dated December 21, 2022, published at https://www.ifw-kiel.de
7) cf. BITKOM press release dated January 10, 2023, published at www.bitkom.org

various crises of our time. Digitalization makes an economy more resilient, helps with global challenges like climate protection, and makes people's lives easier in areas such as healthcare, education and mobility," commented Bitkom President Achim Berg. "We need to strengthen the digital transformation in business, administration and society. This means more than just stepping up our game – it requires a true digital policy transformation."

According to Bitkom, the IT market will again enjoy the highest growth in 2023, with sales set to increase to EUR 126.4 billion (2021: EUR 118.9 billion). This represents a year-on-year upturn of 6.3 % (2022: 6.6 %). Bitkom expects software sales to see the most pronounced rise of 9.3 % (2022: 9.4 %) to EUR 38.8 billion (2022: EUR 35.5 billion), with business involving artificial intelligence platforms enjoying particularly dynamic growth. Business with IT services, including IT consulting, also saw further growth of 4.7 % (2022: 5.5 %) to EUR 47.8 billion (2022: EUR 45.7 billion).

In terms of the global IT market, the IT Spending Forecast published by the market research company Gartner[8] on January 18, 2023, anticipates a year-on-year increase in IT expenditure of 2.4 % (2022: -0.2 %) to USD 4,491 billion (2022: USD 4,385 billion). According to Gartner, the market segments of software and IT services are expected to record above-average global growth rates of 9.3 % (2022: 7.1 %) to USD 856.0 billion (2022: USD 783.5 billion) and 5.5 % (2022: 3.0 %) to USD 1,312.6 billion (2022: USD 1,244.7 billion) respectively.

Outlook

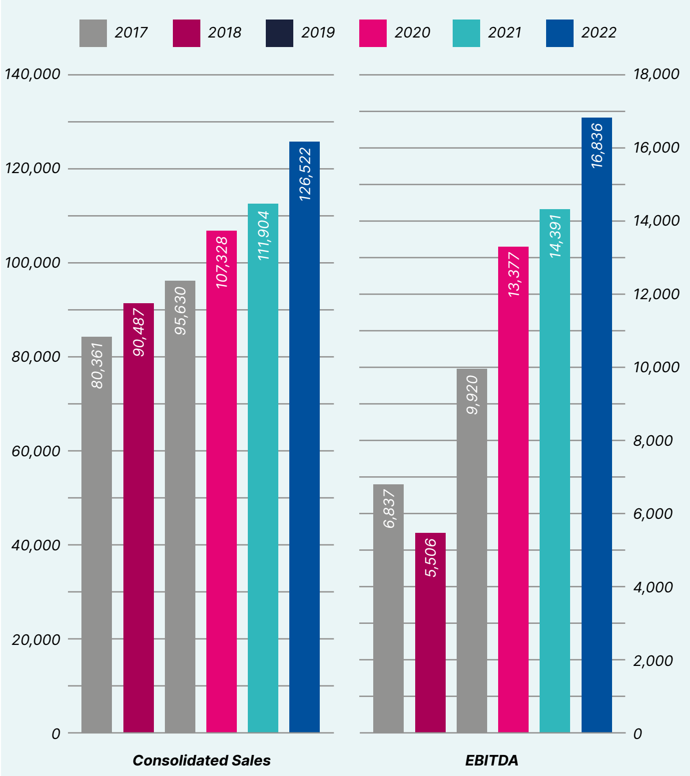
Following on from the strong sales growth and extremely positive margin performance in fiscal 2022, the Management Board expects sales to increase to EUR 134-139 million in 2023 as a result of the accelerated shift from one-time license business in favor of SaaS business. This will be accompanied by a significant rise in the proportion of SaaS contracts with new customers and strong growth of over 25 % in SaaS sales, whereas license revenue will decline. Accordingly, EBITDA is expected to amount to EUR 16.5-18 million. In the medium term, the Management Board is anticipating average organic sales growth of around 10 % p.a., with the proportion of sales with new customers attributable to SaaS set to rise to over 75 %. The growth in high-margin SaaS sales will lead to a continuous upturn in EBITDA margins, which are expected to increase to 17-19 % by the end of 2026.

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

The Group subsidiaries will be the main sales drivers in fiscal 2023. The Company is planning to merge USU Technologies GmbH and USU Solutions GmbH into USU GmbH, meaning that the majority of investment income will be generated by USU GmbH in the future. 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



8) cf. Gartner press release dated January 18, 2023, published at www.gartner.com

IV. 2 Risk report

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

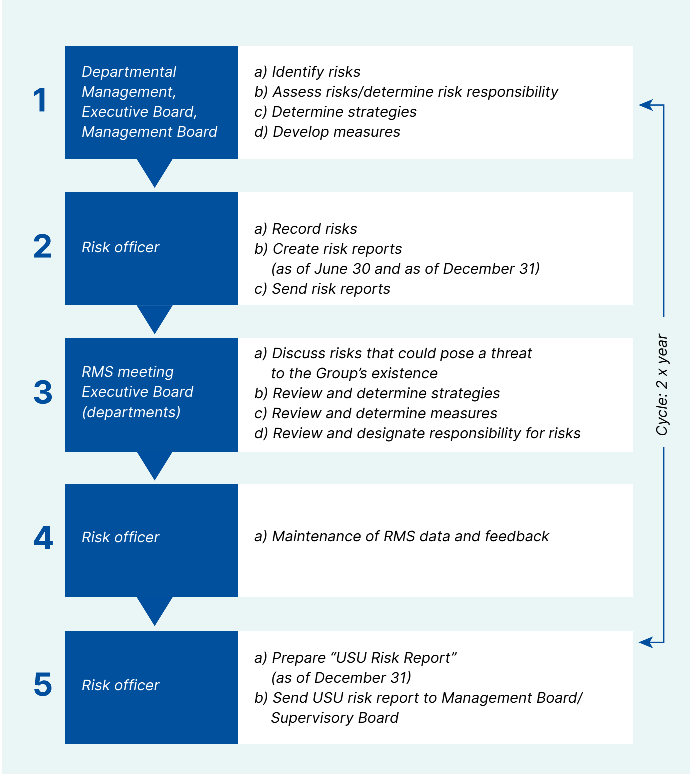
Risk management system

Dealing with risks in a responsible manner forms the basis for sustainable business success. The management of USU Software AG and its subsidiaries therefore operates a central risk management system 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 organizational structure and workflows. The Group uses the Governance, Risk & Compliance module of the internally developed USU Service Management software to map its risks on an individual basis.

Risk management process

The early identification of risks in the individual divisions is of central importance to the USU Group. Risk management and its process are geared 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 risk has been identified that could pose a threat to the Company's existence as a going concern, either currently or in the foreseeable future.

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

Potential loss

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

Probability of occurrence

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

Market risk

In view of the unstable global economic development as a result of the coronavirus crisis, the war in Ukraine and global supply bottlenecks, 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, as well as the future acquisition of new major customers. 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. Despite the strength of domestic business and the growing customer preference for SaaS, the portfolio expansion at the Group subsidiary USU Solutions Inc., the deeper penetration of the US and Canadian markets and the ongoing expansion of partner business in Europe in particular enabled the international share of consolidated sales to stabilize in 2022 following the slump caused by the coronavirus pandemic. 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 2023 and beyond will be a further increase in recurring sales from maintenance and SaaS in order to secure and increase the profitability of the subsidiaries outside Germany, particularly in the US and France. A permanent process of market observation and analysis also takes place, including a close dialog with market research and customer companies, in order to ensure that potential top competitors are identified at an early stage, changes at existing competitors are recognized and changes in the market are detected in good time. With the implementation of the One USU strategy, USU has also repositioned itself organizationally, including the reorganization of sales and marketing and the creation of streamlined structures and uniform Group-wide reporting.

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

Product risk

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

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

Project risk

As with virtually any software, the software developed and marketed by USU Software AG and its subsidiaries may contain programming errors, which can occur despite thorough checks and careful testing. The resulting operational defects, outages or damage could lead to liability and warranty claims to the detriment of the USU Group. The Company’s internally developed software is predominantly used in 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 100 thousand up to a maximum of EUR 10 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. It also offers a dedicated support center with 24-hour availability and provides its employees with targeted project management training.

A total of seven individual risks are allocated to project risk. After risk abatement measures, three project risks are considered to be “significant risks”. The probability of occurrence is classified as “medium (possible)” for one project risk and “low (rare)” for the other two project risks. A further four project risks are considered to be “medium risks”, all of which have a probability of occurrence of “unlikely”.

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 investment risks and legal risks in connection with the fiscal entity for tax purposes or the stock exchange listing. In order to minimize such risks, the USU Group employs an inhouse legal department and regularly trains its employees on relevant legal issues, such as legally compliant processing of personal data in accordance with the GDPR.

A total of five individual risks are allocated to legal risk. After risk abatement measures, two legal risks are classified as “serious risks” and their probability of occurrence is rated “medium (possible)”. The other three legal risks are classified as “medium risk” in terms of their potential loss. The probability of occurrence is “low (rare)” for two of these legal risks and “unlikely” for the other risk.

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, further expanded its sales management, improved its product management, and introduced and established a Group CRM system and connected it to other internal software systems as part of the implementation of the One USU strategy.

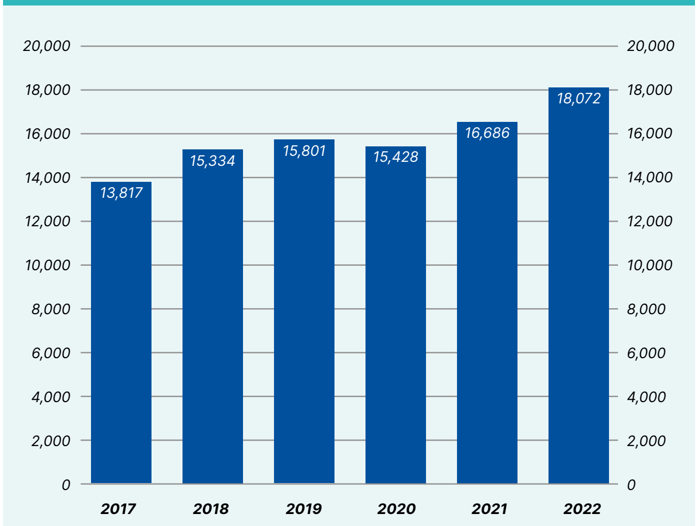
A total of two individual risks are allocated to service risk. After risk abatement measures, both service risks are considered to be “significant risks”. One of the service risks has a “high” probability of occurrence, while the other risk is classified as “medium (possible)”.

Research and development risk

Intense competition and specific customer attitudes require extremely short development cycles for new product versions and releases. At the same time, demands are constantly increasing as a result of rapid technological change and potential hacker attacks. In order to take this development into account, the USU Group maintains its research and development activities at a consistently high level, using the resources of its own development company USU Software s.r.o. in Czechia in particular in addition to local resources. A total of 225 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. It is considered to be a “medium risk” with a probability of occurrence of “low (rare)”.

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



Sustainability risk

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

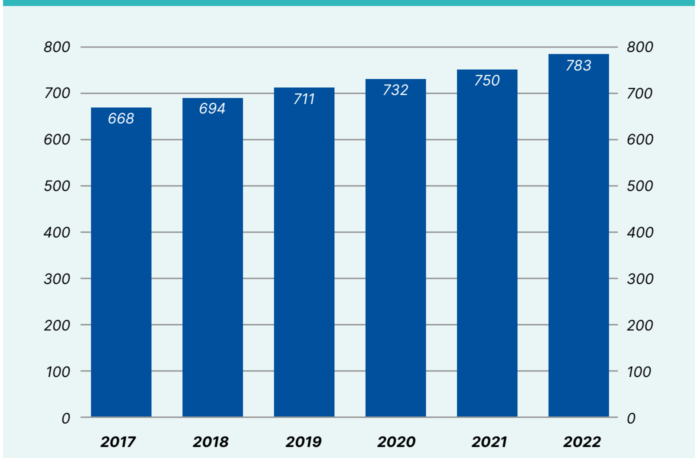
A total of five individual risks are allocated to sustainability risk. After risk abatement measures, all five sustainability risks are classified as “medium risks”. Three of the sustainability risks have a probability of occurrence of “medium (possible)”, while the other two sustainability risks have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

Personnel risk

The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries 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 times of crisis in particular, the loss of management staff or employees in key positions and their expertise can be just as detrimental to the Company as the failure to attract new knowledge carriers. Consequently, USU has implemented a wide range of measures, including inhouse training activities and management trainee models and the expansion of the recruitment team, 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 eleven individual risks are allocated to personnel risk. After risk abatement measures, two personnel risks are considered to be "significant risks", one with a probability of occurrence of "medium (possible)" and the other with a probability of occurrence of "low (rare)". After risk abatement measures, the remaining nine personnel risks are considered to be "medium risks". In terms of their probability of occurrence, six of these risks are classified as "medium (possible)", two as "low (rare)", and one as "unlikely".

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 a "medium risk" and its probability of occurrence is rated "unlikely".

IT risk

As software and IT companies, USU Software AG and its subsidiaries are dependent on the long-term functionality and security of their 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 risks comprise ten individual risks. After risk abatement measures, eight of these IT risks are classified as "medium risks", with the probability of occurrence being classified as "high" for four of the risks, "medium (possible)" for a further two, "low (rare)" for one, and "unlikely" for the other one. Two IT risks are classified as "low risk" in terms of the potential loss, with one having a probability of occurrence of "low (rare)" and one having a probability of occurrence of "unlikely".

Financial risk

With funds of more than EUR 15 million as of December 31, 2022, 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 2022 identified the need to recognize goodwill impairment of EUR 300 thousand in respect of USU SAS. In light of the expected positive operating business development of USU Software AG and the Group as a whole, the Management Board does not expect any impairment losses on goodwill with an adverse effect on net profit in the following year.

Goodwill risk forms part of financial risk and is considered to involve a potential loss after risk abatement measures of "serious" and a probability of occurrence of "unlikely".

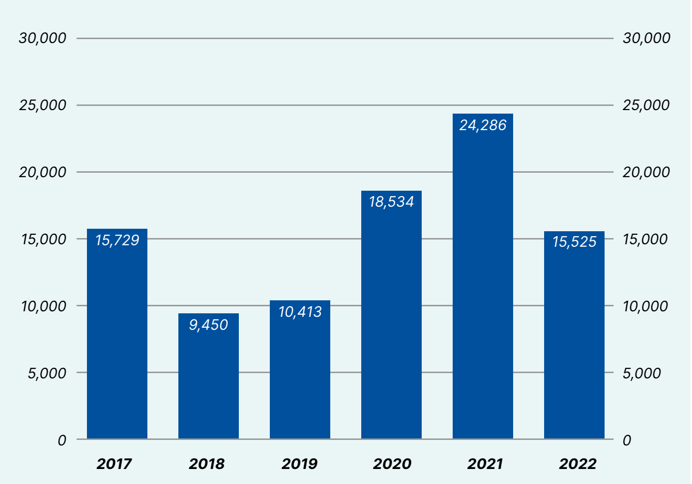
Potential default risks relating to trade receivables are minimized by means of active receivables management irrespective of the fact that the USU Group's customer base primarily consists of solvent companies from the upper midmarket and large corporations with strong market positions. The Company also 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 macroeconomic development – that the level of insolvency-driven default risk could increase in the future, even allowing for the fact that the typical customer structure of USU Software AG is characterized by companies with strong market positions.

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

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

Financial risks comprise nine individual risks. After risk abatement measures, two financial risks are considered to be "significant risks", one with a probability of occurrence of "medium (possible)" and the other with a probability of occurrence of "low (rare)". After risk abatement measures, six of the financial risks are considered to be "medium risks". In terms of their probability of occurrence, four of these risks are classified as "medium (possible)" and two as "unlikely". The remaining financial risk is rated as a "low risk" with a probability of occurrence of "low (rare)".

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 as part of the "One USU" strategy, the USU Group has ideal conditions for continuing to significantly expand its business with both new and existing customers in the future.

