We the people of USU

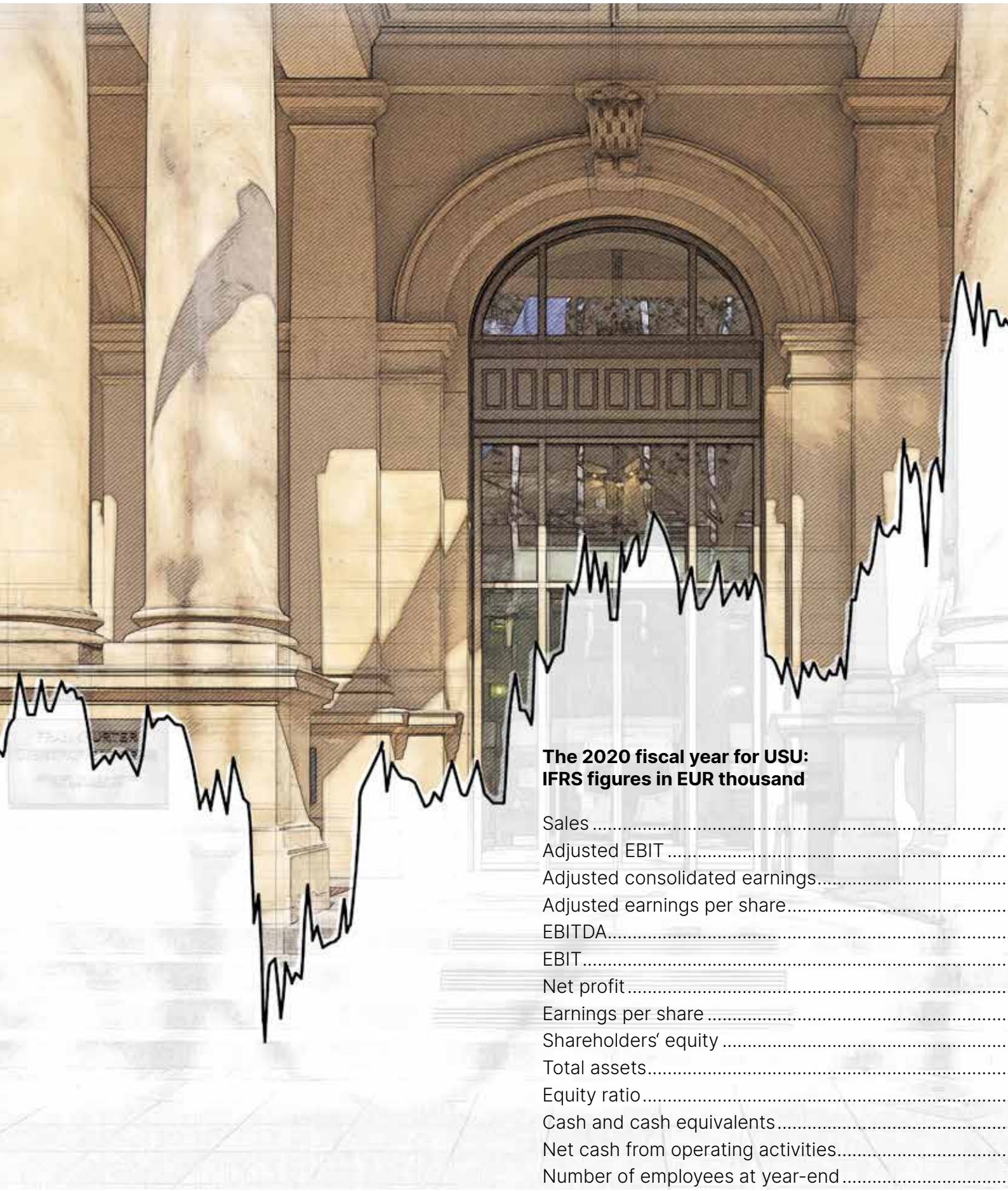
In best constitution

A year – that was a virus.

A year – that was like no other.

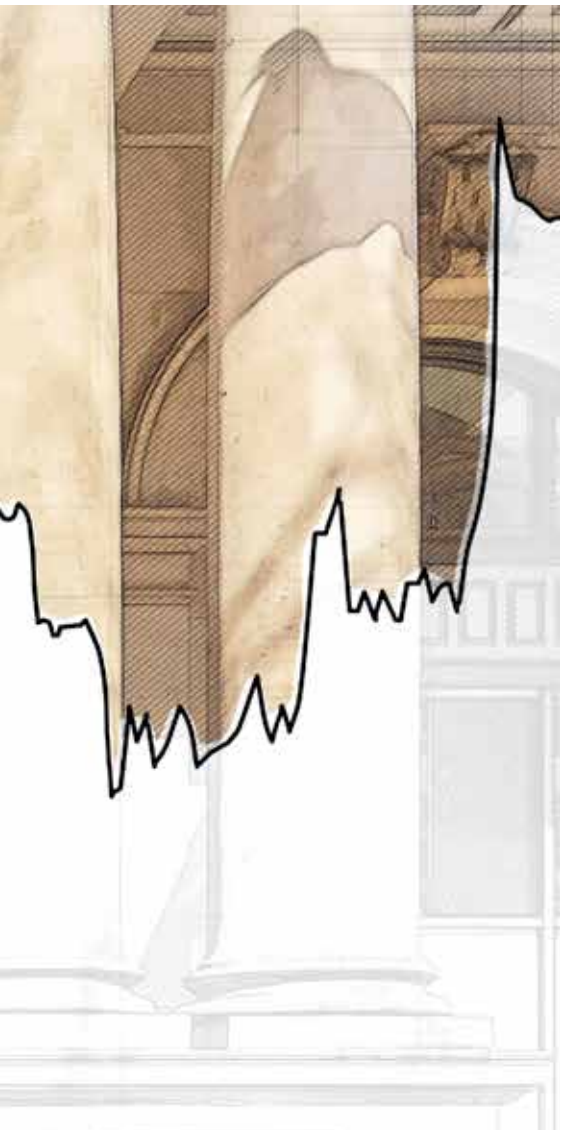
We, the people of

USU



The 2020 fiscal year for USU:
IFRS figures in EUR thousand

Sales	
Adjusted EBIT	
Adjusted consolidated earnings	
Adjusted earnings per share	
EBITDA	
EBIT	
Net profit	
Earnings per share	
Shareholders' equity	
Total assets	
Equity ratio	
Cash and cash equivalents	
Net cash from operating activities	
Number of employees at year-end	



	2020	2019
	107,327	95,630
	9,244	6,226
	7,611	7,349
	0,72	0,70
	13,377	9,920
	7,021	4,054
	5,484	5,273
	0.52	0.50
	61,770	60,198
	115,466	104,460
	53.5%	57.6%
	18,534	10,413
	17,736	9,518
	732	711

KEY FIGURES & CONTENT

Content **Page**

AT HOME.