In doing so, it will focus in particular on the expansion of high-margin SaaS business with internally developed software products, which will result in recurring revenue and hence more consistent business performance compared with one-time license business.

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 Asia, and secondly on the global presence of the worldwide USU partner network, which is being continuously 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. MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

At USU Software AG, the accounting-related internal control system and the accounting-related internal risk management system have been largely implemented throughout the Group as a comprehensive system aimed at ensuring that the singleentity and consolidated financial statements comply with the relevant provisions. The documentation for the German companies in particular was revised last year.

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

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

The Finance department of USU Software AG, in cooperation with the Project Controlling/Project Office unit, has central responsibility 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.

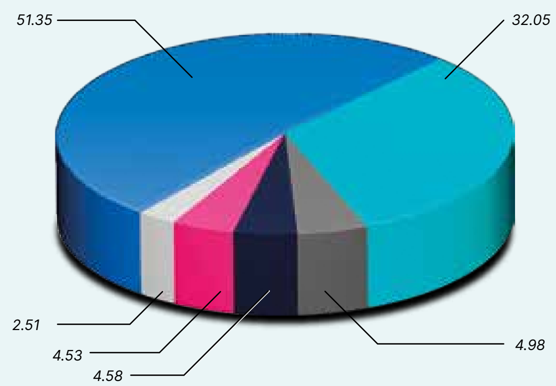
The regular training and upskilling of the employees involved in the accounting process and the timely investigation of new or amended accounting-related provisions serve to ensure that the preparation of the (consolidated) financial statements is up-to-date at all times.

VI. TAKEOVER DISCLOSURES

VI. 1 Issued capital, shares and shareholder structure

As of December 31, 2022, a total of 10,523,770 (2021: 10,523,770) no-par value bearer shares in USU Software AG had been issued, each with a notional interest in the share capital of EUR 1.00. As the 523,770 shares that were repurchased in 2022 are held by the Company and hence are not entitled to vote, the total number of voting rights as of December 31, 2022 was 10,000,000. A total of 5,403,888 (2021: 5,392,578) of these are held by the main shareholder and Chairman of the Supervisory Board of the Company, Udo Strehl, corresponding to 54.03 % (2021: 51.24 %) of the share capital. 5,000 (2021: 5,000) of these shares are held by him directly and a further 5,366,888 (2021: 5,355,578) shares are held by AUSUM GmbH, in which Udo Strehl is the majority shareholder. A further 32,000 (2021: 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. 4.82 % (2021: 6.29 %) of the voting rights in USU Software AG are allocated to MainFirst SICAV, which notified the Company that it held a total of 482,175 shares in the Company as of December 31, 2022 (2021: 661,424). 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 476,351 shares in the Company as of December 31, 2022 (2021: 490,895), corresponding to a share in the voting rights of 4.76 % (2021: 4.66 %).

Shareholder structure of USU Software AG as of December 31, 2022



	Udo Strehl/Ausum GmbH/WIZ Foundation	51.35 %
	USU Organe (excl. Udo Strehl)	2.51 %
	Peter Scheufler	4.53 %
	MainFirst SICAV	4.58 %
	Treasury Shares	4.98 %
	Free Float	32.05 %

VI. 2 Management Board authorizations to issue and repurchase shares

The Annual General Meeting of July 1, 2022 authorized the Management Board, subject to the approval of the Supervisory Board, to increase the Company's share capital by a nominal amount of up to EUR 2,630,942.00 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 June 30, 2027 ("Authorized Capital 2022").

By way of resolution of the Annual General Meeting on March 2, 2000, the share capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the Company and affiliated companies ("Contingent Capital"). By way of resolution of the Annual General Meeting on July 15, 2004, Contingent Capital was reduced to EUR 378 thousand. The Contingent Capital increase can only be exercised to the extent that the bearers of the options issued exercise their rights. There were no outstanding options as of December 31, 2022.

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.

On August 31, 2022, the Management Board and the Supervisory Board of the Company resolved and announced a public share buyback offer for up to 523,770 USU shares (corresponding to around 5% of the share capital) at a fixed price of EUR 18.75 per USU share. The acceptance period for this share buyback offer ran from midnight (CEST) at the start of Wednesday, September 7, 2022 until midnight (CEST) at the end of October 5, 2022. By the end of the acceptance period at midnight (CEST) at the end of October 5, 2022, a total of 1,418,228 shares had been tendered for repurchase, representing 170.77 % more than the up to 523,770 USU Software AG shares covered by the offer. As a result, the Company acquired only some of the shares tendered by each shareholder. The declarations of acceptance were taken into account proportionally at a rate of approximately 36.9551 %. Allocations were made to individual customer portfolios and rounded down to the next natural number. As the number of shares tendered exceeded the offer, shares not acquired were reallocated and reversed. As a result of the share buyback, USU Software AG has held a total of 523,770 treasury shares since October 10, 2022, corresponding to around 4.98 % of the share capital. By resolution of the Annual General Meeting on June 26, 2020, the repurchased shares may be used for acquisitions, used as part of a participation program for USU employees, or withdrawn.

Statutory provisions and Articles of Association of USU Software AG

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

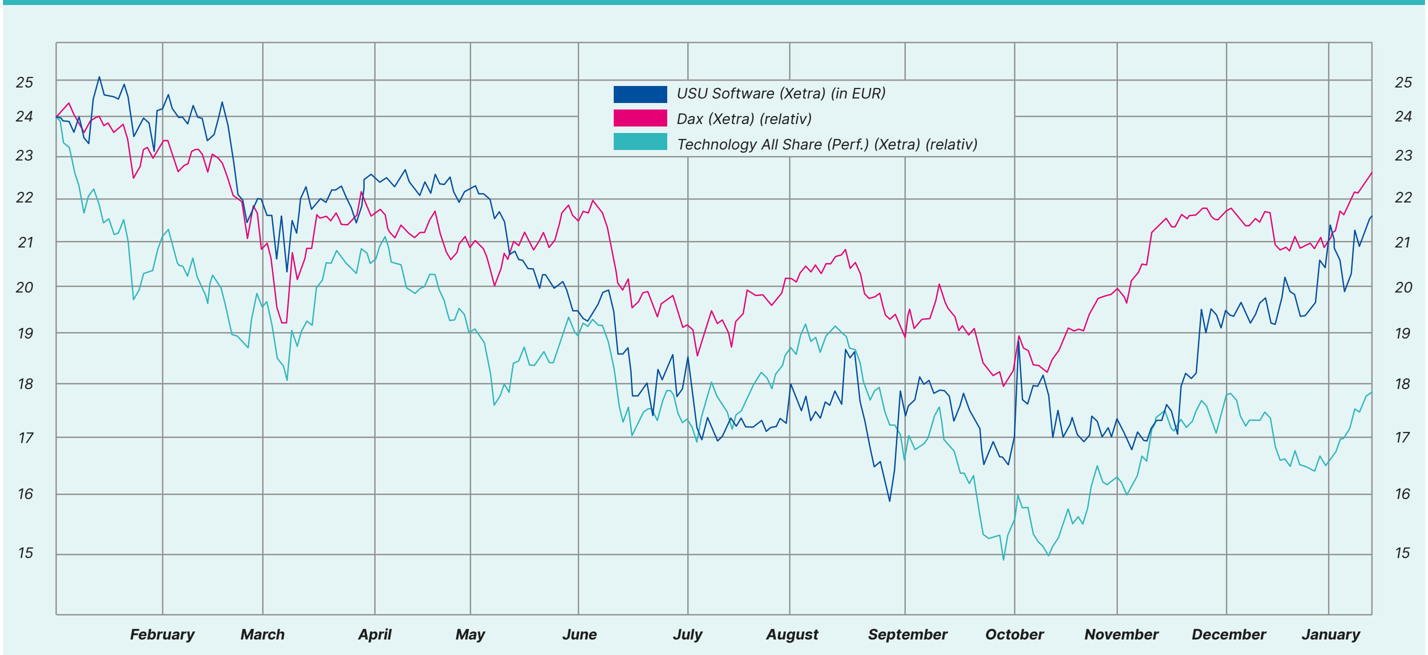
VI. 3 USU SHARES (ISIN DE000A0BVU28)

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

VI. 4 Share price performance

Following largely weak performance in the first half of the year, the stock markets again saw extremely weak development in the second half of 2023 as a result of the war in Ukraine, rising inflation and supply chain disruption, although a moderately positive trend emerged toward the end of the year. On December 31, 2022, the German share index (DAX) closed down -12.3 % on the end of the previous year on the XETRA electronic trading platform at 13,923.59 points (December 31, 2021: 15,884.86 points). The Technology All Share index saw an even more pronounced downturn of -30.7 % to 3,696.97 points on XETRA compared with the end of the previous year (December 31, 2021: 5,334.67 points). Irrespective of USU Software AG's positive business performance and its share buyback program, USU's share price also saw a pronounced year-on-year decline of -15.7 % to EUR 20.40 (December 31, 2020: EUR 24.20). The Management Board considers this substantial downturn in USU's share price to be entirely unjustified, not least since USU enjoyed another record year in 2022 and is anticipating further sales and earnings growth in 2023.

Share price performance of USU Software AG in 2022



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

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

Corporate governance comprises the core standards for the transparent and value-oriented management and control of listed companies. These standards were developed by the Government Commission for the German Corporate Governance Code and compiled in the 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 2022.

In accordance with section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity for 2022 on December 13, 2022, 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 on December 16, 2019 were complied with in the period from the last declaration of conformity on December 13, 2021 until the reformed German Corporate Governance Code of April 28, 2022 came into force on June 27, 2022 and will continue to be complied with in the future, although the following recommendations have not been implemented:

Item A.2 of the Code as amended on December 16, 2019 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. Accordingly, 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 as amended on December 16, 2019, the Supervisory Board should form committees such as an audit committee and a nomination committee. The Chairman of the Supervisory Board should not chair the Audit Committee.

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

Since the new version of section 107 (4) of the German Stock Corporation Act (AktG) came into force, the Supervisory Board of the Company has also constituted the Audit Committee. No Chair of the Audit Committee has been nominated.

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

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

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

**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 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 performancerelated 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 13, 2022

Signed

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

The current declaration of conformity and the declarations for previous years are also 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. At the level of the USU Group, the share of women at the first management level below the Management Board is currently 15.8 %, while the share of women at the second management level is 10.9 %. The Management Board had set 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, 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. On account of its size, the Supervisory Board had previously refrained from establishing committees, as the functions were performed jointly by the Supervisory Board as a whole. On December 13, 2022, however, the Supervisory Board followed the respective provision of the German Corporate Governance Code by formally establishing an Audit Committee and appointing the Supervisory Board member Gabriele Walker-Rudolf as its Chair. The activities of the Supervisory Board are determined by the provisions of law, the German Corporate Governance Code, the Articles of Association and the Rules of Procedure for the Supervisory Board of USU Software AG. Among other things, these provide for the Supervisory Board to appoint the members of the Management Board, determine the number of Management Board members and issue Rules of Procedure for both the Management Board and itself. In addition, the Supervisory Board continuously monitors and advises the Management Board in its activities.

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

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

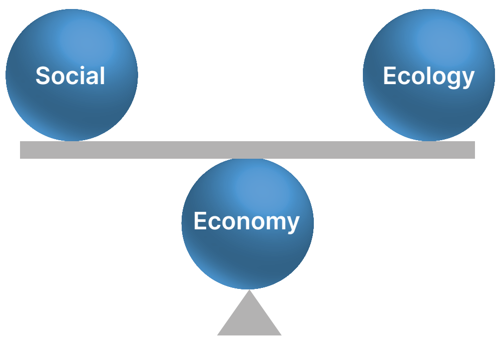
A D&O insurance policy providing for a deductible has been agreed for the Management Board and the Supervisory Board.

VII. 4 Compensation report

All the details regarding the compensation paid to the Management Board and Supervisory Board of USU Software AG can be found in the compensation report, which is available to view and download on USU's website at https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/. This web page includes the compensation report for 2022 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 description of our business model can be found under "I. 1 Business model, objectives, strategies and controlling system" in the management report. The USU Group defines sustainable action as striking the right balance between the three dimensions of sustainability – economic, ecological and social – and incorporating the interests of stakeholders into its decision-making processes.



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

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

The USU Group has an identity-forming corporate philosophy that was developed by USU employees on the basis of many individual discussions, surveys and workshops with all stakeholders as part of the internal 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."

The USU Group's mission and vision

USU's economic success as a software company depends to a large extent on the performance and knowledge of its technical and management employees. The Company is reliant on highly qualified personnel in order to continue to satisfy market demands and individual customer requirements in the future. The shortage of technical and management employees within the industry makes it 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 is also involved in numerous activities that can be subsumed under its commitment to sustainable action.

This includes

- expanding dual training and promoting new talents in order to secure technical and management employees for the long term;
- pronounced social and cultural commitment, with a particular focus on regionality and relevance to the Company's environment;
- ergonomic office furniture for all employees;
- flexible working hours and part-time models;
- the services of a company doctor;
- flexible options for working from home;
- freshly cooked meals every day and free fruit depending on the respective location and free water dispensers in order to reduce resource consumption by using fewer disposable bottles;
- giving employees the opportunity to use bicycles and Pedelecs leased through the Company;
- special support for company cars with a good CO_2 efficiency class, especially electric vehicles;
- optimizing electricity consumption, e.g. by systematically switching to LED technology or virtualizing servers.
- ensuring a balanced carbon footprint for electricity and fuel consumption in Europe through energy-saving measures and the purchase of climate protection certificates

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

The action areas identified in preparing this sustainability 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 2022, which can be viewed and downloaded on the Company's website at **https://www.usu.com/en-us/company/sustainability**.

EU taxonomy

In 2018, the European Commission adopted its action plan for financing sustainable growth. So that capital flows can be channeled towards sustainable investments, criteria for measuring an investment's environmental sustainability must be defined. This action plan therefore led to the introduction of a classification system for sustainable activities, which the European Commission adopted in the form of the Taxonomy Regulation (2020/852) in June 2020.

The Commission has already announced further delegated regulations and criteria that address additional environmental objectives and amend previous standards. These acts can affect the performance indicators to be reported by companies and the information presented below.

Six environmental objectives have been defined in the EU Taxonomy Regulation (Article 9):

1. climate change mitigation
2. climate change adaptation
3. protection of water and marine resources
4. transition to a circular economy
5. pollution prevention and control
6. protection and restoration of biodiversity and ecosystems

The first two environmental objectives are now required to be included in reporting, while the other environmental objectives will become relevant when the corresponding delegated regulation is adopted. The determination of whether USU Software AG's economic activities are Taxonomy-eligible, i.e. whether they fall within the scope of the EU taxonomy, in the previous year has been updated. The next step was to check whether these activities are Taxonomy-aligned. They are considered to be Taxonomy-aligned if they fulfill all of the technical screening criteria for the first two environmental objectives as defined in the annexes to the relevant delegated regulation. These criteria set out the conditions under which an activity can be considered sustainable. Furthermore, these activities must not have a significant negative impact on other environmental objectives (do no significant harm) and minimum social standards must be upheld. Annex I to the delegated regulation on the first two environmental objectives relates to climate change mitigation, while Annex 2 relates to climate change adaptation.

In order to implement the EU taxonomy, USU Software AG first looked at its contributions to the environmental objectives of climate change mitigation and climate change adaptation. This was done by conducting a comprehensive analysis of the relevant economic activities in terms of their Taxonomy-eligibility.

USU Software AG offers its customers a wide range of solutions for IT and customer service. Professional consulting by USU Software AG and the various performance modules allow customers to acquire a bespoke solution. Throughout its entire portfolio of products and services, USU Software AG is therefore responsible for the development, licensing (SaaS or on-premises), maintenance and data hosting of software solutions in various forms. Data hosting can be assigned to activity 8.1 (Data processing, hosting and related activities) in Annex I and is therefore Taxonomy-eligible.

Additionally, the solutions developed and consulting provided by USU Software AG can be assigned to activity 8.2 (Computer programming, consultancy and related services) in Annex II. However, the allocation of corresponding revenue would require the activity to enable other companies to be supported in their climate change adaptation. As the EU does not provide for this with regard to activity 8.2, this cannot be the case here. The allocation in the previous year was based on a different interpretation of the EU taxonomy, which was still subject to further clarification in many areas. Accordingly, the revenue KPI differs from its prior-year counterpart.

USU Software AG also invests in the leasing of company cars with a view to continuously increasing the proportion of electric and hybrid vehicles in its fleet. According to the analysis performed, vehicle leasing can be assigned to activity 6.5 (Transport by motorbikes, passenger cars and light commercial vehicles).

USU Software AG is an international company that operates at more than 17 locations. In order to perform its extensive services and consulting, USU Software AG leases a number of buildings. As a provider of software solutions, these are mainly office buildings. Leasing these buildings can be assigned to activity 7.7 (Acquisition and ownership of buildings) and hence is Taxonomy-eligible. USU Software AG does not engage in any activities relating to nuclear energy and fossil gas in accordance with Delegated Regulation 2022/1214.

No other products or services of USU Software AG fall within the scope of the EU taxonomy. However, these activities help the Company to pursue and advance its sustainability strategy.

In the next step, the economic activities identified as Taxonomy-eligible were then examined for the purposes of Taxonomy alignment. The data centers used for activity 8.1 did not fully comply with the corresponding technical screening criteria, so they are not considered to be Taxonomy-aligned.

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

Accordingly, USU Software AG does not have any Taxonomy-aligned economic activities.

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

Revenue is defined as the net revenue generated from Taxonomy-eligible activities (numerator) divided by consolidated revenue within the meaning of IAS 1.82(a) (denominator).

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

Material additions to CapEx in fiscal 2022 related to

- building leases
- additions to the company car fleet
- operating equipment

Taxonomy-eligible OpEx describes Taxonomy-eligible operating expenditure as a proportion of total operating expenditure. This includes non-capitalized research and development expenses, expenses for short-term leases, expenses for building renovation measures, and repair and maintenance costs. The numerator comprises the Taxonomy-eligible operating expenditure, while the denominator also includes non-Taxonomy-eligible operating expenditure.

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

This resulted in the following figures for the year under review:

				Criteria pertaining to substantial contribution						DNSH criteria (do no significant harm)										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Turnover share (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution prevention and control (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution prevention and control (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned turnover share, 2022 (18)	Taxonomy-aligned turnover share, 2021 (19)	Enabling activities category (20)	Transitional activities category (21)
		EUR thousand	%	%	%	%	%	%	%	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	YES/ NO	Percentage	Percentage	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover for environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																	
A.2. Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)																				
Activity 8.1 *Data processing, hosting and related activities*	8.1	3,126	2%																	
Turnover for Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2)		3,126	2%																	
Total (A.1 + A.2)		3,126	2%														0%			
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																				
Turnover for non-Taxonomy-eligible activities (B)		123,396	98%																	
Total (A + B)		126,522	100%																	

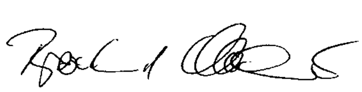
				Criteria pertaining to substantial contribution						DNSH criteria (do no significant harm)										
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	CapEx share (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution prevention and control (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution prevention and control (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned turnover share, 2022 (18)	Taxonomy-aligned turnover share, 2021 (19)	Enabling activities category (20)	Transitional activities category (21)
		EUR thousand	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	Percentage	Percentage	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																	
A.2. Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)																				
Activity 6.5 – *Transport by motorbikes, passenger cars and light commercial vehicles*	6.5	987	27%																	
Activity 7.7 – *Acquisition and ownership of buildings*	7.7	1,311	36%																	
Activity 8.1 – *Data processing, hosting and related activities*	8.1	290	2%																	
CapEx for Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)(A.2)		2,588	72%																	
Total (A.1 + A.2)		2,588	72%														0%			
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																				
CapEx for non-Taxonomy-eligible activities (B)		1,018	28%																	
Total (A + B)		3,607	100%																	

				Criteria pertaining to substantial contribution						DNSH criteria (do no significant harm)										
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	OpEx share (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution prevention and control (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution prevention and control (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned turnover share, 2022 (18)	Taxonomy-aligned turnover share, 2021 (19)	Enabling activities category (20)	Transitional activities category (21)
		EUR thousand	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	Percentage	Percentage	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																	
A.2. Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities)																				
Activity 6.5 – *Transport by motorbikes, passenger cars and light commercial vehicles*	6.5	123	1%																	
Activity 7.7 – *Acquisition and ownership of buildings*	7.7	265	1%																	
OpEx for Taxonomy-eligible, but not environmentally sustainable activities (non-Taxonomy-aligned activities) (A.2)		388	2%																	
Total (A.1 + A.2)		388	2%														0%			
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																				
OpEx for non-Taxonomy-eligible activities (B)		19,797	98%																	
Total (A + B)		20,185	100%																	

IX. REPORT ON RELATED PARTIES

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

Möglingen, March 17, 2023



Bernhard Oberschmidt
Chairman of the
Board Management

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 17, 2023

USU Software AG

Bernhard Oberschmidt
Chairman of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board

Consolidated statement of financial position as of December 31, 2022

USU Software AG, Möglingen

Assets	Note	31.12.2022 EUR thousand	31.12.2021 EUR thousand
Non-current assets			
Intangible assets	(8)	2,598	3,031
Goodwill	(9)	40,092	40,392
		42,690	**43,423**
Tangible assets	(10)	3,045	3,103
Right-of-use assets	(11)	15,697	16,584
Financial assets	(12)	775	746
Prepaid expenses	(18)	168	200
Deferred taxes	(31)	2,416	4,860
		22,101	**25,493**
		64,791	**68,916**
Current assets			
Inventories	(13)	478	374
Contract assets	(14)	6,013	4,962
Trade receivables	(15)	22,274	14,820
Income tax receivables	(16)	1	65
Financial assets	(17)	669	599
Other assets		890	381
Prepaid expenses	(18)	2,338	1,613
Cash on hand and bank	(19)	15,525	24,286
		48,188	**47,100**
		112,979	**116,016**

Equity and liabilities	Note	31.12.2022 EUR thousand	31.12.2021 EUR thousand
Equity	(20)		
Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)		10,524	10,524
Par value of treasury shares		-524	0
Capital reserves		43,465	52,792
Other retained earnings		3,149	829
Other comprehensive income		340	298
		56,954	**64,443**
Non-current liabilities			
Pension provisions	(21)	991	1,340
Lease liabilities	(22)	13,287	14,141
Deferred income	(30)	1,325	1,600
Deferred taxes	(31)	1,197	924
		16,800	**18,005**
Current liabilities			
Income tax liabilities	(23)	1,084	635
Financial liabilities	(24)	132	0
Lease liabilities	(22)	2,696	2,680
Personnel-related liabilities	(25)	10,070	10,038
Other provisions and liabilities	(26)	3,708	2,902
Liabilities from advance	(27)	3,941	3,178
Trade payables	(28)	6,997	4,455
Deferred income	(30)	10,597	9,680
		39,225	**33,568**
		112,979	**116,016**

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2022

USU Software AG, Möglingen

	Note	2022 EUR thousand	2021 EUR thousand
Sales	(32)	126,522	111,904
Cost of sales	(33)	-63,311	-55,726
Gross profit		**63,211**	**56,178**
Selling and marketing expenses	(34)	-22,616	-20,541
General and administrative expenses	(35)	-11,708	-10,242
Research and development expenses	(36)	-18,072	-16,686
Other operating income	(37)	1,995	1,533
Other operating expenses	(38)	-1,008	-577
Finance income	(39)	334	184
Finance expenses	(40)	-170	-119
Profit before taxes		**11,966**	**9,730**
Income taxes	(41)	-4,384	-2,972
Consolidated net profit		**7,582**	**6,758**
Items that cannot be reclassified to profit or loss in future:			
Actuarial gains/losses from pension provisions		182	46
Deferred taxes on actuarial gains/losses		-10	-13
Items that can be reclassified to profit or loss in future:			
Currency translation difference		-130	92
Other comprehensive income		**42**	**125**
Total comprehensive income		**7,624**	**6,883**
Earnings per share (in EUR), diluted	(20.7)	0.72	0.64
Earnings per share (in EUR), basic	(20.7)	0.76	0.64
Number of underlying shares, diluted	(20.7)	10,523,770	10,523,770
Number of underlying shares, basic	(20.7)	10,000,000	10,523,770

Consolidated statement of cash flows for fiscal 2022

USU Software AG, Möglingen

	Note	2022 EUR thousand	2021 EUR thousand
Consolidated net profit		7,582	6,758
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets		2,098	1,825
+ Depreciation/amortization of right-of-use assets IFRS 16 leases		2,937	2,901
+/- Other non-cash expenses/income		65	61
-/+ Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities		-9,910	2,300
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities		4,568	-2,432
+/- Interest expenses/income		-164	-65
-/+ Income taxes paid		-1,123	-878
-/+ Interest paid/received		-68	-96
+/- Income tax expenses/income		4,384	2,972
Cash flow from operating activities	(43)	**10,369**	**13,346**
- Purchase of intangible assets		-182	-16
+ Proceeds from disposals of property, plant and equipment		33	26
- Purchase of property, plant and equipment		-1,126	-839
Cash flow from investing activities	(44)	**-1,275**	**-829**
- Buyback of treasury shares		-9,821	0
- Dividends paid to shareholders of the parent company		-5,262	-4,209
- Reductions of lease liabilities in line with IFRS 16		-2,902	-2,816
Cash flow from financing activities	(45)	**-17,985**	**-7,025**
Change in cash and cash equivalents		**-8,891**	**5,492**
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement		130	260
+ Cash and cash equivalents at the start of the period		24,286	18,534
Cash and cash equivalents at the end of the period	(46)	**15,525**	**24,286**
Cash and cash equivalents			
Cash and cash equivalents		15,525	24,286

Consolidated statement of changes in equity for fiscal 2022

USU Software AG, Möglingen

	Issued capital		Treasury shares
	Number	EUR thousand	EUR thousand
Consolidated equity as of December 31, 2020	**10,523,770**	**10,524**	**0**
Consolidated net profit	0	0	0
Other comprehensive income after taxes	0	0	0
Total comprehensive income	**0**	**0**	**0**
Dividend payment	0	0	0
Consolidated equity as of December 31, 2021	**10,523,770**	**10,524**	**0**
Consolidated net profit	0	0	0
Other comprehensive income after taxes	0	0	0
Total comprehensive income	**0**	**0**	**0**
Share buybacks	0	0	-524
Dividend payment	0	0	0
Consolidated equity as of December 31, 2022	**10,523,770**	**10,524**	**-524**

Capital reserves EUR thousand	Other retained earnings EUR thousand	Other comprehensive income Pension plans EUR thousand	Currency translation EUR thousand	Equity EUR thousand
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**
0	7,582	0	0	7,582
0	0	172	-130	42
0	**7,582**	**172**	**-130**	**7,624**
-9,327	0	0	0	-9,851
0	-5,262	0	0	-5,262
43,465	**3,149**	**56**	**284**	**56,954**

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, 2022.

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 6, 2023. It is anticipated that the Supervisory Board will adopt the consolidated financial statements prepared by the Management Board at its meeting on March 20, 2023 and approve their publication.

The annual financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2022, these consolidated financial statements and the management report of the Company and the Group are submitted to the company register and published on the Company's website.

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

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

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

- Amendments to IFRS 3: References to the Conceptual Framework in the IFRS Standards
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16: Property, Plant and Equipment

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, 2023.

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 beginning on or after	Adopted by the European Commission	Impact on USU's consolidated financial statements
IFRS 17	Insurance Contracts	Jan. 1, 2023	Yes	None
Amendment to IAS 1	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	Jan. 1, 2024	No	None
Amendment to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	Jan. 1, 2023	Yes	None
Amendment to IAS 12	Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Jan. 1, 2023	Yes	None
Amendment to IAS 17	Insurance Contracts: Initial application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023	Yes	None
IFRS 16	Lease Liability in a Sale and Leaseback	Jan. 1, 2024	No	None
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	Jan. 1, 2023	Yes	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 and until 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.

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 as of Dec. 31, 2022 EUR thousand	Net profit 2022 EUR thousand
of which in Germany:		
USU GmbH, Möglingen 1)	30,368	14,411
USU Solutions GmbH, Leinfelden-Echterdingen 1)	1,380	2,765
Omega Software GmbH, Obersulm 1)	970	17
Openshop Internet Software GmbH, Möglingen 1)	-667	-1
USU Technologies GmbH, Aachen 1)	300	2.984
of which outside Germany		
USU Software s. r. o., Brno, Czech Republic 2)	1,786	316
USU Austria GmbH, Vienna, Austria 2)	-895	-27
USU Solutions Inc., Boston, USA	-7,455	-1,625
USU SAS, Paris, France	-2,942	-312
USU GK, Tokyo, Japan	-189	-195

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:

		Closing rate		Average rate	
Currency	1 EUR =	Dec. 31, 2022	Dec. 31, 2021	2022	2021
Swiss franc	CHF	0.9847	1.0331	1.0047	1.0811
Czech koruna	CZK	24.116	24.858	24.566	25.640
US dollar	USD	1.0666	1.1326	1.0530	1.1827
Japanese yen	JPY	140.66	130.38	138.03	129.88

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR 605 thousand (2021: EUR 105 thousand).

6. Significant accounting judgments, estimates and assumptions

The preparation of the singleentity 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 for the detailed planning phase; in justified exceptional cases, this was extended to include a three-year rough planning/convergence phase. Assumptions are made about the future development of revenue and costs. In the event that the actual amounts differ from the significant assumptions made, this 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 and determining the percentage of completion

Judgment is also required to be exercised when deciding whether sales are recognized over time or at a point in time. Assumptions and estimates are also required with regard to the percentage of completion and the remaining costs to complete the contract.

7. General accounting policies

The financial statements of USU Software AG and its German and foreign subsidiaries are prepared in accordance with 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 a merger exceeds the fair value of the net assets of the acquired subsidiary as of the acquisition date is recognized as goodwill from capital consolidation. Intangible assets are mainly software, maintenance agreements and customer bases, which are amortized on a straightline 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.

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

The fair value less costs to sell of a CGU is determined on the basis of the present value of the future cash flow. That value is calculated using a level 3 discounted cash flow method in accordance with IAS 36.134e in conjunction with IFRS 13, in which the expected payments from the CGU are discounted. Goodwill is regularly tested for impairment on September

30 of each fiscal year. The fair value is reassessed if there is evidence of impairment at the reporting date. Due to the changed capital market conditions as of December 31, 2022, which could constitute evidence of impairment in accordance with IAS 36.12 (c), the fair value of USU SAS was reassessed as of December 31, 2022. This was based on the financial planning prepared by the Management Board and approved by the Supervisory Board, which comprised the planning for the following fiscal year and the medium-term planning for the period from 2023 to 2026 (detailed planning phase); in justified exceptional cases, this was extended to include a three-year rough planning/convergence phase in order to accurately reflect future growth.

Detailed financial planning for the purposes of annual impairment testing is derived from the revenue forecast by the Group's management and the resulting cash inflows. Forecast revenue defines the necessary consultant capacity and the associated cash outflows. These figures are based on past experience and external market data. The trend toward SaaS business will continue to intensify in the future, meaning that the share of total sales attributable to SaaS will increase with a corresponding positive impact on future margins. Payments associated with fixed costs are extrapolated on the basis of past experience. The most significant value drivers in planning are projected revenue and the EBIT margin calculated on this basis. The EBIT margin is determined in particular by projected SaaS and licensing revenue for internally generated software products. The EBIT margin also takes future wage and salary increases and rising costs for freelance workers into account.

7.2 Tangible assets

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 evidence that the carrying amount of an asset is no longer recoverable.