Day after day. Alone – and yet together. In the midst of professional life. Working from home. In the midst of family life. Zoom. In the midst of school life. Homeschooling. In the midst of lockdown. That was everyday life for many employees in 2020 – the year of coronavirus. It was a very successful year for USU, despite all the handicaps, and we could just leave it at that. End of announcement. What happened in 2020 just wasn't normal.

We all struggled to keep it together. We wanted to know what was happening to us. Where do we live, actually? When do we live? How do we live? Is there life after coronavirus?

This is USU's 25th annual report. Last year marked the 20th anniversary of USU's IPO. Although the graphic designer joined later, the same team has designed the image section of our annual report for all those years. Through all the highs and lows.

This time, it had planned to find out what USU and its stakeholders had in common and formulate it into a playful composition. That was the plan. But the pandemic wrote the script – and then there was also that financial scandal that shook our faith in the way certain institutions operate.

TWENTY-FOUR HOURS.

This annual report is based on 24 hours of audiotape; a dozen interviewees agreed to take part in conversations that then, without exception, ran so very differently than anticipated. People talked about themselves in an incredibly soul-searching and very personal way, very openly and very honestly. The interviews mostly took place during the short coronavirus break.

So this annual report has turned out completely differently to everything we've published previously. It's a report that had to find its way as a stylistic device. And yet this report is a continuation of what has shaped the community around USU all along. Sooner or later, anyone who works among us, with us or for us and anyone we work for ourselves has the feeling of being part of a virtual family. In 2020, we called it One USU.

That's what it's about for us. Firstly within USU and its subsidiaries, which are declaring their support for and calling themselves by the family name more than ever, and secondly outside USU, thanks to the positive radiance of the corporate culture we live and nurture so intensively.

We were overwhelmed by the great level of trust in our company – which showed in people's willingness to talk about their own lives. All were very, very pensive. At the end of this report, perhaps you'll feel as I do: It's clear that USU is bigger than USU. And you can be sure that we're very conscious of this responsibility.

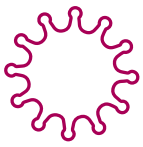
One USU.

HUMAN DIGNITY IS INDEFINABLE. IT'S INCUMBENT ON US ALL TO PROTECT AND RESPECT IT.

For USU Software AG, this means we don't have to know everything we can know. People are first and foremost people.

Dignity

The sign of horror



The Super Constellation

In the beginning was the Word, and the Word was – oh God! – a virus.

Word of the virus raced around the world, its name alone spreading faster than the dangerous pathogen itself could ever have managed: coronavirus. Virtually speaking, the virus was everywhere. The search machines provided over a billion hits quick as a shot to anyone who asked, but delivered no solutions. While the information raced around the earth, the virus brought the entire real economy to a standstill. Lockdown. First total, then partial. Always comprising three strict commands:

- Keep your distance! Ideally two meters. Inside and outside.
- Wear a mask! Cover your nose and mouth. Even at the office.
- Stay home! Work from home if possible. Including at USU.

Not just to protect ourselves, they said; it was about protecting others from us. That was tough. That affected the dignity of all of us. Dignity had been deemed inviolable for 70 years. That was the solemn promise made by the German Constitution in 1949. For all eternity.

That's how 2020 was. Unfathomable.

Business magazine The Economist immediately spoke of a "90% economy." A 10% drop in global GDP. Would a company like USU Software AG with sales of EUR 100 million be able to hold on, indeed drop down to 90%, in step with the global economy? The opposite was the case. USU grew. But the global economy shrunk.

It was a year of contradictions. It was a year of chaos and a year of order, a year of checking and a year of rioting, a year of fake news and a year of fact-checking, a year of indignation and a year of conspiracies, a year of banning and a year of testing. But above all it was a year of masks. Somehow everything could only be half seen – but yet could be recognized more fully and completely than ever before in this century, now 20 years old.

REPORT INTO THE UNKNOWN

Everything seemed so uncertain. Despite the many regulations attempting to govern our everyday lives and reaching into our homes and families.

When, in the third quarter, we set about researching the story we had come up with for this annual report during the long lockdown break, we were very uncertain whether anything could come of it at all. We wanted to talk to people who have been following and rating our company,

USU Software AG, for many years – in line with strict standards, cast-iron criteria, and tough specifications. In line with inviolable regulations. But yet there were no certainties anymore. Or so we thought – thereby underestimating our interviewees immeasurably.

Because we very soon realized that their aspirations when it came to events in our economy and society amounted to far more than studying figures. The thing they all have in their sights but that can't be captured in figures or scored in any ranking, and therefore has a greater impact than almost any other factor, is that quiet, precious and yet so vulnerable element called dignity. A concept that has nothing at all to do with the cold world of facts and figures. And yet it was suddenly highly topical. Under the surface.

How much courage and dignity would companies show throughout this pandemic?

Companies have dignity, too, and to protect and respect this is the original undertaking of a social market economy. It's not just about dealing with employees, customers, partners, politicians and the government, or with shareholders, analysts or investors. It's about dealing with oneself. That's the key to everything else. It's also the key to this annual report.

It's less of a fact-check and more of a character check.

A QUICK OPINION CHECK

"The business model is important. A company has to have a good, sustainable business model," says Josef Scherrer, a Swiss fund manager at Principal Vermögensverwaltung in Liechtenstein. And that's how his fund got involved with USU Software AG in 2020. The price rose by 12% in 2020.

2020: "Coronavirus dominates everything."

Jens Spahn (born 1980), German Federal Minister of Health

"I can't remember ever getting a negative impression from USU Software AG," finds Cosmin Filker, an analyst at investment advisory firm GBC in Augsburg. He doesn't just study the figures; he's also been observing USU's presence at capital market conferences for over ten years.

"USU is simply an example of how things can go well," thinks Johannes Stoffels, a journalist and co-owner of stock market portal 4Investors in Aachen. "You only have to look at the figures."

"USU has no debts," says Markus Horntrich, a journalist at Bernecker Börsenbrief in Düsseldorf, getting straight to the point. It's self-sufficient; everything has been developed and carefully consolidated over more than four decades. USU has an equity ratio of 49%.

But that's just a quick fact-check that's documented far better and in more detail in the management report of this annual report. Our report goes far beyond the boundaries of USU Software AG, embedding them in the broader climate and the world's state of mind.

The authors (f.l.): Raimund Vollmer (journalist), Thomas Gerick (USU Public Relations) and Falk Sorge (USU Investor Relations)

WITHOUT A MASK

Mutual respect and treating one another with dignity is the quiet, profound secret of SMEs. Everything is done with dignity and decency. That's the great moral strength of our economy. And this virtue, which is particularly cultivated in SMEs, is especially valued by large companies – the big players. SMEs are their most important partners.