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

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

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

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 7.1, 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 2023 to 2026, or to 2029 where applicable). 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 0.5 % was assumed for the terminal value of the CGU measured as of September 30. A growth discount of 1.0 % was applied for the terminal value of the CGU measured as of December 31, 2022 in response to the changed market conditions.

7.4 Financial assets

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

(1) financial assets measured at amortized cost (AC);

(2) financial assets measured at fair value through other comprehensive income (FVOCI); and

(3) financial assets measured at fair value through profit or loss (FVPL).

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

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

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

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

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

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

At USU, the ECL model is applied to financial assets that are recognized at amortized cost. In addition to bank balances, the only financial assets reported by the Group are trade receivables 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 (which is typically short).

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

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

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

7.5 Inventories

Inventories are measured at the lower of amortized cost and net realizable value. 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 apply or are expected to apply in the individual countries at the realization date.

Deferred taxes are calculated using the liability method for temporary differences between the carrying amounts of assets and liabilities in the IFRS and tax accounts (with the exception of goodwill), from consolidation processes, and for tax assets receivable in connection with the likely future utilization of tax loss carryforwards.

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

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

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

7.8 Other comprehensive income

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

7.9 Treasury shares

When treasury shares are repurchased, equity is reduced by the amount of the consideration paid, including attributable acquisition costs. If the treasury shares are not with-drawn, their nominal amount is recognized under "Par value of treasury shares". Any remaining amount is offset against capital reserves.

7.10 Pension provisions

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

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.

7.11 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.

7.12 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.

7.13 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.

7.14 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.

7.15 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.

7.16 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 and leases with a total value of less than EUR 5,000 ("low-value leases") are not recognized. The lease payments resulting from these contracts are recognized over the term of the lease as other operating expenses.

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

The lease liability is recognized in the amount of the present value of the future lease payments over the reasonably certain period of use. Lease payments are all fixed and quasi-fixed lease payments as well as variable payments linked to a rate or index. The series of payments is discounted at the implicit interest rate of the lease or, if this is not known, the appropriate incremental borrowing rate of the lease. The lease liability is measured and amortized using the effective interest method. The lease liability is subsequently valued by increasing the carrying amount by the interest expense and decreasing it by the lease payments made. Changes in the lease agreement ("lease modifications") that increase or reduce the scope of the original agreement but do not result in a separate lease are recognized directly in equity in the carrying amount of the right of use 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	2022	2021
Land and buildings	1–15	1–15
Vehicles	1–4	1–4

With regard to land and buildings, USU primarily leases office buildings. 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:

	2022 EUR thousand	2021 EUR thousand
from extension and termination options	2,899	3,057
from low-value lease assets	366	289
Total	**3,265**	**3,346**

As of December 31, 2022, USU had a sublease that generated income of EUR 118 thousand in the year under review (previous year: EUR 39 thousand).

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.

7.17 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 straightline basis.

The Group offers its customers combinations of its services, either within the framework of a combination contract (license and maintenance/consulting) or in a number of separate contracts (dedicated contract for license, maintenance, consulting). Contracts are combined when they are entered into at or near the same time and are interrelated (e.g. negotiated with an overall commercial objective, the consideration to be paid in one contract depends on the performance of the other contract, products in different contracts are a single performance obligation). In those cases where the price of the consulting services or maintenance work to be performed in the bundle of contracts lies below the customary price, the difference to the customary prices for the consulting services or maintenance work is separated from the recognized royalty income and realized over the period in which the consulting services or maintenance work is rendered.

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

In cases where license fee payments are contingent on the performance of consulting services that constitute a major modification or extension of the functionality of the software, the revenue for the software license and the consulting services is recognized over the period in which the necessary functionality of the software is created. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract. Expenses for subsequent modifications by customers are shown under unbilled work in progress provided their realization is likely and their amount can be reliably estimated. For consulting projects, revenue recognition over time may be based on estimates. Due to the associated uncertainties it is possible that estimates of the costs to complete the contract need to be subsequently adjusted. Such adjustments of income and expenses are presented in the period in which a need for adjustment is identified.

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.

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

When selling third-party software licenses, USU acts as an agent in the cases described below. This presentation of agent relationships reflects the fact that the corresponding provisions of the International Financial Reporting Standards (IFRS) have now been defined in greater detail by the IFRS Interpretations Committee (IFRS IC). Accordingly, USU reassessed the accounting treatment of sales of third-party licenses in the year under review. Sales from these transactions are reduced by the corresponding costs. USU acts as an agent in cases where it provides consulting services in connection with the sale of standard third-party software licenses and where it brokers third-party software licenses directly as a sales partner without providing any other services. Accordingly, the sales resulting from these transactions are not recognized as gross sales, but on a net basis in the amount of the margin generated. In these cases, USU is the trading partner for the standard software products delivered to the end customer by the software manufacturer.

7.18 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.

7.19 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 (2022: EUR 18,072 thousand, 2021: EUR 16,686 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 406 thousand (2021: EUR 663 thousand), trademarks and brands of EUR 531 thousand (2021: EUR 531 thousand) and software of EUR 1,661 thousand (2021: EUR 1,837 thousand).

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

Software of EUR 1,661 thousand includes inventories of EUR 1,136 thousand (2021: EUR 1,398 thousand) attributable to the USU SAS cash-generating unit. The estimated remaining useful life is four years.

Amortization of intangible assets includes the amortization of intangible assets recognized in connection with company acquisitions of EUR 519 thousand (2021: EUR 519 thousand). Intangible assets include trademarks and brands of EUR 531 thousand that can be allocated to the CGUs as follows:

CGU	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand
USU GmbH/Omega (Product Business)	446	446
USU GmbH (Service Business)	85	85
	531	**531**

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

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

"Amortization of intangible assets capitalized as a result of business combinations and goodwill" is reported under the cost components of the function of expense method. Sales and marketing expenses amounted to EUR 284 thousand (2021: EUR 257 thousand), while research and development expenses amounted to EUR 535 thousand (2021: EUR 262 thousand).

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

9. Goodwill

The Group's goodwill results from the acquisition 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 Product Business, USU Service Business, and USU SAS. The annual impairment test for all CGUs was conducted as of September 30. An additional impairment test for USU SAS was conducted as of December 31, 2022.

The pretax cost of debt for the purposes of impairment testing ranges from 1.17 % to 3.17 %. A market risk premium of 7 % was applied across the board. Adequate country risk premiums were applied as necessary. The unindebted beta factor for the purposes of impairment testing ranges from 0.85 % to 0.91 %.

The specific cost of capital per CGU was calculated as part of impairment testing. Two different peer groups were used. The same peer group was used for the USU Technologies, USU Service Business, USU Product Business, and USU Solutions cash-generating units. A separate peer group was used for USU SAS.

The parameters for the USU Product Business, USU Service Business, USU Technologies and USU Solutions CGUs for fiscal 2022 as shown in the following tables correspond to the figures applied in the regular impairment test as of September 30, 2022. The parameters for the USU SAS CGU are based on the figures applied in the impairment test as of December 31, 2022.

CGU	Post-tax WACC		Pre-tax WACC	
	2022	2021	2022	2021
USU Product Business	7.31%	6.37%	10.44%	9.13%
USU Service Business	7.31%	6.37%	10.44%	9.13%
USU Technologies	7.31%	6.37%	10.44%	9.13%
USU Solutions	7.31%	6.37%	10.44%	9.13%
USU SAS	9.16%	4.91%	10.15%	6.84%

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

Planning is based on the following growth rates for revenue:

CGU	2023	2024	2025	2026
USU Product Business	14.13%	6.81%	9.69%	11.66%
USU Service Business	0.50%	7.20%	6.85%	8.75%
USU Solutions (Product Business)	9.65%	6.32%	7.14%	7.47%
USU Technologies (Product Business)	17.97%	19.90%	22.83%	23.06%
USU SAS (Product Business)	10.98%	15.44%	16.27%	18.23%

In the case of the USU SAS CGU, a 50 % reduction in sales was assumed for each year of the three-year convergence/rough planning phase (9.12 % in 2027, 4.56 % in 2028, 2.27 % in 2029).

In line with the management's medium-term planning, a terminal value based on annual growth of 0.5 % (2021: 0.1 %) was forecast for the USU Technologies, USU Service Business, USU Product Business and USU Solutions CGUs. A terminal value based on annual growth of 1.0 % (2021: 0.1 %) was assumed for the USU SAS CGU.

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

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

CGU	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 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)	3,619	3,919
	40,092	**40,392**

In the annual impairment testing at the reporting date, an impairment requirement of EUR 300 thousand was identified for the USU SAS CGU. The carrying amounts of the other CGUs were lower than the recoverable amounts, meaning that no impairment was to be recognized on goodwill.

The changes in goodwill for each reporting unit in fiscal 2021 and fiscal 2022 are shown in the following table.

EUR thousand	Product Business	Service Business	Group
As of January 1, 2021	36,372	4,019	40,392
Change in 2021	0	0	0
As of December 31, 2021	36,372	4,019	40,392
Impairment USU SAS according to impairment test	-300	0	-300
As of December 31, 2022	**36,072**	**4,019**	**40,092**

The following table shows the sensitivity of goodwill impairment to the capitalization rate:

Additional goodwill in impairment with EUR thousand	Increase in capitalization rate of 1 percentage point	Increase in capitalization rate of 1.5 percentage point
USU Product Business	0	0
USU Service Business	0	0
USU Solutions (Product Business)	0	0
USU Technologies (Product Business)	0	0
USU SAS (Product Business)	**555**	**790**

A 1 % or 1.5 % increase in the capitalization rate would result in an additional impairment loss for the USU SAS CGU (see table). A reduction in future net cash flows (after taxes) expressed as a reduction in the growth discount from 0.5 % to 0.0 % would not result in an impairment loss for the USU Product Business, USU Service Business, USU Solutions or USU Technologies CGUs. A reduction in the growth discount for USU SAS from 1.0 % to 0.5 % would result in an impairment loss of EUR 207 thousand.

10. Tangible assets

Depreciation of property, plant and equipment amounted to EUR 1,182 thousand in fiscal 2022 (2021: EUR 1,196 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	Other equipment, operating and office equipment EUR thousand	Total EUR thousand
Cost as of Jan 1, 2022	**19,788**	**2,597**	**22,385**
Additions	1,311	987	2,298
Disposals	-600	-913	-1,513
Currancy differences	39	0	39
As of Dec. 31, 2022	**20,538**	**2,671**	**23,209**
Cumulative depreciation and amortization As of Jan 1, 2022	**-4,508**	**-1,292**	**-5,800**
Additions	-2,072	-865	-2,937
Disposals	340	913	1.253
Currancy differences	-27	0	-27
As of Dec. 31, 2022	**-6,267**	**-1,245**	**-7,512**
Carrying amount as of Dec 31, 2022	**14,271**	**1,426**	**15,697**

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 707 thousand (2021: EUR 686 thousand).

13. Inventories

Inventories in the amount of EUR 478 thousand (2021: EUR 374 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, 2022 and December 31, 2021:

	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand
Contract costs plus unbilled contract earnings	10,710	8,898
of which from service contracts	7,364	5,323
of which from construction contracts	3,346	3,575
less amounts received from progress billings	-7,677	-5,592
Total	**3,033**	**3,307**
of which: unbilled work in progress	6,013	4,962
of which: liabilities from advance payments	-2,979	-1,655

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 4,085 thousand was recognized from contract liabilities carried as liabilities in the previous year (2021: EUR 3,705 thousand).

15. Trade receivables

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

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

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

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

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

The impairment loss recognized for “expected credit losses” developed as follows:

	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand
Trade receivables (gross)	22,881	15,465
Impairment loss as of January 1 of the fiscal year	-645	-448
Amounts utilized in the fiscal year	10	0
Charge for the year	-104	-257
Reversals	132	60
Impairment loss as of December 31 of the fiscal year		
(loss allowance in accordance with IFRS 9)	-607	-645
Trade receivables (net)	**22,274**	**14,820**

As of December 31, 2022, trade receivables with a nominal value of EUR 1,241 thousand were impaired (2021: EUR 1,397 thousand). Of this figure, EUR 463 thousand was up to 90 days past due, EUR 476 thousand was more than 90 days past due and EUR 302 thousand was more than 360 days past due.

16. Income tax receivables

Income tax receivables in the previous year related 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 409 thousand (2021: EUR 306 thousand).

18. Prepaid expenses

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

19. Cash on hand and bank

This item is broken down as follows:

	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand
Fixed-term overnight money	8,423	17,355
Demand deposits	7,091	6,919
Cash on hand	11	12
	15,525	**24,286**

20. Equity

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

20.1 Share capital and treasury shares

As in the previous year, the fully paid-up issued capital of the Company totaled EUR 10,524 thousand as of December 31, 2022. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00. USU Software AG held 523,770 treasury shares at the reporting date, corresponding to a notional interest in the share capital of EUR 523,770 or 4.98 %. The total cost of the treasury shares is offset against equity.

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). In fiscal 2022, this resolution (Authorized Capital 2017) was canceled and replaced by a new resolution (Authorized Capital 2022) that applies until June 30, 2027. In the same way as for the canceled resolution, the current resolution provides for shareholders to be granted subscription rights as a matter of principle. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights disapplied does not exceed 10 % – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category and with the same rights already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10 % of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2022 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG, and 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 2022 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 2022, including the content of share rights and the conditions for the issuing of 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 by EUR 378 thousand through the issue of no-par value bearer shares. The sole purpose of the contingent capital increase is to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2022.

20.4 Treasury shares

By resolution of the Annual General Meeting on June 26, 2020, the Management Board was authorized to acquire treasury shares amounting to up to 10 % of the share capital until June 25, 2025. Based on this authorization, the Management Board of the Company acquired a total of 523,770 treasury shares at a price of EUR 18.75 per share in the year under review, corresponding to a total purchase price of EUR 9,820,687.50.

20.5 Capital reserves

Capital reserves primarily contain the cash premium from the issue of shares and the excess resulting from the share buyback in fiscal 2022.

20.6 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.

20.7 Earnings per share

In accordance with IAS 33, basic 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.

	2022	2021
Consolidated earnings attributable to the shareholders of USU Software AG EUR thousand	7,582	6,758
Average number of shares during the year: Number	10,392,828	10,523,770
Diluted earnings per share EUR	0.72	0.64
Basic earnings per share EUR	0.76	0.64

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

	2022 Number	2021 Number
Number of shares as of January 1	10,523,770	10,523,770
Buyback of treasury shares as of Oct. 10, 2022	-523,770	0
Number of shares as of December 31	**10,000,000**	**10,523,770**

20.8 Appropriation of net profit

The resolution on the utilization of USU Software AG's unappropriated surplus in fiscal 2021 was adopted at the Annual General Meeting on July 1, 2022. The Annual General Meeting approved the proposal of the Management Board and Supervisory Board to distribute a dividend of EUR 0.50 for the 10,523,770 participating shares (EUR 5,262 thousand).

For fiscal 2022, the Management Board is proposing to distribute a dividend of EUR 0.55 per share for a total of 10,000,000 no-par value shares (EUR 5,500 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2022.

20.9 Other comprehensive income

The currency translation reserve of EUR 284 thousand at the reporting date (2021: EUR 414 thousand) primarily relates to currency translation differences in connection with USU Solutions Inc., USA. The change is reported in the consolidated statement of comprehensive income under currency translation differences.

EUR thousand	**As of Jan. 1, 2021**	**Other Earnings**	**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**

EUR thousand	**As of Jan. 1, 2022**	**Other Earnings**	**As of Dec. 31, 2022**
Pensions	-103	182	79
- deferred taxes	-13	-10	-23
Currency translation differences	414	-130	284
- deferred taxes	0	0	0
Total	**298**	**42**	**340**

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.