Meanwhile, anyone who breaches this inner dignity that, ultimately, no laws can fully capture, is mercilessly punished. 2020 also reminded us of that in spectacular fashion. All the regulations and calculations are no use if actions are defined by large-scale fraud: We're referring of course to the case of the once so celebrated IT service provider W... Intended – and for many years celebrated – as an example of how German SMEs, too, can become technology companies with international standing, W. fell into the abyss completely out of control. Analysts and journalists, supervisory authorities, politicians and auditors asked themselves: How could that happen? What had they overlooked? Suddenly, they saw themselves under scrutiny and discovered that the ability and will to reflect on themselves was a significant part of their own dignity.

When we set out on our visits to find out what was on the minds of analysts, partners and investors who, among other things, observe our company, we hadn't reckoned with so much thoughtfulness about their own positions, stances, morals and ethos. In everyday life. In the pandemic. On the stock market. In their own lives. In their jobs. In their offices at home. They were conversations without masks. Primarily in the figurative, non-viral sense. Honest and very, very open. In reality, the year that sent us into exile ensured that we rediscovered the most important antidote: precisely this dignity.

If you want to understand its significance, you have to step into life. Into people's lives. That's exactly what we did. It did us good, partly because we came back out of one lockdown before the next one came around.

That was the Super Constellation when we embarked on our journey – in memory of that four-engine postwar aircraft that had shortened long-haul flights between and across the continents 70 years earlier in 1950. It was the start of the economic miracle. We're standing before a similar new beginning now, too.

2020 was the year when working from home and the global community finally began to form a virtual unit, a Super Constellation. Ironically, this is a Super Constellation that almost took off without travel expenses.

A new global economy is dawning – one that will define the new decade, perhaps even the whole century. One world.

Manuel Hölzle (GBC Research)

Simon Bentlage (Hauck & Aufhäuser)

Cosmin Filker (GBC Research)

It presumably won't get any bigger, this world, but rather closer, more mid-sized, more innovative, more future-oriented – and certainly also more fit for humans. But it won't be a new edition of the New Economy. That was buried 20 years ago. Once and for all.

The global economy is more than the business world.

OUR CRUSADE

Enough of the pathos! Here are the witnesses of our time. A broad constellation of life stories, but one which also reflects the secret of USU Software AG's success in many ways.

Witnesses of our time 2020

Gereon Kruse (Börsengeflüster)

Nico Steckelberg (gkv informatik)

Edmund Dück (Liferay)

Mirko Maier (LBBW)

Johannes Stoffels (4investors)

Maryam Danesh-Kajouri (USU)

Markus Horntrich (Bernecker Börsenbrief)

Foto © Bernhard Schnaum, 2016

Thomas Dreikauss (Sematell)

Dario Polotzek (USU)

Josef Scherrer
(Prinzipal Vermögensverwaltung)

We were in Hamburg. With Simon Bentlage, an analyst at private bank Hauck & Aufhäuser. We met in the Italian around the corner. Someone from Augsburg in Hamburg. Sea instead of mountains. Plenty of room for a story.

The new USU Software AG campus in Möglingen

We flew to Zurich – our only flight. We spoke to Josef Scherrer, a fund manager at Principal Vermögensverwaltung. We met him at his home. And he showed us the world as only someone from Switzerland can. Full of views. From above and yet right in the middle of things.

We drove to Augsburg, where we met Cosmin Filker, an analyst at GBC Research. At the office. And since we were there, we also got together with Manuel Hölzle, the founder and CEO. Motivation from inside the capital market. Full of energy. Full of life.

We also traveled to Bayreuth by car. On a Sunday. Sightseeing. The next day, we met Markus Horntrich (Bernecker Börsenbrief) in a suburb. Meeting place: his office at home. And we were already in the middle of the great wide world of the stock market.

We took the InterCity Express – as of late an excursion train – from Stuttgart to Frankfurt. In Frankfurt, we spoke to Gereon Kruse, a data journalist with his own site, börsengeflüster – or "stock market whispers." He also does his journalism from home – and not just since coronavirus. He has had over 600 companies in his database – the anchor point for all his excursions – for years.

Onward from Frankfurt to Eschborn – to Edmund Dück, Managing Director of Liferay, a partner of USU. Someone who knows life from many perspectives – and astonished us.

To Aachen on the train. There, we met Johannes Stoffels, a journalist at online platform 4Investors. He knows that you can even outwit the devil as an investor. The history of Aachen Cathedral taught him that. He lives this city.

Mirko Maier, an analyst at LBBW in Stuttgart, and Thomas Dreikauss, the Managing Director of small but perfectly formed USU partner Sematell GmbH in Saarbrücken, came to USU Software AG's Möglingen site. Both talked about busy business lives that could hardly be more different. There, a major bank serving SMEs; here, an SME in a world of major customers.

Then a final round back in Möglingen. At the headquarters of USU Software AG. Not easy – because the countdown to the next lockdown has already begun. All contact becomes cumbersome. We therefore meet via team meeting with Nico Steckelberg. He's in Wuppertal at gkv informatik. Not a broker. Not a partner. But a customer. Another fascinating story. Next, we interview two recent new USU employees, Maryam Danesh-Kajouri and Dario Polotzek, in person in the Sonthofen room. And we're more than a little amazed once again. World history, but in a down-to-earth way.

That's how this report, which will show how little a virus, this undead thing, can destroy our courage in life – either by locking us down or knocking us out – came about. We're far too full of life to be paralyzed by shock. Maybe it took a virus to come for the masks to finally fall. We see people in all their dignity. Without any stage management. Just people. Just differently. And so you'll find out more about USU, because USU is more than USU Software AG.

USU is a community based on trust.

ONE WORLD. ONE USU.

We met in Ampflwang. Not the real one. And not virtually either, but in very real life. Ampflwang is the name of a large meeting room at USU's head office in Möglingen, near Stuttgart. Decades ago, USU hosted a kickoff meeting in this place in a former lignite mining region in Austria. The district is an example of total transformation – a topic that concerned us all a great deal in 2020.

Our guest has come from his company's head office in Saarbrücken. In the Saarland region of Germany. Until 2012, Saarland was also a mining area for hard coal, just like our guest's birthplace: Dortmund. That's also where Raimund, who wrote these lines, comes from. And then there's Falk, who looks after the shareholders at USU. He comes from Lusatia, the major lignite mining area in the east. However, none of us has yet had anything to do with coal in our lives. However, none of us lives in the places we were born, but hundreds of kilometers away. And none of us became beggars, as the Kölnische Zeitung newspaper predicted 200 years ago. The steam engine that drew its power from coal back then filled Germany with anxiety and fear at the start of the industrial revolution. They said the "English machinery" would lead to three million beggars in the end. And "all assets" were "in the hands of a few thousand families." That was the very precise forecast from 1818.

But life is imprecise. Across all incidence values and stock market indexes. This is especially true in times of transformation. And a look back at the last 30 years reveals there's actually been continuous transformation. The New Normal is completely normal.

So transformation isn't new to any of us. Including Thomas, who's responsible for public relations at USU. He's the fourth member of the group this afternoon. He comes from Freiburg, has a doctorate in Classics and wanted to become a Latin teacher at a time when secondary schools


Foto © Bernhard Schramm, 2016

didn't want speakers of ancient languages. So, after trying out one thing or another, he finally became a PR man.