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

The basis of calculation is shown in the following table:

	USU Solutions GmbH		USU SAS	
	2022	2021	2022	2021
Discount rate	3.90%	1.30%	3.65%	0.90%
Subsequent contributions	0.00%	0.00%	2.00%	2.00%
Pension trend	0.00%	0.00%	0.00%	0.00%
Probability of fluctuation	0.00%	0.00%	Medium: 5%	Strong: 10%
Duration in years	5.7 Years	6.5 Years	5.7 Years	6.5 Years

As of December 31, 2022, the Company recognized actuarial gains netted against actuarial losses of EUR 79 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:	2022 EUR thousand	2021 EUR thousand
Present value of benefit obligation at the start of the year under review	1,669	1,636
Current service cost	24	61
Interest cost	14	11
Actuarial gains/losses in other comprehensive income from		
- demographic assumptions	0	0
- financial assumptions	-195	-54
- experience adjustments	11	15
Transfer of pension obligations	-202	0
Present value of benefit obligation at the end of the year under review	**1,322**	**1,669**

Development of plan assets:	2022 EUR thousand	2021 EUR thousand
Fair value of plan assets at the start of the year under review	329	320
Income from plan assets (interest income)	3	2
Payments to/from plan assets	0	0
Amortization of plan assets	0	0
Actuarial gains/losses in other comprehensive income	-1	7
Fair value of plan assets at the end of the year under review	**331**	**329**

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

	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand
Present value of pension obligation	1,322	1,669
Fair value of plan assets	331	329
Obligation reported in the statement of financial position	**991**	**1,340**

There were no significant adjustments to the pension obligations or the plan assets to reflect past experience. Employer contributions to plan assets for fiscal 2023 are estimated at EUR 9 thousand.

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

	2022 EUR thousand	2021 EUR thousand
Current service cost	24	-61
Interest cost	-183	-40
Income from plan assets (interest income)	3	2
Amortization of plan assets	0	-7
	-156	**-106**

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, the defined benefit obligation would have changed as follows if the main actuarial assumption had changed at the reporting date to the extent considered reasonably possible.

December 31, 2022 Effect in EUR thousand	Increase in defined benefit obligation	Reduction in defined benefit obligation
Discount rate (1% change)	68	-61

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

The weighted average duration of the pension obligation was around 5.7 years as of December 31, 2022.

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
2023–2027	223
2028–2032	667

A pension commitment has been entered into for the Management Board members of USU Software AG. This pension commitment is covered by an insurance policy. This de-fined contribution plan does not result in any liability for the Group beyond the premi-ums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 28 thousand in the year under review (2021: 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 3,583 thousand (2021: EUR 3,461 thousand), of which EUR 18 thousand related to Management Board members (2021: EUR 18 thousand).

22. Lease liabilities

Concluded leases whose inception is after December 31, 2022, 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 2,899 thousand may arise due to extension options (2021: EUR 3,057 thousand). A cash outflow of EUR 366 thousand from short-term leases and leases for low-value assets is anticipated for fiscal 2023 (2021: EUR 289 thousand).

Total lease payments amounted to EUR 3,005 thousand in 2022 (2021: EUR 2,816 thousand).

23. Income tax liabilities

Income tax liabilities of EUR 1,084 thousand (2021: EUR 635 thousand) result primarily from corporation tax and the solidarity surcharge of EUR 547 thousand (2021: EUR 359 thousand) and from trade tax for USU Software AG of EUR 535 thousand (2021: EUR 274 thousand).

24. Financial liabilities

In the previous year, liabilities to banks amounted to EUR 0 thousand. In fiscal 2022, USU SAS reported liabilities to banks of EUR 132 thousand.

25. Personnel-related liabilities

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

	2022 EUR thousand	2021 EUR thousand
Vacation and variable compensation	8,514	8,613
Other personnel-related liabilities	1,556	1,425
	10,070	**10,038**

	Amount Jan. 1, 2022	Utilization	Reversals	Additions	Final amount Dec. 31, 2022
Vacation and variable compensation	8,612	6,716	500	7,118	8,514

26. Other provisions and liabilities

Other provisions and liabilities include the following items:

	2022 EUR thousand	2021 EUR thousand
Other liabilities	3,067	2,488
Other provisions	641	414
	3,708	**2,902**

	Amount Jan. 1, 2022	Utilization	Reversals	Additions	Final amount Dec. 31, 2022
Other provisions	414	20	1	248	641

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. This item includes liabilities for outstanding invoices received in the amount of EUR 1,424 thousand (2021: EUR 984 thousand).

29. Financial instruments

The following tables show the relationships between the categories of financial instru-ments 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 pre-scribed 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 meas-urement date. A fair value hierarchy must be established with three levels of measure-ment based on whether the fair value of financial instruments was determined by refer-ence to quoted prices in active markets (level 1), derived from quoted prices in active markets (level 2) or derived from unobservable inputs (level 3).

			Measurement in accordance with IFRS 9			
In EUR thousand as of December 31, 2022	**IFRS 9 category/ IFRS 7-class**	**Carrying amount**	**Amortized cost**	**Fair value through other comprehensive income**	**Fair value recognized in profit or loss**	**Fair value**
Work in process	IFRS 15	6,013	6,013	0	0	6,013
Trade receivables	AC [1]	22,274	22,274	0	0	22,274
Financial assets (current)	AC [1]	669	669	0	0	669
Cash on hand and bank	AC [1]	15,525	15,525	0	0	15,525
Aggregated by class/category						
Loans and receivables	AC [1]	38,468	38,468	0	0	38,468
Unbilled work in process	IFRS 15	6,013	6,013	0	0	6,013

Financial liabilities			Measurement in accordance with IFRS 9			
In EUR thousand as of December 31, 2022	**IFRS 9 category/ IFRS 7-class**	**Carrying amount**	**Amortized cost**	**Fair value through other comprehensive income**	**Fair value recognized in profit or loss**	**Fair value**
Trade payables	AC [1]	6,997	6,997	0	0	6,997
Liabilities from advance payments	AC [1]/IFRS 15	3,941	3,941	0	0	3,941
Liabilities from leases	AC [1]/IFRS 16	15,983	15,983	0	0	15,983
Aggregated by class/category						
Measured at amortized cost	AC 1)	26,921	26,921	0	0	26,921

1) AC: Amortized cost

In EUR thousand as of December 31, 2021	IFRS 9 category/ IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9 Amortized cost	Fair value through other comprehensive income	Fair value recognized in profit or loss	Fair value
Work in process	IFRS 15	4,962	4,962	0	0	4,962
Trade receivables	AC [1]	14,820	14,820	0	0	14,820
Financial assets (current)	AC [1]	599	599	0	0	599
Cash on hand and banks	AC [1]	24,286	24,286	0	0	24,286
Aggregated by class/category						
Loans and receivables	AC [1]	39,705	39,705	0	0	39,705
Unbilled work in progress	IFRS 15	4,962	4,962	0	0	4,962

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

1) AC: Amortized cost

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 interest	from subsequent valuation: At fair value	Impairment	Reversal of Impairment	Interest effect	From currency translation	from disposals	net profit/loss 2022	2021
Net gains or losses from financial instruments categorized as									
Financial assets at amortized cost	36	0	0	21	0	241	59	357	247
Financial liabilities at amortized cost	116	0	0	0	0	0	0	116	104
Total	**152**	**0**	**0**	**21**	**0**	**241**	**59**	**473**	**351**

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:

	2022 EUR thousand	2021 EUR thousand
Impairment gain (2021: Impairment) at amortized cost	-50	196

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 2023 to 2027, deferred tax assets are recognized at USU Software AG for tax loss carryforwards of the consolidated tax group in the amount of the forecast future results. The amount recognized was determined on the basis of the forecast results of USU Software AG approved by the Supervisory Board for a 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:

	Dec. 31, 2022	Dec. 31, 2021	Change recognized in profit or loss 2022	Change taken directly to equity 2022
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Deferred tax assets:				
Liabilities IFRS 16	4,501	4,676	-175	
Provisions	107	302	-185	-10
Intangible assets	0	52	-52	
From loss carryforwards	2,416	4,860	-2,444	
Deferred tax assets (gross)	**7,024**	**9,890**	**-2,856**	**-10**
Less netting	-4,608	-5,030		
Deferred tax assets (net)	**2,416**	**4,860**		
Deferred tax liabilities:				
Provisions	34	0	-34	
Intangible assets	767	828	61	
Right-of-use assets IFRS 16	4,418	4,607	189	
Work in progress	586	508	-78	
Other	0	11	11	
Deferred tax liabilities (gross)	**5,805**	**5,954**	**149**	**0**
Less netting	-4,608	-5,030		
Deferred tax liabilities (net)	**1,197**	**924**		0
Total	**1,219**	**3,936**	**-2,707**	**-10**
After netting:				
Deferred tax assets	2,416	4,860		
Deferred tax liabilities	1,197	924		

As of December 31, 2022, deferred tax assets on tax loss carryforwards in Germany of approximately EUR 1,495 thousand (2021: 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 carryfor-wards totaling approximately EUR 13,498 thousand (2021: approximately EUR 10,960 thousand). Tax loss carryforwards for German income tax can be carried forward indefi-nitely, 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:

	2022 EUR thousand	2021 EUR thousand
Consulting	71,838	63,682
Licenses	14,224	11,957
Maintenance	25,146	23,705
SaaS	14,224	10,820
Other	1,090	1,740
	126,522	**111,904**

Other sales include the gross margin on merchandise transactions in the amount of EUR 219 thousand for the first time.

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

	2022 EUR thousand	2021 EUR thousand
Transfer of goods or services		
At a specific date	75,842	71,903
Over a specific period	50,680	40,001
	126,522	**111,904**

EUR 39,370 thousand (2021: EUR 34,525 thousand) of sales recognized over a specific period is attributable to maintenance and SaaS sales.

The cost of sales includes the following amounts:

	2022 EUR thousand	2021 EUR thousand
Included in contract liabilities at the beginning of the fiscal year	864	852
From performance obligations complied in previous fiscal years	0	0
	864	**852**

33. Revenues

The cost of sales includes the following expenses:

	2022 EUR thousand	2021 EUR thousand
Personnel expenses	30,099	27,278
Fees for freelance staff and temporary workers	25,329	20,880
Depreciation and amortization	1,646	1,664
Other expenses	6,237	5,904
	63,311	**55,726**

34. Selling and marketing expenses

Selling and marketing expenses include the following expenses:

	2022 EUR thousand	2021 EUR thousand
Personnel expenses	14,342	13,861
Depreciation and amortization and impairment	833	820
Other expenses	7,441	5,860
	22,616	**20,541**

35. General and administrative expenses

General and administrative expenses include the following expenses:

	2022 EUR thousand	2021 EUR thousand
Personnel expenses	5,892	5,948
Depreciation and amortization	1,255	1,184
Other expenses	4,561	3,110
	11,708	**10,242**

36. Research and development expenses

Research and development expenses include the following expenses:

	2022 EUR thousand	2021 EUR thousand
Personnel expenses	15,027	14,260
Depreciation and amortization and impairment	1,301	1,057
Other expenses	1,744	1,369
	18,072	**16,686**

37. Other operating income

Other operating income primarily includes the following items:

	2022 EUR thousand	2021 EUR thousand
Research funds in the form of government grants	976	857
Income from the reversal of provisions	290	153
Income from currency translation differences	491	37
	1,757	**1,047**

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 192 thousand (2021: EUR 189 thousand). It also includes expenses resulting from exchange rate differences of EUR 126 thousand (2021: EUR 290 thousand) and other taxes for previous years in the amount of EUR 312 thousand.

Other operating expenses include expenses in connection with short-term leases of EUR 226 thousand (2021: EUR 195 thousand) and expenses for leases for low-value assets that are not included in short-term leases of EUR 140 thousand (2021: EUR 94 thousand).

39. Finance income

Financial income includes the following items:

	2022 EUR thousand	2021 EUR thousand
Interest income	72	7
Income from currency differences in bank balances	241	148
Other	21	29
	334	**184**

40. Finance expenses

Financial costs include the following expenses:

	2022 EUR thousand	2021 EUR thousand
Cost of currency differences in bank balances at Other	170	119
	170	**119**

Other finance expenses include interest expenses for lease liabilities of EUR 116 thousand (2021: EUR 104 thousand).

41. Income taxes

Income taxes are composed as follows:

	2022 EUR thousand	2021 EUR thousand
Income taxes for the fiscal year	-1,644	-1,293
Income taxes for previous years	-33	10
Deferred taxes	-2,707	-1,689
Tax expenditure (-)/ tax income (+)	**-4,384**	**-2,972**

In fiscal 2022, 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:

	2022 EUR thousand	2021 EUR thousand
Profit before income taxes	11,966	9,730
Theoretical tax expense (28.6%) (2021: 28.6%)	-3,422	-2,783
Changes in the theoretical tax expense due to:		
Use of tax loss carryforwards/use of loss carryforwards not previously capitalized	-685	614
Allowance/nonrecognition of deferred tax assets	-496	-422
Tax back payments/refunds for prior periods	-31	10
Tax-exempt income/ non-deductible expenses	355	-296
Deviation of tax rates from the Group's tax rate	-105	-95
Tax expenditure (-)/ tax income (+)	**-4,384**	**-2,972**

42. Other disclosures on the consolidated statement of profit or loss

The average number of employees (quarterly average) in the fiscal year was:

	2022	2021
Consulting and services	319	306
Research and development	222	214
Administration and finance	106	106
Sales and marketing	109	117
	756	**743**

Staff costs break down as follows:

	2022 EUR thousand	2021 EUR thousand
Salaries	54,686	52,162
Social security, pensions and other benefit costs	10,675	9,184
	65,361	**61,346**

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 flow from operating activities is calculated using the indirect method. Non-cash earnings components are eliminated from consolidated earnings after taxes.

Cash flows from investing and financing activities are calculated on the basis of the actual cash payments, whereas cash flows from operating activities are derived indirectly from the net profit for the period. This indirect calculation eliminates the effects contained in items of the statement of financial position due to currency translation and changes in the consolidated group. As a result, changes in the items concerned of the statement of financial position cannot always be derived from the consolidated statement of financial position.

Interest income and expenses and the components of "Other net financial income" is allocated to operating activities.

Dividend payments are reported in cash flow from financing activities.

Tax payments are allocated to operating activities as a whole because it is not practical to allocate the payments to individual operations.

Interest paid/received and income taxes paid/refunded are reported in cash flow from operating activities using the direct method. In the first step, consolidated earnings are adjusted for the expenses and income reported in the consolidated statement of comprehensive income. Next, the interest paid/received and income taxes paid/refunded are reported separately.

43. Cash flow from operating activities

The USU Group generated cash flow from operating activities of EUR 10,369 thousand in fiscal 2022 (2021: EUR 13,346 thousand).

44. Cash flow from investing activities

Cash flow from investing activities totaled EUR -1,275 thousand in the 2022 reporting year after EUR -829 thousand in fiscal 2021.

Investments in property, plant and equipment and intangible assets totaled EUR 1,308 thousand (2021: EUR 855 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

In the period under review, net cash used in financing activities of EUR 17,985 thousand primarily related to the share buyback in the amount of EUR 9,821 thousand and the dividend payment to USU Software AG shareholders in fiscal 2022 in the amount of EUR 5,262 thousand (EUR 0.50 per share for a total of 10,523,770 no-par value shares). Lease liabilities of EUR 2,902 thousand were paid.

46. Cash and cash equivalents

The following table shows the components of cash and cash equivalents.

	2022 EUR thousand	2021 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	8,423	17,355
Demand deposits	7,091	6,919
Cash on hand	11	12
	15,525	**24,286**

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 knowledgeintensive 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 in-house implementation of IT projects and providing project support with qualified IT staff.

Unallocated activities essentially comprise the administrative expenses incurred by the parent company (Management Board, Finance, Legal, etc.), sales of goods to employees, the on-charging of liability insurance premiums to freelance staff, current financial instruments and bank balances.

Internal management and reporting are based on the IFRS accounting standards described in note 7. The Group measures the success of its segments based on the key performance indicator described in our internal management and reporting as "EBIT."

Segment EBIT is composed of the gross income from revenue, selling and marketing expenses, general and administrative expenses, research and development expenses, other operating expenses, goodwill impairment and other operating income and expenses.

As with the segment profit/loss, segment assets and segment liabilities are determined in accordance with the accounting standards used by the Group in the consolidated financial statements.