He had to look for new jobs after two of his bosses came into conflict with the law, explains USU Thomas, whom we've known for two decades, but we'd never heard him tell this story before. It came across very dryly. As if it were normal.

Our guest is called Thomas Dreikauss. He is the CEO of Sematell GmbH in Saarbrücken, a software company in the field of artificial intelligence. This company has been through a real odyssey, with a history that in itself shows how much a startup has to struggle until it is taken seriously. It took someone like Thomas to do it. Lots of experience, integrity. His professional life has been shaped not by learned knowledge, but by personal experience. They weren't always pretty, but they were precious. Above all, very valuable in leading a

Continues on page 18 ➡

EVERYONE HAS THE RIGHT TO DEVELOP THEIR IDEAS FREELY ...

This right gets our full attention as part of our company's objectives, purposes and principles.

pioneering company that had to find its own destiny, for which there was no textbook. He had started an apprenticeship at Deutsche Bundespost after leaving school, under impossible conditions. His parents and relatives had wanted him to become a civil servant. So, having learned about telecommunications, he became a mailman in Frankfurt. That was the decision of a lottery. The post office had promised every trainee a job after their apprenticeship. It needed more letter carriers than telecommunications technicians. At some point, the civil servant job was too boring for him. He got into the car business, became a middleman, bought used vehicles from brand suppliers and brokered them on to independent dealers. He therefore traveled around the country with a lot of cash in his pocket. He was therefore potentially lucrative prey for crooks. Then it caught up with a friend. That signaled the end for Thomas Dreikauss, and he plunged headlong into the no less adventurous but far less life-threatening world of high technology and AI. An exciting, demanding biotope with a steep learning curve that grows exponentially. He knows how Silicon Valley works and that we, the Germans, don't know. Maybe that's why he prefers to be here than there nowadays.

Call center solutions are the joint market of Sematell GmbH and USU Software AG.

No matter which, you have to take care in this world. Falk, fascinated by the stories, thinks of the GDR, the Stasi and the fall of the Berlin Wall, Raimund of some scandalous stories he heard as a journalist – of people who suddenly landed in prison. Not pleasant thoughts.

And yet they're important because the wrong things, bad things, can always be close by. We've just forgotten it. Such thoughts would still have been hard to fathom in 2019, but now – in the pandemic – they break free from the back of our minds and take up position on our brows. Values become values again. Not a digital, but a personal transformation. Something very personal. We're taking stock of ourselves. Everything is about people again.

Our strongest mask, our greatest source of protection were and are of course our jobs, our professionalism. We can always hide behind them well. And that's how our conversation began. Thomas explains he's on his way to Bavaria to work from home. He's been working from home for a long time, he says. Running a company by remote control. Does that work? Better and better. His success proves it.

"I almost feel bad when I say we had a very good year," Thomas says. He hadn't really expected this success. Due to coronavirus. His partner, USU Software AG from Möglingen, is having a similar experience. You could almost say the company, which was founded in 1977, started the disastrous year of 2020 in good shape and, to its own amazement, ended it in the best of shape. "We didn't expect such a good result following the lockdown in April 2020," Bernhard Oberschmidt, CEO of the software house, which has been a listed company for 20 years, assures us later on. He's been the boss there for 18 years.

Something must have happened in both companies over the last few years to make them so fit for the future. Something as difficult to understand as the virus. What might that be?

Of course, both companies have the right product portfolio. Okey dokey. They're both in the same call center environments market. This is the main business for one of them, while it's one of several pillars for the other. They're both helping many companies to tackle the virus virtually with their call center solutions. Both have the right

Hopefully these footprints will soon belong to the past.

strategy, the right technology, the right employees, the right customers, the right partners, and the right shareholders. But why do they have all that? Not just in good times. Anyone can do that. But also in bad, even terrible, times, like now.

Companies like that radiate something. Something that keeps everything together, synchronizes and orchestrates it. Without many words. For USU, it's just three capital letters, in fact. U.S.U. They've summed everything up since the beginning of 2021. Aspera, Leutek – the acquisitions of the previous years now share the same family name: USU. Unshakable. One world. One USU. Somehow Sematell is also a part of it. Thomas Dreikauss feels very comfortable in this partnership in any case.

It's that simple. And it's great, too.

Because behind it is something that extends far beyond department, company and industry boundaries. A shared way of thinking, a shared belief; something you can't really put your finger on at all. It's infectious like a virus – and yet the exact opposite. It doesn't kill, but gives life. It doesn't take your breath away, but enables you to take a deep breath in every situation. It doesn't dull the senses, but sharpens them. It's unfathomable. It's the stuff that catalyzes each transformation.

We're on the trail of this stuff. But first it leads us somewhere else. Why not? We can take our time in these times, travel around, even if only in our thoughts, and listen attentively, with focus and compassion.

Empty was the restaurant where we met Johannes Stoffel. This is where the Reuters news agency once started.

FOR REAL

We met in Aachen. For real. In the evening. In a restaurant in Pontstrasse, which has just been declared a pandemic hot spot. It's a neighborhood that's mostly popular with students, with lots of bars and the famous university nearby. Named as a university of excellence in 2019 – for the third time no less. Opened in 1870. A mere 150 years old! A spring chicken.

Charlesmagne's crown and coronavirus mask: Johannes Stoffels in Aachen Town Hall. Only Johannes is real here. Crown and cross are reproductions.

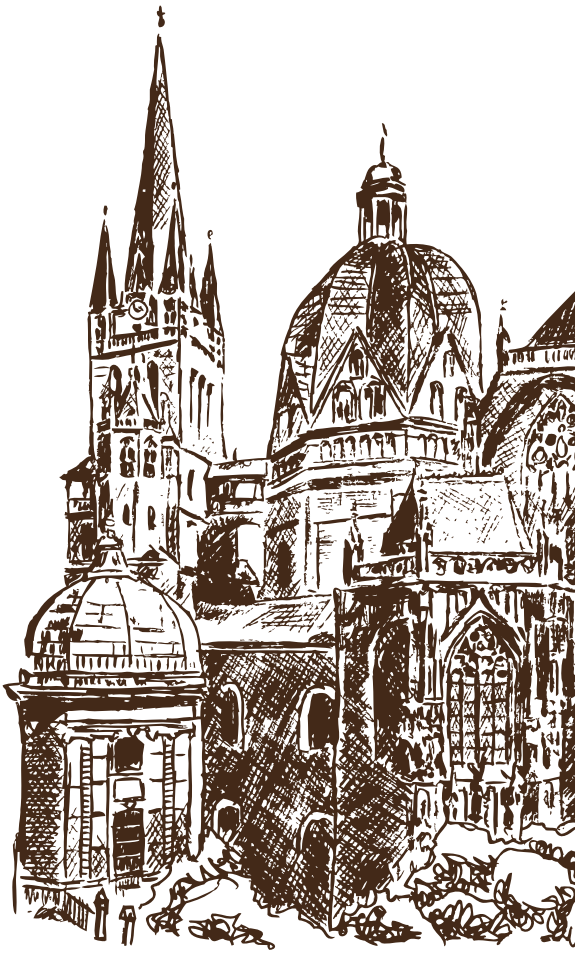
There's a fair amount of activity on the cobbles on this rainy working day; so much, that it virtually triggers a second lockdown. Wear a mask, even in the street, we're told in advance of the decisions. We follow the order we've picked up somewhere. Was it our cell phone? Was it information signs? Signals are coming from everywhere these days. Including from passersby. We pay attention to one another. To protect ourselves. Do we each have authority over the other? Maybe it's sometimes like that. We don't experience any of this on our travels. There's mainly genuine care and concern.