Segment assets comprise all assets except those from income taxes or certain financial instruments (including liquidity).

Segment liabilities comprise all liabilities except those from income taxes, pension liabilities and similar obligations or certain financial instruments (including financial liabilities).

The information on segment investments, depreciation and amortization in the following table includes intangible assets (including goodwill) and property, plant and equipment.

The following table provides a reconciliation of segment revenue and earnings to consolidated revenue and earnings.

EUR thousand	Product Business		Service Business		Total Segments		Unallocated		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales	90,592	81,526	35,794	30,235	126,386	111,760	137	144	126,522	111,904
Earnings before net financial income and income tax (EBIT)	10,733	9,224	3,957	2,881	14,690	12,105	-2,889	-2,439	11,802	9,665
Finance income	37	33	50	3	87	36	247	148	334	184
Finance expenses	-114	-89	-46	-29	-160	-118	-10	-1	-170	-119
Income taxes	-1,114	-505	-439	-288	-1,553	-793	-2,832	-2,179	-4,384	-2,972
Consolidated net profit	**9,543**	**8,662**	**3,523**	**2,567**	**13,066**	**11,229**	**-5,484**	**-4,471**	**7,582**	**6,758**
Segment assets/ Group assets	77,715	74,550	20,221	17,476	97,935	92,025	15,044	23,991	112,979	116,016
of which goodwill	36,072	36,373	4,019	4,019	40,092	40,392	0	0	40,092	40,392
Segment liabilities/ Group liabilities	39,359	37,608	11,011	9,338	50,370	46,946	5,655	4,627	56,025	51,573
Segment investments	991	523	224	277	1,215	800	93	55	1,308	855
Depreciation and amortization	3,311	3,202	1,245	1,387	4,556	4,589	180	136	4,735	4,726
Goodwill impairment	300	0	0	0	300	0	0	0	300	0
Employees at the reporting date (Dec. 31)	551	529	125	114	673	643	107	107	783	750

There was no inter-segment revenue in fiscal 2022 or the previous year.

The geographic allocation of revenue is based on the country in which the respective customer is domiciled.

	2022 EUR thousand	%	2021 EUR thousand	%
Germany	96,114	76.0	84,575	75.6
Abroad	30,408	24.0	27,329	24.4
Total	**126,522**	**100.0**	**111,904**	**100.0**

Abroad:	2022 TEUR	%	2021 TEUR	%
- USA	11,579	38.1	10,324	37.8
- Switzerland	6,064	19.9	4,344	15.9
- France	4,132	13.6	2,980	10.9
- Austria	2,150	7.1	2,578	9.4
- Other countries	6,483	21.3	7,103	26.0
Total	**30,408**	**100.0**	**27,329**	**100.0**

The Group has transactions with one external individual customer accounting for more than 10 % of its revenue. Sales with this customer amounted to EUR 15,165 thousand in fiscal 2022 (2021: EUR 10,408 thousand) and related to service business.

Investments outside Germany account for 19.08 % 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:

	2022 EUR thousand	2021 EUR thousand
Segment assets	**97,935**	**92,025**
Unallocated assets		
Cash on hand and bank	10,207	16,510
Right-of-use assets IFRS 16	1,179	1,225
Deferred tax assets	2,416	4,860
Other assets	1,242	1,395
	15,044	**23,991**
Group assets	**112,979**	**116,016**

	2022 EUR thousand	2021 EUR thousand
Segment liabilities	**50,370**	**46,946**
Unallocated liabilities		
Financial liabilities	1,026	1,647
Lease liabilities IFRS 16 non-current	171	162
Deferred taxes	783	414
Other income tax liabilities	1,044	0
Other liabilities	2,631	2,404
	5,655	**4,627**
Group liabilities	**56,025**	**51,573**

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 2022, 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.

47.1 Udo Strehl/AUSUM GmbH (AUSUM)

USU GmbH and USU Software AG reimbursed AUSUM GmbH for costs of EUR 71 thousand (2021: EUR 67 thousand) in fiscal 2022.

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 (2021: EUR 51 thousand) plus ancillary costs. In the past fiscal year, USU Software AG was invoiced EUR 618 thousand (2021: EUR 619 thousand) for the rental of the buildings and parking spaces.

As of December 31, 2022, there were open items of EUR 29 thousand.

47.2 Karin Weiler-Strehl

USU GmbH engages the consulting services of Ms. Karin Weiler-Strehl, the wife of Mr. Udo Strehl, via AUSUM GmbH on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 36 thousand in fiscal 2022 (2021: EUR 29 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 (2021: EUR 11 thousand) was paid for this office.

As of December 31, 2022, there were no open items.

47.3 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 594 thousand (2021: EUR 276 thousand) were awarded to Lysant in the year under review.

As of December 31, 2022, there were no open items.

47.4 Loans to shareholders

There were no claims under loan agreements as of December 31, 2022.

48. 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:

	2022 EUR thousand	2021 EUR thousand
Fee for		
- Auditing services	237	143
- Other assurance or valuation services	0	4
- *Workshop IDW PS 951*	0	2
- *ISAE audit*	0	2
- *Internal Audit*	0	0
- Other services	11	8
- *Quarterly reviews*	11	8
Gesamt	**248**	**154**

49. Other disclosures

Contingent liabilities
There were no reportable contingent liabilities as of December 31, 2022 or December 31, 2021.

50. Litigation, other contingent liabilities and events after the reporting period

In the course of its normal business operations, the Company may be subject to litiga-tion, 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 expens-es 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 opin-ion of the Company and its legal counsel as of December 31, 2022 and December 31, 2021, 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 consoli-dated financial statements by the Management Board.

51. Executive bodies

51.1 Management Board

In fiscal 2022, 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 987 thousand.

51.2 Supervisory Board

In fiscal 2022, 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.

52. 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).

52.1 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.

52.2 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 15,525 thousand at the reporting date (2021: EUR 24,286 thousand). The Company also has authorized capital in the amount of EUR 2,631 thousand (2021: EUR 2,631 thousand) available for further capital increases.

The liquidity risk to which USU is exposed on account of its financial instruments relates to future interest and principal payment obligations for financial liabilities. The future payments are broken down as follows:

Financial liabilities EUR thousand	Carrying amounts **Dec. 31, 2022 (Fiscal year)**	Cash flow **Within 1 year (Fiscal year)**	Cash flow **Within 5 years (Fiscal year)**	Cash flow **After more than 6 years (Fiscal year)**
Financial liabilities	0	0	0	0
Lease liabilities (undiscounted)	16,537	2,831	7,786	5,920
Trade payables	6,997	6,997	0	0
Other	17,719	17,719	0	0
Total	**41,253**	**27,547**	**7,786**	**5,920**

Financial liabilities EUR thousand	Carrying amounts **Dec. 31, 2021 (Previous year)**	Cash flow **Within 1 year (Previous year)**	Cash flow **Within 5 years (Previous year)**	Cash flow **After more than 6 years (Previous year)**
Financial liabilities	0	0	0	0
Lease liabilities (undiscounted)	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**

52.3 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, 2022 had been 1% higher (lower), net profit and equity would each have been EUR 208 thousand (December 31, 2021: EUR 196 thousand) higher (lower).

52.4 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.

53. Additional disclosures on capital

USU Software AG is not subject to any minimum capital requirements, either externally or in accordance with its Articles of Association. The Company pursues the goal of ensuring a high level of equity financing, using this financial flexibility to achieve its growth targets. Customers also demand a high equity ratio and extensive liquidity in order to guarantee their investments.

Equity and total assets as of December 31, 2022 and December 31, 2021 amounted to:

	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand	
Non-current liabilities	16,800	18,005	-6,7%
Current liabilities	39,225	33,568	16,9%
Debt	**56,025**	**51,573**	**8,6%**
Equity	**56,954**	**64,443**	**-11,6%**
Total liabilities and equity	**112,979**	**116,016**	**-2,6%**
Equity ratio	50.4%	55.5%	

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.

54. 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 2022:

- USU GmbH, Möglingen
- USU Technologies GmbH, Aachen
- USU Solutions 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, 2022, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

Shareholdings subject to mandatory disclosure	2022 Shares	2021 Shares
Management Board		
Bernhard Oberschmidt	162,518	162,518
Dr, Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl *)	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	1,000	1,000

*) *An additional 5,366,888 voting rights (2021: 5,355,578) in USU Software AG are allo-cated 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 (2021: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the di-rector, in accordance with section 34(1) sentence 1 no. 1 WpHG.

AUSUM GmbH, whose majority shareholder is the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, also made the share purchases listed below via the Tradegate Exchange stock exchange and subsequently notified USU Software AG of the corresponding securities transactions.

Date	Number of shares
May 19, 2022	1,810
June 14, 2022	1,000
June 20, 2022	1,500
Sept. 1, 2022	2,000
Sept. 27, 2022	5,000

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 5,500 thousand (EUR 0.55 per share).

K. DECLARATION OF CONFORMITY

On December 13, 2022, the Management Board and the Supervisory Board of USU Soft-ware AG issued the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to share-holders 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 17, 2023

USU Software AG

Bernhard Oberschmidt
Chairman of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board

Consolidated statement of changes in fixed assets for fiscal 2022

USU Software AG, Möglingen

	Acquisition/production cost				
	As of 1.1.2022 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2022 EUR thousand
Intangible assets					
Purchased software/orders on hand	9,488	3	182	246	9,427
Trademarks and brands	2,532	0	0	0	2,532
Customer base	9,669	0	0	0	9,669
	21,689	**3**	**182**	**246**	**21,628**
Goodwill	**64,101**	**0**	**0**	**0**	**64,101**
Tangible assets					
Land and buildings	753	12	7	0	772
Other equipment, operating and office equipment	7,658	39	1,119	460	8,356
	8,411	**51**	**1,126**	**460**	**9,128**
Right-of-use assets					
Land and buildings	19,788	39	1,311	600	20,538
Other equipment, operating and office equipment	2,597	0	987	913	2,671
	22,385	**39**	**2,298**	**1,513**	**23,209**
	116,586	**93**	**3,606**	**2,219**	**118,066**

Cumulative depreciation and amortization					Carrying amounts	
As of 1.1.2022 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2022 EUR thousand	As of 31.12.2022 EUR thousand	As of 31.12.2021 EUR thousand
7,651	2	359	246	7,766	1,661	1,837
2,001	0	0	0	2,001	531	531
9,006	0	257	0	9,263	406	663
18,658	**2**	**616**	**246**	**19,030**	**2,598**	**3,031**
23,709	**0**	**300**	**0**	**24,009**	**40,092**	**40,392**
343	12	60	0	415	357	410
4,965	29	1,122	448	5,668	2,688	2,693
5,308	**41**	**1,182**	**448**	**6,083**	**3,045**	**3,103**
4,508	27	2,072	340	6,267	14,271	15,280
1,293	0	865	913	1,245	1,426	1,304
5,801	**27**	**2,937**	**1,253**	**7,512**	**15,697**	**16,584**
53,476	**70**	**5,035**	**1,947**	**56,634**	**61,432**	**63,110**

Consolidated statement of changes in fixed assets for fiscal 2021

USU Software AG, Möglingen

	Acquisition/production cost				
	As of 1.1.2021 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2021 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**
Tangible assets					
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 1.1.2021 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2021 EUR thousand	As of 31.12.2021 EUR thousand	As of 31.12.2020 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**

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 December 31, 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, 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 January 1 to December 31, 2022. 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 December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, 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 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

ey 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 January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

1. Impairment testing of goodwill
2. Revenue recognition from consulting services and the sale of software licenses

Re. 1. Impairment testing of goodwill

a) The risk for the consolidated financial statements

Goodwill of EUR 40.1 million is carried in the consolidated financial statements of USU Software AG (hereinafter: USU), Möglingen, under the line item „Goodwill". Goodwill corresponds to about 36% of the Group's total assets. Impairment losses of EUR 0.3 million were recognized in the fiscal year for the goodwill of USU SAS, Paris (France). Goodwill is subject to an impairment test as at 30 September of each respective financial year. The annual impairment text is based on an independent valuation report from an external expert. As the valuation report by the external expert as of September 30, 2022 indicated the need to report an impairment loss for USU SAS, Paris (France), the impairment test was again calculated by the external expert for the reporting date December 31, 2022 and included in a separate valuation report.

The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. The approved medium-term planning is the basis for this and is updated with assumptions regarding long-term growth rates. These also consider expectations of future market developments and assumptions regarding the development of macroeconomic factors. The valuation was performed using the discounted cash flow method. If the carrying amount of goodwill is above the cash generating unit's recoverable amount, an impairment loss must be recorded.

The result of these valuations is heavily dependent on the estimate made by the executive directors of the future cash flows generated by the development of the business and earnings of cash generating units over the planning horizon and also how the respective discount rates have been determined. The valuation is therefore complex and subject to material uncertainty. In this regard there is a risk for the consolidated financial statements that a potential need to record an impairment loss is not identified on the reporting date. To this extent, this matter constitutes a key audit matter.

The disclosures of the Company regarding goodwill are contained in Sections 7.1, 7.3 and 9 of the notes to the consolidated financial statements.

b) Auditor's response and conclusions

To assess the appropriateness of the planning assumptions, we obtained an understanding of the planning process in interviews with the executive directors and other officers bearing responsibility for the process as well as an understanding of the key value drivers underlying the projected cash flows. Given the increasing relevance of revenue from software-as-a-service contracts for the years ahead, we discussed and considered the assumptions and calculation for this revenue flow at length with the executive directors. We compared the planning figures used in the impairment test with the business planning compiled by the executive directors and approved by the supervisory board. The reliability of the business planning was assessed using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in fiscal year 2022. In those cases where any material discrepancies arose, we discussed these with the executive directors depending on their materiality for the consolidated financial statements.

Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we intensively addressed the parameters used to determine the discount rate including the weighted average cost of capital and verified the formula used in the calculation.

Due to the material significance of goodwill and the fact that the valuation of goodwill also depends on the macroeconomic environment, which lies outside the sphere of influence of the Company, we also assessed the sensitivity analyses of the cash generating units with lower coverage (carrying amount compared to net present value) conducted by the Company. Here, we found that additional impairment loss requirements would arise for the goodwill of USU SAS, Paris (France). Based on the overall view of planning and weighted average cost of capital, the impairment requirement for USU SAS, Paris (France), is nevertheless accurately reflected in the consolidated financial statements. For all other cash generating units, the goodwill is sufficiently 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 services and the sale of software licenses

a) The risk for the consolidated financial statements

In the fiscal year, the Group generated revenue of EUR 86.1 million from software consulting services and licenses of software products to end consumers of the total revenue of EUR 126.5 million. Maintenance services and software-as-a-Service/SaaS accounted for an additional EUR 39.4 million. This revenue is spread over the term of the service contract on a straight-line basis but was not considered a key audit matter on account of its low level of complexity.

Revenue from a software license is realized when the software has been supplied, the sales price has been fixed or is determinable, collection is reasonably assured and an agreement can be demonstrated. The revenue from consulting services is realized upon the service being rendered.

The Group offers its services to customers within the framework of a combination contract (license and maintenance or consulting) or in a number of separate contracts (dedicated contract for license, maintenance and consulting). If the combination contract or multiple separate contracts do not constitute a combined contract as defined by IFRS 15, the Group recognizes the revenue resulting from these contract at the selling prices of the individual services. The individual prices are determined on the basis of the price that would be asked for if the good or service was sold separately.

In those cases where the payment of royalties depends on providing consulting services which materially modify or expand the functionality of the software, the revenue from the software license and consulting services is deferred and recognized based on the percentage of completion of the underlying consulting service contract. The amount of revenue or income to be recognized is measured on the volume of consulting performed to date in comparison to the estimated total volume of services to be rendered until completion of the contract.

For more information on revenue recognition, reference is made to the notes in sections 7.17 and 32 of the notes to the consolidated financial statements.