Then we're standing, gasping a little through our masks, in front of the restaurant – an Italian. Are we in the right place? We're still thinking about it when the door is flung open and the proprietor calls us in. The restaurant is more or less empty. A victim of the rigid coronavirus rules: The "inside" curfew is already taking effect. Our host, Johannes Stoffels, awaits us on the floor above, a glass of wine before him. He beams. Pure warmth. Somehow among friends.

That's just what this New World is all about. For real. It's not just the global economy that's bigger than the business world. Each of us is bigger.

Indeed, we ourselves are bigger than ourselves. And the stuff that makes this happen is tolerance. Sustainability is joined by forbearance.

"Du" – the informal German "you" – is quickly conjured up. Pleasant, brash, witty, funny – even on really serious topics. Johannes is a journalist who comes from this cosmopolitan three-country border region and knows it extremely well (he's already looking forward to showing us around the city the next day). Since 2006, he and Michael Barck have been running the 4Investors online stock market portal, which reaches up to 40 million people with 60 to 80 easily accessible news stories each day covering events on the capital markets. "Johannes really has his work cut out there," this writer thinks and wonders how the stock market connoisseur still finds the time to meet us. The man's a phenomenon in any case.



The Council Hall of the City of Aachen in coronavirus times: The Council has 59 town councilors, but there's only space for a maximum of 30 persons under the coronavirus restrictions.

This is – he says – the first business meeting he's had outside his office area in nine months. Everything before this was virtual only. Interviews. Conferences. Meetings. Nothing in real life. He had also been "extremely careful," he says, because he cared for his father at home until the summer. But his 86-year-old father had subsequently died due to the infirmity of old age – in his arms. He's a business graduate, but anything other than a tough guy. He's far too interested in cultural events to be content with just figures. A person whose dignity is as inviolable as the German Constitution. He makes sure of that.

Full of joy, he explains that we're currently in the building where the world-famous Reuters news agency was founded. It was 170 years ago that Paul Julius Reuter received his carrier pigeons from here. Back then, in 1850, there was still no telegraph connection between Brussels and Germany. That's when the Rabbi's son from Kassel, who had converted to the Catholic

The unicorn – fabled in Aachen, legendary on the stock market

Aachen Cathedral

faith, had the by no means still original but extremely enterprising idea of using carrier pigeons to transport notes containing share prices to Aachen.

Twitter doves. He then wired the prices to the banks in Berlin from his office at home. Reuter was elevated to nobility, but moved his office to London, and from these first beginnings came what the American Fortune magazine once called a "money-making machine."

As a start-up, Reuters would perhaps have been a "unicorn," a company that would have reached a capitalization of at least a billion dollars, even before its public flotation.

Carrier pigeons were – strange as it sounds – also the precursor of the Internet. The news services 4Investors offers today aren't too far removed from what Reuters was offering in the mid-19th century either. Like the Internet, carrier pigeons need only an address, nothing more. This address is that of its pigeon loft. They then find their own way back. That's also how the Internet, started 120 years after Reuters, works. Collecting messages and then offering them, repackaged and analyzed, to the whole world. Johannes Stoffels does nothing other than this, but naturally on a scale that Baron von Reuter could never have imagined – and at costs he would have found especially unbelievable.

We, in turn, can't imagine that 4Investors could ever be worth USD 13 billion, like Reuters was at the time of its sale to the Thomson Group in 2007. Johannes probably least of all. His stock market service is no money-making machine. And if it is, then that's more for his readers. Apart from that, Johannes and his partner earn money by providing their readers with realistic assessments. "In the 15 years since we started, we've gathered information on 3,000 companies in the German-speaking world," he says. "Including 300 great companies." We don't dare ask him whether USU is one of them. We don't need to. Would he have invited us to dinner if not?

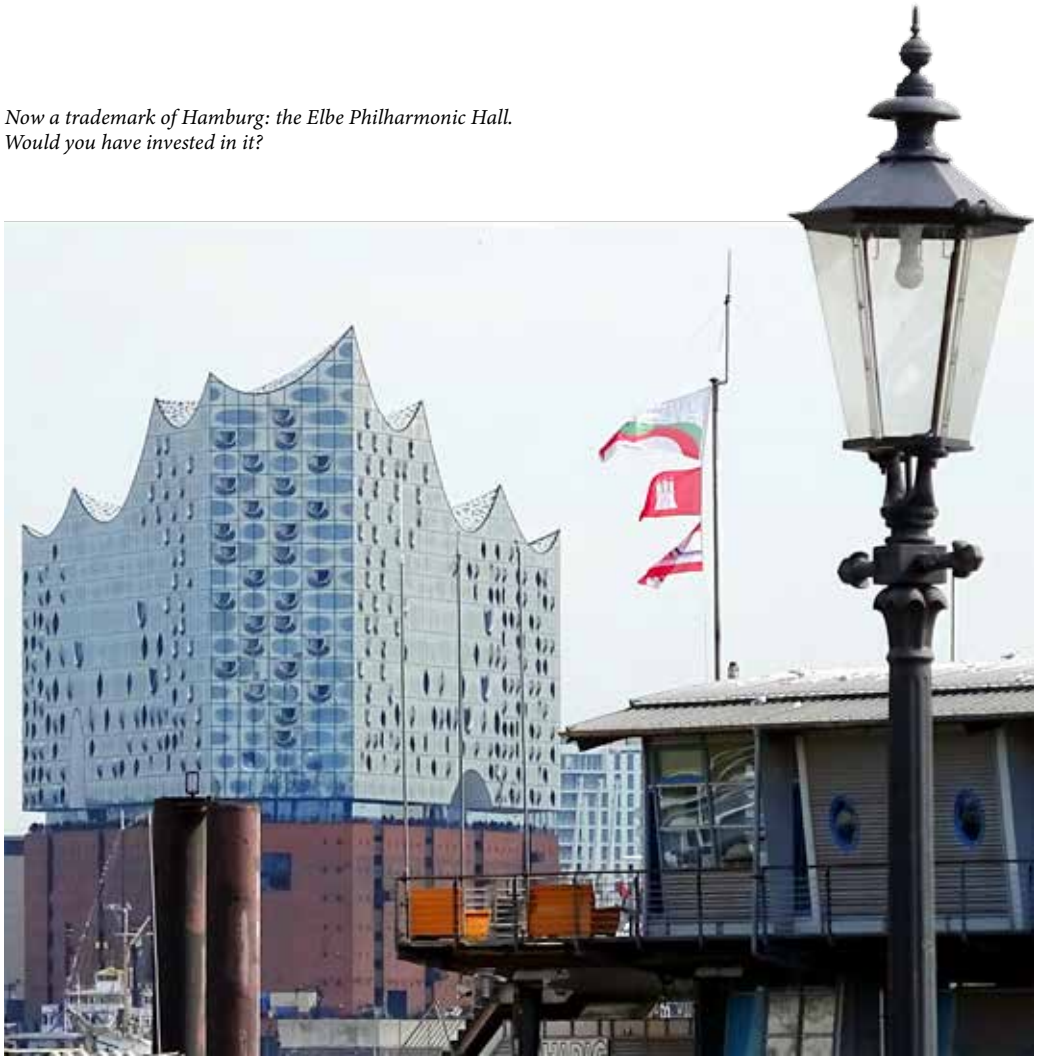
It's 11:00 p.m when we leave the restaurant at the anxious insistence of the proprietor. Curfew in Aachen. The virus is going around.