Due to the heterogeneity in the contractual arrangements and the complexity of the standards for revenue recognition relating to consultancy services and software license sales, there is a risk that revenue is recognized in the consolidated financial statements that does not actually meet the criteria for revenue recognition and that therefore recognized revenue is incorrect. To this extent, this matter constitutes a key audit matter.

b) Auditor's response and conclusions

We assessed the accounting policies applied by USU for the recognition of revenue from consulting services and the sale of software licenses against the requirements of the IFRS Framework and the requirements of IFRS 15.

We obtained an understanding of the processes and internal controls with regard to revenue recognition for the various revenue streams and reviewed the effectiveness of the controls we identified. In addition to auditing the internal system of controls, we also conducted substantive audit procedures. Based on a selected sample of sales transactions, we obtained and audited the contractual framework, including the purchase order or sales contract, invoice and proof of performance. In addition, we obtained confirmations of the outstanding balances from customers to verify the receivables carried by USU on the reporting date. In addition, we conducted differentiated analytical procedures relating to the development of revenue over the course of the 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 services and the sale of software licenses were suitable in financial year 2022 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 compensation report,

» the remaining parts of the published annual report, with the exception of the consolidated financial statements, the audited components of the combined management report and our auditor's report,

» the 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 on the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to 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. The Management Board and the Supervisory Board are responsible for the preparation of the compensation report that complies with the requirements of section 162 AktG. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated, financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to 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 (i.e. manipulation of accounting and asset misappropriation).

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with 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 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 consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

» Evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to 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 actions taken or safeguards put in place to eliminate risks to independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with 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-2022-12-31.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 January 1 to December 31, 2022 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the management report contained in the file identified above in accordance with 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) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibility of the Executive Directors and the Supervisory Board for ESEF Documents

The executive directors of the Company are responsible for preparing 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.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of section 328(1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of 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) 2021/815, 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 July 1, 2022. We were engaged by the Supervisory Board on November 11, 2022. 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 entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ms. Katrin Wolfrum.

Stuttgart, March 17, 2023

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Katja Schickle	Katrin Wolfrum
Wirtschaftsprüferin	Wirtschaftsprüferin

Statement of financial position as of December 31, 2022

USU Software AG, Möglingen

ASSETS		As of 31.12.2022 EUR	As of 31.12.2021 EUR
A.	**Fixed assets**		
I.	Concessions, industrial and similar rights and assets	274,686.13	112,401.15
II.	Tangible assets		
1.	Land and buildings including buildings on third-party land	241,218.64	270,598.34
2.	Other equipment, operating and office equipment	1,388,047.15	1,179,788.21
		1,629,265.79	**1,450,386.55**
III.	Financial assets		
	Shares in affiliated companies	47,528,279.32	47,528,279.32
B.	**Current assets**		
I.	Inventories		
1.	Work in progress	57,709.05	31,625.10
2.	Advance payments received	-57,709.05	-31,625.10
		0.00	**0.00**
II.	Receivables and other assets		
1.	Trade receivables	159,305.39	141,588.05
2.	Receivables from affiliated companies	26,076,540.82	21,122,436.04
3.	Other assets	367,781.13	301,044.96
		26,603,627.34	**21,565,069.05**
III.	Cash and cash equivalents	737,205.56	6,238,591.30
C.	**Prepaid expenses**	**1,378,413.42**	**648,981.55**
		78,151,477.56	**77,543,708.92**

EQUITY AND LIABILITIES	As of 31.12.2022 EUR	As of 31.12.2021 EUR
A. Equity		
I. Issued capital		
1. Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)	10,523,770.00	10,523,770.00
2. Par value of treasury shares	-523,770.00	0.00
	10,000,000.00	**10,523,770.00**
II. Capital reserves	4,347,745.14	13,644,662.64
III. Unappropriated surplus	23,292,840.02	15,931,104.00
	37,640,585.16	**40,099,536.64**
B. Provisions		
1. Tax provisions	1,311,287.43	569,248.75
2. Other provisions	2,117,564.97	1,755,705.37
	3,428,852.40	**2,324,954.12**
C. Liabilities		
1. Advance payments received on account of orders	15,021.95	21,105.90
2. Trade payables	615,123.35	576,054.07
3. Liabilities to affiliated companies	36,158,843.82	34,298,400.20
4. Other liabilities	142,050.20	101,829.54
	36,931,039.32	**34,997,389.71**
D. Deferred income	**151,000.68**	**121,828.45**
	78,151,477.56	**77,543,708.92**

Income statement for the period from January 1 to December 31, 2022

USU Software AG, Möglingen

		2022 EUR	2021 EUR
1.	**Sales**	11,178,212.78	9,959,137.64
2.	Increase in work in progress	26,083.95	31,596.97
3.	Other operating income	3,474,560.77	3,044,732.03
		14,678,857.50	**13,035,466.64**
4.	Cost of materials		
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	42,472.02	41,396.50
	b) Cost of purchased services	2,471,803.56	2,201,529.34
		2,514,275.58	**2,242,925.84**
5.	Personnel expenses		
	a) Wages and salaries	7,639,545.95	6,375,139.91
	b) Social security, post-employment and other employee benefit costs (of which in respect of old age pensions: EUR 8 thousand; previous year: EUR 4 thousand)	1,297,068.28	1,014,889.93
		8,936,614.23	**7,390,029.84**
6.	Amortization of intangible assets and depreciation of tangible assets	433,326.40	300,079.94
7.	Other operating expenses	8,130,741.36	7,644,930.53
		-5,336,100.07	**-4,542,499.51**
8.	Income from profit transfer agreements	20,213,278.69	15,623,265.53
9.	Other interest and similar income	92,119.71	85,327.20
10.	Depreciation on financial assets	0.00	596,177.49
11.	Expenses from loss assumption	1,319.95	1,173.28
12.	Interest and similar expenses	523,816.47	508,285.30
13.	Income taxes	1,558,193.91	1,213,143.76
		18,222,068.07	**13,389,812.90**
14.	**Earnings after taxes**	**12,885,968.00**	**8,847,313.39**
15.	Other taxes (previous year: other refunded taxes)	**262,346.98**	**-111.50**
16.	**Net profit**	**12,623,621.02**	**8,847,424.89**
17.	Profit carried forward from the previous year	10,669,219.00	7,083,679.11
18.	**Unappropriated surplus**	**23,292,840.02**	**15,931,104.00**

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 straight-line basis over a standard useful life of between 3 and 15 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 compensation components for employees, including the USU Software AG Management Board, are based on the Management Board's individual opinion regarding the respective level of target achievement, taking into account the contractually agreed targets.

Liabilities are carried at their settlement amount.

Advance payments received are reported net of VAT.

Receivables and liabilities in foreign currencies with a remaining term of up to one year are translated at the middle spot exchange rate at the reporting date. Accordingly, these annual financial statements include unrealized gains and losses from currency translation. Items with a remaining term of over one year are translated at the exchange rate at the date on which they originated. In the event of exchange rate changes up until the reporting date, items are measured at the exchange rate at the reporting date, applying the lower of cost or market principle on the asset side and the higher of cost or market principle on the liability side.

Deferred taxes are calculated using the balance sheet temporary concept in accordance with section 274 HGB. Deferred taxes are recognized for USU Software AG and its tax group companies for temporary differences between the accounting and tax carrying amounts of goodwill, pension provisions and other provisions in particular. Tax loss carryforwards at USU Software AG are taken into account in addition to the temporary accounting differences. Temporary differences and tax loss carryforwards that are expected to be offset within the next five years are measured using the Company's own tax rate (as of 12/31/2022: approximately 30.1 %).

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.

2. Receivables and other assets

Receivables from affiliated companies relate to profit transfers from subsidiaries of EUR 20,213 thousand (2021: EUR 15,623 thousand), short-term loans of EUR 2,344 thousand (2021: EUR 2,362 thousand), and services in the amount of EUR 3,520 thousand (2021: EUR 3,137 thousand).

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 24 thousand (2021: EUR 21 thousand) that are deductible in the following year.

3. Cash and cash equivalents

This item contains cash on hand and bank balances as well as bank balances in transit.

4. Issued capital and capital reserves

As in the previous year, the fully paid-up issued capital (share capital) of the Company totaled EUR 10,524 thousand as of December 31, 2022. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

USU Software AG held 523,770 treasury shares at the reporting date, corresponding to a notional interest in the share capital of EUR 523,770 or 4.98 %. The notional amount of the treasury shares is deducted from issued capital. The excess of the purchase price over this amount serves to reduce capital reserves by EUR 9,297 thousand.

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). In fiscal 2022, this resolution (Authorized Capital 2017) was canceled and replaced by a new resolution (Authorized Capital 2022) that applies until June 30, 2027. In the same way as for the canceled resolution, the current resolution provides for shareholders to be granted subscription rights as a matter of principle. The Management Board is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights for fractional amounts and/or, if and to the extent it is required, to grant bearers of convertible bonds with conversion obligations issued by the Company the right to subscribe for the new shares to which they are entitled after exercising their conversion or option rights or fulfilling the conversion obligation.

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights disapplied does not exceed 10 % – either on the date on which this authorization is entered in the commercial register or the date on which the new shares are issued – and the issue price of the new shares is not substantially lower than the quoted price for shares of the same category and with the same rights already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 of the German Stock Corporation Act (AktG). The upper limit of 10 % of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2022 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG, and 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 2022 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 2022, including the content of share rights and the conditions for the issuing of shares.

Contingent capital

By way of resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The sole purpose of the contingent capital increase was to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2022.

5. Other provisions

Other provisions primarily comprise provisions for bonus payments (EUR 1,351 thousand), for Supervisory Board compensation (EUR 162 thousand), for the annual financial statements (EUR 182 thousand), for vacation not yet taken (EUR 160 thousand) and for outstanding invoices (EUR 97 thousand).

6. Liabilities

Liabilities to affiliated companies primarily relate to loan liabilities (EUR 35,653 thousand, 2021: EUR 33,854 thousand) and are secured in the amount of EUR 35,653 thousand (2021: EUR 33,854 thousand) by a global assignment of receivables. EUR 41 thousand (2021: EUR 2 thousand) relates to trade payables, EUR 1 thousand (2021: EUR 1 thousand) to loss assumption and EUR 464 thousand (2021: EUR 443 thousand) to interest for loan liabilities. As of the reporting date there were no liabilities with a remaining term exceeding five years.

	Total		Due within 1 year		Due within 1 – 5 years	
Type of liabilities	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand	Dec. 31, 2022 EUR thousand	Dec. 31, 2021 EUR thousand
Trade payables	615	576	615	576	0	0
Liabilties to affiliated companies	36,159	34,298	5,235	4,775	30,924	29,524
Other liabilities (of which from taxes)	142 (117)	102 (101)	142 (117)	102 (101)	0 (0)	0 (0)
	36,916	**34,976**	**5,992**	**5,453**	**30,924**	**29,524**

D. Notes to the income statement

1. Sales

	2022 EUR thousand	2021 EUR thousand
Consulting	194	167
Licenses	703	471
Maintenance	31	40
Hosting	-	2
Other	10,250	9,279
	11,178	**9,959**

In the year under review, sales of EUR 9,444 thousand (2021: EUR 8,580 thousand) were generated in Germany and sales of EUR 1,734 thousand (2021: EUR 1,379 thousand) were generated abroad.

The increase in other sales is primarily due to higher intragroup sales in the areas of administration, IT and marketing. The Group-wide activities for these areas that are bundled at USU Software AG were further expanded and intensified in the year under review.

2. Other operating income

Other operating income of EUR 3,475 thousand (2021: EUR 3,045 thousand) primarily relates to services for Group companies of EUR 2,606 thousand (2021: EUR 2,088 thousand) and research funds of EUR 600 thousand (2021: EUR 635 thousand).

Other operating income includes income from currency translation of EUR 34 thousand (2021: EUR 2 thousand) and prior-period income of EUR 146 thousand (2021: EUR 181 thousand).

3. Depreciation and amortization

Depreciation and amortization is presented separately in the statement of changes in fixed assets, which is an integral element of the notes to the financial statements.

4. Other operating expenses

This item includes expenses from currency translation of EUR 41 thousand (2021: EUR 19 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 concluded with Omega Software GmbH on May 19, 2005, with USU Solutions GmbH on December 29, 2006, and with USU Technologies 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 with-drawals 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 fiscal 2019.

Accordingly, the profit generated by USU GmbH, USU Solutions GmbH, USU Technologies GmbH and Omega Software GmbH in fiscal 2022 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 2022 was offset by USU Software AG.

EUR 20,213 thousand (2021: EUR 15,623 thousand) of income from profit transfer agreements relates to affiliated companies.

Expenses from loss assumption of EUR 1 thousand (2021: EUR 1 thousand) relate to affiliated companies.

6. Net finance

EUR 92 thousand (2021: EUR 85 thousand) of other interest and similar income relates to affiliated companies.

EUR 509 thousand (2021: EUR 507 thousand) of interest and similar expenses relates to affiliated companies.

7. Income taxes

Income taxes included prior-period expenses of EUR 33 thousand (2021: EUR 0 thousand) and prior-period income of EUR 0 thousand (2021: EUR 10 thousand).

8. Other taxes

Other taxes include prior-period expenses of EUR 262 thousand (2021: EUR 0 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, 2022 EUR thousand	Net profit 2022 EUR thousand
USU GmbH, Möglingen 1)	30,368	14,448
USU Solutions GmbH, Leinfelden-Echterdingen 1)	1,380	2,765
Omega Software GmbH, Obersulm 1)	970	17
Openshop Internet Software GmbH, Möglingen 1)	-667	-1
USU Technologies GmbH, Aachen 1)	300	2,984
USU Solutions Inc., Boston, USA	-7,455	-1,625
USU SAS, Paris, France	2,942	-312
USU GK, Tokyo, Japan	-189	-195

1) Net profit before/equity after profit transfer to USU Software AG.

The following wholly-owned participations are held indirectly via USU GmbH, Möglingen.

	Equity Dec. 31, 2022 EUR thousand	Net profit 2022 EUR thousand
USU Software s.r.o, Brno, Czech Republic	1,786	316
USU Austria GmbH, Vienna, Austria	-895	-27

2. Employees

An average of 106 people were employed by the Company during fiscal 2022 (2021: 87). Of these, 34 were assigned to sales functions, 16 to development functions and 56 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 2022 and in 2023. In addition, USU Software AG has issued a declaration of subordination with respect to all receivables of EUR 674 thousand (2021: 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 January 5, 2023. Under this letter of comfort, USU Software AG undertakes to supply its subsidiary with financial resources such that it is able to settle its liabilities and fulfill active business operations for fiscal 2023.

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 8,920 thousand. They were broken down as follows:

	Due in 2023 EUR thousand	Due in 2024 EUR thousand	Due from 2025 onward EUR thousand	Dec. 31, 2022 Total EUR thousand	Dec. 31, 2021 Total EUR thousand
Operating leases					
Buildings	747	737	7,149	8,633	8,529
Cars	123	89	42	254	163
Office equipment	25	8	0	33	41
Total (nominal amount)	**895**	**834**	**7,191**	**8,920**	**8,733**

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 2022, 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 2022 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 2022 was EUR 987 thousand. Details can be found in the compensation report of the Group for fiscal 2022.

7. Auditor's fees

The auditor's fees for fiscal 2022 total EUR 181 thousand and include prior-period expenses for fiscal 2021 in the amount of EUR 28 thousand. Of the auditor's fees, auditing services accounted for EUR 170 thousand, other services for EUR 11 thousand and tax consulting for EUR 0 thousand.

In addition to auditing activities, miscellaneous services were provided for USU Software AG. These entailed attestation services in connection with the preparation of USU Software AG's quarterly financial statements in fiscal 2022.

8. Events after the reporting date

There were no events of particular significance after the end of the fiscal year on December 31, 2022, 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 company register. In addition, the consolidated financial statements and the Management Report on the Company and the Group are available on request from USU Software AG in Möglingen. They are also available on USU Software AG's website at http://www.usu.com.