No problem: We're planning to see each other again the next day, after all. In front of the Cathedral door, where the devil lost his thumb. Not for real, of course. Still, I like that! Thumbs up.

THE MIDDLE ROAD

We met in Hamburg. Starting from the Hotel Europäischer Hof, we'd walked along the Outer Alster Lake and allowed ourselves a good hour, only to then lose our way a little outside the parks. It was a very good hour. Now we were standing on the Mittelweg, the middle road, in Hamburg's diplomatic and villa district. The young man is waiting on the other side of the street,

Now a trademark of Hamburg: the Elbe Philharmonic Hall. Would you have invested in it?



comes over to us, quickly greets us. Then we cross the street together to a bus stop. Not more walking! As we've got complimentary tickets from the hotel, we take the bus. One stop. We get off and stand in front of the restaurant the young man has recommended to us. An Italian, of course. It's loud. Still, the interview begins. Listening to the tape (which isn't even a tape anymore, but a chip and an app) will certainly be difficult. But it should be worth it.

It actually began with us wondering what had just happened. Past. Present. Future. Nature. Civilization. All at the same time. On foot. On the bus. "I cycle to the office every day," Simon Bentlage, our interviewee tells us. He doesn't have his own car. Only his girlfriend's: "An old Golf," says the young analyst, who works at the Hauck & Aufhäuser bank. He's 28 years old. Pure future. You're 68 years old. Pure past. And Falk is exactly in the middle. Entirely in the present. Entirely of the moment.

And what do we talk about?

About anything and everything, as people say when they're talking about money and stocks. The value of assets and the value of life. Simon, our youngest interviewee, comes from Augsburg. An original Swabian, so to speak. He has an advantage over us there, although we're representing an original Swabian company.

He's been in Hamburg for two years, he says, as we spoon up a bowl of lentil soup. He misses the mountains, but likes the sea. It was rather a step down football-wise, he grins – he's an FC Augsburg fan. The people of Hamburg will forgive him. The computer industry is his subject, but it's not a direct specialism. That's not the approach of the private bank, which was founded in Frankfurt in 1796. WOW.

It will turn 225 the year this annual report is published! As for him, he may "deal with future-related topics" there. WOW.

A traditional bank with a future. His father – he happens to mention in passing – brought him to the bank after his business administration degree in Augsburg. His father? We acknowledge that, but don't ask anything more about it. What he doesn't tell us is that the name Bentlage is very prominent at Hauck & Aufhäuser. His father, Michael Bentlage, is the Chairman of the Management Board of this private bank. WOW.

And, to be honest, we didn't know. We didn't notice. It only comes up while doing research from the office at home. Usually, you only come across understatements like this in the Swabian "Ländle" region.

He'll surprise us a few more times during our conversation. Like, for example, when he tells us that as a student he and a few friends set up a removal service that's now a flourishing business in Augsburg. A real entrepreneur, then, who isn't afraid of work, including physical work, although he hasn't been involved with it for a while now. Hamburg instead of Augsburg. Now he's at the bank – and is gathering experiences that weigh heavier than all the pieces of furniture he transported put together. Because a name comes up in his analyst profile that stopped him sleeping well for weeks. Let's shorten it: W. Oh. Dear.

But then he pushes this experience to one side and says that his girlfriend, who also comes from Augsburg, has a far tougher, more difficult job. She's studying pedagogy and takes care of adults suffering from mental illness. "There are some tough things to deal with there," he senses through all the professional confidentiality. "Tougher than W."

As we said, we met on the Mittelweg. That's somehow fitting. This analyst's life treads the broad path between physically hard work at the removal service, entrepreneurship and the ultimate challenge of mental illness. You think to yourself: If ever there were someone who's totally passionate about their work as an analyst but who certainly won't remain one forever, then it's this young man. "You'll tell your grandchildren this story about W.," an older colleague consoled him. It will shape him and strengthen his ethos to maintain his integrity in the money business. He'll never forget it. "It was a tough lesson." Now he knows the extremes: "USU. You can also feel it from outside. That's a solid company. W. crossed all the lines."

Between you and me, the IT industry would fall over themselves for him. Someone who's gained this much experience at a young age knows what's most important: How to deal with crises, manage them on a personal level, how much it all hurts – and that you come out of it again. Stronger than before – and probably understands far better what sets companies like USU apart now that he's seen a superstar fall from the heavens.

A few minutes later, it becomes clear how much this has sharpened his mind. "You always remain critical. Definitely. That's a fundamental characteristic of an analyst, after all." And then he throws a question into the room: "If USU just had a great year, then I'd like to know how that's possible when everyone's sitting at home and no one's visiting customers."

Maybe that's precisely the reason why. Working from home can be enormously productive – especially if you have a good relationship with your customers. Something many companies now have to think about. Because this very issue could be one of the topics at the next annual general meeting

Continues on page 26 ➡

WE LIVE WITH THE LAW. BECAUSE LIFE IS THE LAW.

3

A year like 2020 wrote its own laws. It was extreme. For every one of us. We got through it because we – as companies, employees and partners – bore responsibility. For life – the measure of all laws.

NO REGRETS IN BAYREUTH

We met a day later. Because we were in a place we'd never been to before. Usually, only people who've been German Chancellor come here. Gerhard Schröder. Angela Merkel. Sporting aces like Christian Neureuther or Olympic champions like Rose Mittermaier. All sorts of actors. Stars. All because of Richard Wagner. In 2020 they had to stay home. Coronavirus instead of Wagner.

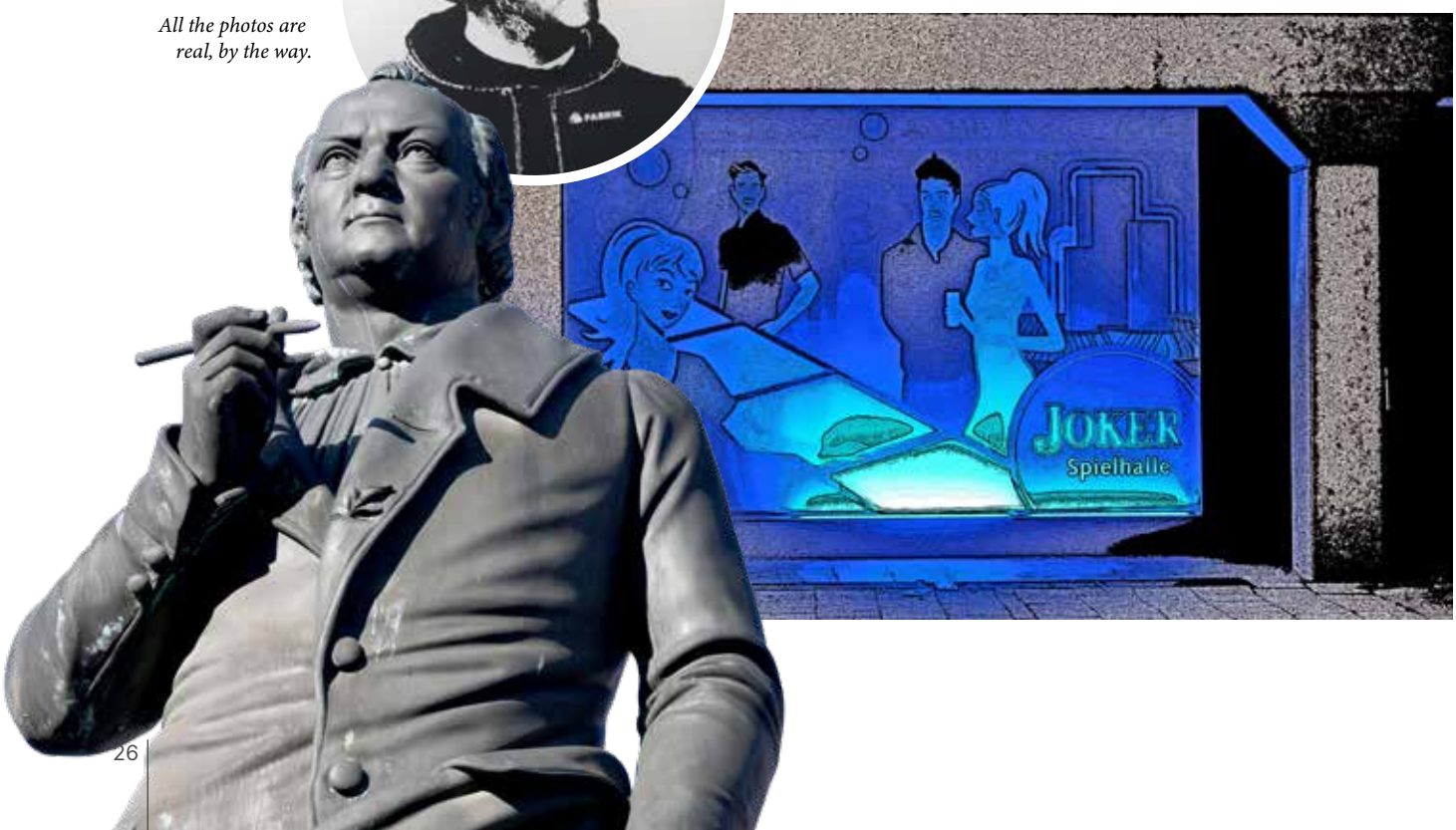
We're a little confused as we wander through Bayreuth on this Sunday evening. Although we're not here for leisure, we marvel at a town whose name is more famous than its image. Usually there's too much Wagner here. And now there's too little. What kind of town is that? Does anyone still remember this town's other famous son, writer Jean Paul (1763-1825), these days? He wasn't born here, but died here. All the same, he did write the story of Der Maschinenmann, a satire. And right at the end he says that the only one who would read this story was Der Maschinenmann himself. Like software. It also only ever reads itself. In the cloud. On smartphones. Heaven and earth. Everywhere. That's the digital transformation. But, above all, it – the software, the transformation – is intended to serve us. Like the chatbots our USU produces for many, many customers. These are small programs that interview themselves a thousand times before they can understand and answer our questions. And even then they continue to learn more. Secretly.

But who reads Bernecker Börsenbriefe? We wanted to know that, so the next day we visited a man who writes it. He doesn't write it on his own, of course, but certainly puts his stamp on it. His name is Markus Horntrich. A journalist and consultant – somehow he's both. And on the quiet we're thinking: He somehow also looks like his own readers. Someone who loves shares, likes SMEs, can be both refined and rustic. Although the head office is in Düsseldorf, he works from home in a village near Bayreuth. The last small shareholders in Germany can probably be found right here, in all these unlikely places in the backwoods. And you can't shake the suspicion that they know at least as much about shares as people in the large cities. They're not hillbillies.

We elicited some knowledge from him – or was it advice? In any case, USU is one of the 50 companies that seem to be having something like a festival for him. At least, they're part of a great play that attracts his journalistic attention.

A different Bayreuth: Richard Wagner as a factory worker, an amusement arcade instead of a concert hall and the author of Der Maschinenmann, Jean Paul. Markus Horntrich, a journalist at Bernecker Börsenbriefe, might ask himself if these Bayreuth personalities would invest in shares or see the stock market as nothing more than an amusement arcade.

All the photos are real, by the way.



As already implied by the title: We didn't regret Bayreuth.

IN WHISPERS

We met in Frankfurt, Germany's true festival venue when it comes to capital. How could Bayreuth on the Red Main compare to that? It dwells and reigns here at the other end, the great finale, of the River Main. It flows here. It booms here. It conducts the stock exchange here. The bull and the bear dance here. The euro is here in abundance and defiance. This is where the big money is flaunted and accumulated, assesses the DAX and chauffeurs it through all lockdowns. Here, the airport to the whole world waits for limitless freedom over the clouds. This is where emperors and kings were crowned. But St Paul's Church, where our democracy began in 1848, can also be found here. Eintracht Frankfurt once even became German football champions here, although not since the Bundesliga has existed. Almost the federal capital, but not even the regional capital. And the International Motor Show isn't here anymore either. Even Suhrkamp is now in Berlin. The most famous bookfair in the world dispersed into the digital air in 2020.

But Frankfurt, the supertown with the supertowers, has a brand new old town. The big attraction. To be entered with a mask for the time being.