10. Declaration on the German Corporate Governance Code in accordance with section 161 AktG

On December 13, 2022, 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	Oct. 13, 2022	4.68	492,564
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 23,293 thousand as of December 31, 2022 as follows:

- to pay a dividend of EUR 0.55 per share for 10,000,000 shares, amounting to a total of EUR 5,500 thousand

- to carry forward the remaining unappropriated surplus of EUR 17,793 thousand to new account.

Möglingen, March 17, 2023

USU Software AG

Bernhard Oberschmidt
Chairman of the
Management Board

Dr. Benjamin Strehl
Member of the
Management Board

Statement of changes in fixed assets for fiscal 2022

USU Software AG, Möglingen

	Acquisition/production cost			
	As of 1.1.2022 EUR	Additions EUR	Disposals EUR	As of 31.12.2022 EUR
I. Intangible assets				
Concessions, industrial and similar rights and assets	383,019.35	181,455.80	244,534.31	319,940.84
II. Tangible assets				
1. Land and buildings including buildings on third-party land	310,083.32	3,655.83	0.00	313,739.15
2. Other equipment, operating and office equipment	1,469,493.94	590,195.95	60,214.10	1,999,475.79
	1,779,577.26	**593,851.78**	**60,214.10**	**2,313,214.94**
III. Financial assets				
Shares in affiliated companies	50,979,245.92	0.00	0.00	50,979,245.92
	53,141,842.53	**775,307.58**	**304,748.41**	**53,612,401.70**

	Cumulative depreciation and amortization				Carrying amounts	
	As of 1.1.2022 EUR	Additions EUR	Disposals EUR	As of 31.12.2022 EUR	As of 31.12.2022 EUR	As of 31.12.2021 EUR
	270,618.20	19,170.82	244,534.31	45,254.71	274,686.13	112,401.15
	39,484.98	33,035.53	0.00	72,520.51	241,218.64	270,598.34
	289,705.73	381,120.05	59,397.14	611,428.64	1,388,047.15	1,179,788.21
	329,190.71	**414,155.58**	**59,397.14**	**683,949.15**	**1,629,265.79**	**1,450,386.55**
	3,450,966.60	0.00	0.00	3,450,966.60	47,528,279.32	47,528,279.32
	4,050,775.51	**433,326.40**	**303,931.45**	**4,180,170.46**	**49,432,231.24**	**49,091,067.02**

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 December 31, 2022 and the statement of income for the financial year from January 1 to December 31, 2022 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 January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of the (consolidated) nonfinancial statement contained in Section VIII. of the combined management report or the content of the (Group) corporate governance declaration contained in Section VII. of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the attached annual financial statements, in all material respects, comply with the requirements of German commercial law applicable to business corporations, and give a true and fair view of the net assets and financial position of the Company in compliance with German legally required accounting principles as at December 31, 2022 and its results of operations for the financial year from January 1 to December 31, 2022 in accordance with these provisions; and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the 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 annual 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 nonaudit 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 January 1 to December 31, 2022. 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:

- Measurement of shares in affiliated companies

a) The risk for the financial reporting

Equity interests of EUR 47,528 thousand are carried under "Shares in affiliated companies" in the annual financial statements of USU Software AG, Möglingen. They account for 61% of the balance sheet total. The shares in affiliated companies are measured at the lower of cost or net realizable value. No impairment losses were recognized in the fiscal year. Section B of the notes to the financial statements contains 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. The approved mediumterm planning is the basis for this and is updated with assumptions regarding longterm growth rates. These also consider expectations of future market developments and assumptions regarding the development of macroeconomic factors. The net present values are determined using the discounted cash flow method. As a discount rate the weighted average cost of capital is used. The business valuations carried out by the Company were used to determine the fair values.

The result of these valuations is heavily dependent on the estimate made by the executive directors of the future cash flows generated by the development of the business and earnings of affiliated companies over the planning horizon and also how the respective discount rates have been determined. 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. Given the considerable relevance of revenue from softwareasaservice contracts for the years ahead, we discussed and considered the assumptions and calculation for this revenue flow at length with the executive directors. The reliability of the business planning was assessed using a retrospective comparison of the deviations between the budget figures underlying the valuation performed in the prior year and the actual figures posted in the 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.

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) nonfinancial statement included in Section VIII. of the combined management report,

» the (group) declaration on corporate governance included in Section VII. of the combined management report,

» the report of the Supervisory Board,

» the compensation report,

» the remaining parts of the published annual report, with the exception of the 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 and the management representation pursuant to Sec. 289 (1) Sentence 5 HGB in conjunction with Sec. 315 (1) sentence 5 HGB.

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. The Management Board and the Supervisory Board are responsible for the preparation of the compensation report that complies with the requirements of section 162 AktG. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the 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 (i.e. manipulation of accounting and asset misappropriation) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the 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 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 annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

» Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report 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 presentation, structure and content of the annual financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

» Evaluate the consistency of the combined management report with the financial statements, its conformity with [German] law, and the view of the Company's position it provides.

» Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards put in place to eliminate risks to independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the annual financial statements and the combined management report prepared for publication purposes in accordance with 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 annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached file "USU_Software_AG_JAuLB_ESEF-2022-12-31.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 abovementioned 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 January 1 to December 31, 2022 contained in the "Report on the audit of the annual financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with 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) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibility of the Executive Directors and the Supervisory Board for ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic rendering of the annual financial statements and the combined management report in accordance with 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 noncompliance 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.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of section 328(1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material intentional or unintentional noncompliance 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 July 1, 2022. We were engaged by the Supervisory Board on November 11, 2022. 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 (longform audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited annual financial statements and the audited combined management report as well as the assured ESEF documents. The annual financial statements and the combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited annual financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ms. Katrin Wolfrum.

Stuttgart, March 17, 2023

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Katja Schickle	Katrin Wolfrum
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Management Board and Supervisory Board of USU Software AG

Financial Calendar of 2023 *

March 30	Publication Financial Figures 2022
April 04	AlsterResearch virtual Investors Conference
May 25	Publication three months' statement 2023
June 20	Annual General Meeting
August 31	Publication six months' statement 2023
September 04–05	Equity Forum - German Fall Conference, Frankfurt am Main
September 08–09	IR Tour - Rüttnauer Research, Minden
September 13	GBC - Zurich Capital Market Conference, Zurich
November 22	Publication nine months' statement 2023
November 27–29	German Equity Forum, Frankfurt am Main

* *These are preliminary dates for the 2023 fiscal year. Any changes will be published on the Company's website at* ***www.usu.com***

Glossary

Adjusted EBIT
describes the earnings before interest and taxes of USU Software AG not relating to → ***IFRS***.

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).

App
Abbreviation for application. This term refers to any type of application software. However, it usually describes applications for smartphones and tablet computers.

B2B
Abbreviation for business-to-business. B2B refers to the business relationship between two or more companies.

Bot
Derived from the word "robot", a bot is a computer program that works off repetitive tasks on a largely automated basis.

Bot Universe
A new technology concept by USU that market analysts currently consider unique worldwide. It combines many → ***chatbots*** into a powerful, intelligent chatbot network.

Capacity Management
Ensures that the capacity of → ***IT Services*** and → ***IT infrastructure*** is sufficient to meet agreed capacity and performance targets efficiently.

Chatbots
Software systems (→ ***bot***) that respond automatically to text prompts by human users. They act as virtual assistants, responding to user search requests and providing flight connections, prices, hotels and rental vehicles.

ChatGPT
The prototype of a dialog-based → ***chatbot*** from the US company OpenAI. It is based on the GPT-3 (Generative Pretrained Transformer 3) language model and has been accessible to the public since November 2022.

Client
A client (also known as a client-side application, client application or client program) refers to a computer program run on a network's end device. The name is often also given to the end device itself that retrieves services from a server.

Cloud
See: Cloud Computing.

Cloud Computing
Refers to → ***IT Services*** that can be obtained in the Internet "cloud". Users no longer need to buy the required hardware or software or install and maintain them onsite, but instead can flexibly obtain the desired services via the Internet and use them as a service when needed.

CMDB
Abbreviation for Configuration Management Database. Information about all → ***IT*** equipment and resources is managed in this database, such as PCs and their software and hardware components, contracts, etc. Unlike conventional IT Asset Management Databases, the mutual dependencies of the managed objects are also shown.

Compliance
Commitment by a company and its managers to observe the rules prescribed by the law, shareholders or the Supervisory Board, including various ethical aspects of the corporate philosophy. The aim is to avoid a negative image and prevent cases of liability or actions for damages.

Configuration Management
Configuration management provides the necessary information about the IT infrastructure and services for → ***IT Service Management.*** Constantly updated and historical information about configuration items (CIs) is available in the Configuration Management Database (→ ***CMDB***).

Corporate Governance
Describes the responsible management and controlling of a company with a view to long-term value creation. Key standards are compiled by the Government Commission for the German Corporate Governance Code and consolidated in the German Corporate Governance Code.

Customer Experience
or CX for short covers all impressions a customer receives from a company throughout a customer relationship.

DACH
D-A-CH or DACH is an artificial word or acronym for Germany, Austria and Switzerland. It is formed from the nationality signs of the three countries.

DAX
Abbreviation for Deutscher Aktienindex (German Stock Index). As the most important stock index in Germany, the DAX reflects the development of the 40 largest companies with the strongest growth that are listed on the Frankfurt Stock Exchange.

Deferred Taxes
See: Deferred tax assets/liabilities.

Deferred Tax Assets/Liabilities
Income tax to be received/paid in the future resulting from differences between the financial statements and the tax base.

Destatis
Abbreviation for the German Federal Statistical Office.

EBIT
Abbreviation for earnings before interest and taxes.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortization.

Equity Ratio
The ratio of shareholders' equity in the statement of financial position to total assets. The higher a company's equity ratio, the lower its debt-to-equity ratio.

Gartner
Abbreviation for Gartner Inc., a US market research company.

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).

HR
Abbreviation for Human Resources. HR refers to the sum of the knowledge, professional and personal skills and motivation of all employees of a company. Comparable German terms for HR are Personalwesen or Personalmanagement.

IFRS
International Financial Reporting Standards are designed in particular to ensure that accounting methods and disclosures in financial statements are internationally comparable and to improve confidence in the financial markets and investor protection.

Impairment Test
An impairment test is used to examine non-current assets in order to identify whether the recognition of an impairment loss is necessary. Instead of amortization, impairment testing is performed at least once a year for the → ***goodwill*** in the consolidated statement of financial position in accordance with → ***IFRS*** 3. Impairment testing can result in either the confirmation of the reported goodwill or in an impairment loss that serves to reduce net profit for the period.

IPO
Abbreviation for initial public offering, representing the start of official trading of company shares on the stock market or a company's actual IPO.

ISIN
Abbreviation for International Securities Identification Number. The ISIN is a twelve-digit international identification number for securities that allows a security traded on the stock market to be clearly identified.

IT
Abbreviation for information technology.

IT Monitoring
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.

Liferay
A US tech firm that develops leading digital solutions such as customer self-service portals, B2B e-commerce solutions and innovative Intranets on the basis of open-source software. → ***USU*** is a Liferay platinum partner in the → ***DACH*** region.

Loss Carryforward
The transfer of tax losses to future fiscal years in order to offset them against future profits.

Low Code/no Code
New development approaches in → ***IT*** that require little or no programming knowledge, thus they help considerably simplify the development of complex applications.

Managed Services
Recurring, precisely defined → ***IT*** services, the nature, scope and quality of which are determined by a service provider with its customer in advance.

OMEGA
Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. It primarily performs → ***IT Services*** and distributes products.

Open Source Software
Software whose source code is freely accessible and which may be copied, used and modified by third parties as desired.

Omni-Channel
A business model for companies to improve Customer Experience Management or the → ***Customer Experience***. The approach is used in many areas, primarily in the retail and telecommunications sectors, with channels including physical locations, websites, social media, mail and telephone communication.

Pega
or Pegasystems Inc. is a US software company based in Cambridge, Massachusetts. Pegasystems develops software for customer relations/ business process management on the basis of → ***low code/no code*** technology. → ***USU*** is a Pega partner in the → ***DACH*** region.

Prime Standard
Admission and market segment of the Frankfurt Stock Exchange for companies wishing to position themselves internationally. Prime Standard companies are required to meet strict international transparency requirements. These go far beyond the minimum statutory requirements for the regulated market.

SaaS
Abbreviation for → ***Software as a Service***.

SAM
Abbreviation for → ***Software Asset Management***.

Service Request Management
Describes the management of formal requests by users to → ***IT***, such as requests to reset a password or set up a new → ***IT*** workspace.

Software as a Service
Describes the flexible, scalable provision of software as a service on the Internet. Customers can use the required software via the Internet as required and no longer have to install it locally. In this respect, SaaS constitutes a sub-area of → ***Cloud Computing***.

Software Asset Management
Describes the transparent and efficient management and controlling of software licenses.

Software Metering
Refers to the process of measuring software usage. Its analysis provides information about the actual use of the program and is a key element in optimized → ***Software Asset Management***.

Ticket
→ ***IT*** term referring to troubleshooting and resolving user queries. Tickets document all operating and support activities.

UI /UX
UI Design stands for “User Interface Design”, while UX Design stands for “User Experience Design”. Both terms describe different aspects of the product development process. UI refers to designing the user interface, while UX focuses on user friendliness.

USU
Abbreviation for the 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***, and → ***USU SAS***. The USU Group has strategically positioned itself in the market for → ***IT Service***/Enterprise Service, → Software Asset Management and → ***Knowledge Management*** Software.

USU GK
A subsidiary of → ***USU*** Software AG. The company performs distribution, maintenance, and implementation for → ***USU***’s solutions such as → ***USU Software Asset Management*** and → ***USU Knowledge Management*** in Japan.

USU GmbH
A subsidiary of → ***USU*** Software AG. The company performs distribution, maintenance, and implementation of USU solutions for strategic and operating enterprise and → ***IT Service Management***. The USU division is also a one-stop-shop providing an innovative, widely-established portfolio of solutions relating to digital customer service, e.g. → ***USU Knowledge Management*** and customer portals on the basis of → ***Liferay*** or → ***Pega***.

USU Knowledge Management
→ ***USU*** complete solution for → ***Knowledge Management***. Its portfolio ranges from standard software such as → ***Knowledge Databases***, intelligent → ***Chatbots*** and → ***IT 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 IT Monitoring
→ ***USU***-complete solution for → ***IT Monitoring***. The modular platform covers all systems management disciplines, from central monitoring to real time monitoring of business services and service level agreements. The broad portfolio is supplemented by integrated end-to-end monitoring, alarm and → ***Capacity Management*** and cloud and docker monitoring.

USU IT Service Management
→ ***USU***-complete solution for → ***IT Service Management***. It allows customers to digitalize and automate all of the processes required for planning, designing, operating, controlling, utilizing, and billing → ***IT*** services. On the same technical basis, another solution supports what are known as enterprise services, e.g. in technical customer service, HR, or facility management.

USU SAS
A subsidiary of → ***USU*** Software AG. The company performs distribution, maintenance, and implementation for → ***USU*** solutions such as → ***USU Software Asset Management*** and → ***USU Knowledge Management*** in France.

USU Software Asset Management
→ ***USU*** complete solution for Software License Management/→ ***SAM*** to ensure audit-compliant adherence to → ***Compliance*** guidelines in terms of the use of software licenses and significant cost savings through license optimization.

USU Solutions GmbH
A subsidiary of → ***USU*** Software AG, which develops and markets the complete solution → ***USU IT Monitoring***. It helps customers monitor their complex, hybrid IT infrastructure holistically and using automated processes. Organizations thus ensure the highest level of → ***IT*** availability and smooth → ***IT*** operations.

USU Solutions Inc.
A subsidiary of → ***USU*** Software AG, formed in Boston, USA, in 2012. The company performs distribution, maintenance, and implementation for USU solutions such as → ***USU Software Asset Management*** and → ***USU Knowledge Management*** in the US.

USU Technologies GmbH
A subsidiary of → ***USU*** Software AG. The leading complete solution for → ***USU Software Asset Management*** is intended for the premium market and is developed and marketed worldwide.

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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