Between all the extremes that characterize this central German city, you almost miss the small, quiet, highly sensitive stock market whispers – börsengeflüster. They're coming from an apartment in Frankfurt's Westend. It's a traditional building dating from Germany's founding era, the Gründerzeit. You're all the more confused when the first thing you see as you enter the apartment is a motorbike. A striking picture hangs above it. In front of it a man, more shy than extrovert. You're confused in a pleasant way. We're at the home of börsengeflüster with Gereon Kruse. And because Westphalians recognize one another immediately despite the lack of any colorful dialect, it was clear who you, old Westphalian, have before you: another of those thoroughly honest types; the thing you like about yourself. (Pssst.) None of that Swabian mischievousness… (Will that make it past the censor? Definitely. Swabians are liberal, after all. Otherwise you can threaten them with Schiller, whom they drove out of their land of poets and thinkers.)

That's all: bull and bear remote-controlled by smartphone – wishful thinking by IR Manager Falk

Gereon loves his databases, his Excel tables. That's his lifeblood. He creates his whispers from 3,000 sources he nurtures and protects himself. Very profound. Even his colleagues, his competitors, say that. Ungrudging recognition. You sense they're even proud of him, this rather introverted, but very adept representative of the journalistic fraternity. They're right to be proud, as we'll see. A plucky guy they tried to strike fear into.

Börsengeflüster from the database: Gereon Kruse doesn't need high-rises to keep his readers well informed

THE SECRET

We met in Eschborn. Between the machine towers of a service economy that concocts itself out of nothing, that you can create just by thinking about it. Everything is so artificial, nothing is natural. Was once green meadows. Became industrial. Brings taxes. To Eschborn, not to near Frankfurt.

Because the restaurant is too loud for us – we're still in the gap between lockdowns, after all – we grab something to eat at a kiosk, a "tasty" Italian. We stand in the well-masked, socially distanced line. With one ear you're listening to our interview partner telling PR Thomas about the area. Edmund Dück. That's his name. You hear with amazement that around 1,000 people followed his company Liferay's live appearance on the Internet. Someone's very proud. Rightly so. He would never have reached that many people before coronavirus.

Later, you find out that USU's online events also attracted audiences that size. A new conference culture is developing there. The topic there was chatbots – those small virtual spirits that so cleverly pretend they could interview you. However, you hear from an expert in artificial intelligence that there's still a very, very long way to go before they could conduct a newspaper interview, for example. (You're relieved to hear that.) Indeed, they don't actually conduct any interviews; you're the one who asks them questions. And that's how you learn: Answering questions is easier than asking them. AI is pretty smart.

But chatbots are very good for all the little problems that blight our everyday lives. They're extremely good and very effective at that. But there's one thing they'll probably never be able to do: detect the other person's regional dialect! Like you did with Eddy Dück.

Or so you thought.

"No, I don't come from Franconia," he says, promptly shaking your linguistic confidence. "Westerwald, then?" comes the next guess. That must be it. That's the only place they still roll their "Rrrr" like that. "Not right either." Now you're speechless. You've reached the end of your questions. You can't think of anywhere else. You give up: "Where, then?" Edmund's (you're secretly on first-name terms) superior laugh is no comfort at all. But once you've heard the answer you're finished anyway: "I come from Kazakhstan." A "Russian German," as they say. And then, as we sit in the canteen at Liferay, a very esteemed partner of USU Software AG, he explains that he was once a colleague, a journalist in the US, and was also something like a pastor. Now he's a manager, although he doesn't use that term. And he's somehow not that either. But neither is he a visionary. That's sounded crazy since Helmut Schmidt, anyway. But he has a mission; you can feel it. You'll research it. Later. At home.

"In a partnership, people are more important than products."

Edmund Dück, Manager at Liferay in Eschborn

Edmund („Eddy") Dück, ist mehr als nur ein Manager

Food chain between office buildings.

And very gradually you realize why USU will soon have been around for 50 years – and that Liferay will also stay on the right path. USU. Assiduous. Reputable. Fearless. That's how you'd describe this company if a chatbot ever asked you. "Stubborn" could also be true. Or "proud," "stable." But they want to hear "Swabian."

While others have long since disappeared, USU has retained its identity. IT studio Plönzke, ADV/Orga, MBP, Softlab – once giant names in the German software scene. Now gone. Okay, PSI is still there. Software AG, too. One of their contemporaries is even German champion in every category: SAP. But those are quite different stories, on the other side of the middle market.

What's the secret? USU is far bigger than USU. It's a community. And the brokers feel that, too, even if they can't put a figure on it. It's a social patchwork. It brings together people who only like people who like people. Liferay, an American high-tech company, is just as polarized. Pretty typical. And when you were out and about during this coronavirus year,

you felt this aura all the more intensely. People tell their stories.

Somehow, that's the entry ticket to this new era that still seems to be so masked through coronavirus. No, it just wants you to take this world personally and therefore placate it. There's no other way.

But not all of the entrance tickets have been sold yet. Someone called Maier, of all people, takes the biggest ticket.

MIRKO'S DECIMAL POINT

We met in Ampflwang. In the Ampflwang room at USU. It almost came to nothing. Because in the gap between lockdown and lockdown there was locktown. On this day, in the south, all the feeder roads to Möglingen were closed. Jams and construction sites. Construction sites and jams. Nothing was moving. For two hours, you're getting lost in an area where everyone decided they just needed to do one more quick errand. And suddenly everyone was imprisoned in the traffic chaos that the local, regional and national authorities had ultimately created by allowing their construction sites to spring up out of the coronavirus chaos without any coordination. Traffic jam, traffic jam, traffic jam. And no escape.

The access road and entrance road are closed. Even the GPS has given up. Endless turns. Lost in transformation.

Continues on page 32 ➡


We the people of
USU
In best constitution

CONSCIENCE IS POWER, YOUR POWER.

§4

Every decision is always a question of conscience, too. That applies to each of us, but also to companies. Never before in our soon to be 50-year history have we been so conscious of that as in 2020.

In front of the "Stuttgart 21" construction site: LBBW's head office building

Mirko Maier, an analyst at LBBW, Baden-Württemberg's major regional bank, is waiting in Möglingen. Its head office is directly behind the giant "Stuttgart 21" construction site. But Mirko hadn't come from the regional capital, but from his office at home nearby. He now observes the whole world from there.

He supported USU through its IPO 20 years ago and has covered, or analyzed, it ever since. The New Market was already faltering heavily when USU went public. Despite this, it managed to pull off a confident IPO thanks to the power of LBBW.

It takes the last of your energy to finally get to the meeting point, only to then be completely captivated by this experienced analyst within a few minutes.

"If USU had had two more zeros in front of the decimal point in its market capitalization, no one here would still talk to me. The IR Manager" (he means our friend Falk, who's sitting next to you) "would still be living out of a suitcase and rushing from one roadshow to the next. He'd be talking to the Fidelities." (Fidelity is one of the world's largest investment funds.) Perfect English. The finest cloth. Five-star suits. Fancy Teslas. The finest wines. Falk's world? Never. He's not cut out for that at all. Neither is Thomas the PR man. It's likely there would have been two more capitalization zeros, journalist Markus Horntrich has been quoted as saying: "If USU had been a US company, its market capitalization would have been ten times higher." At least one more zero before the decimal point, then. He's not alone in this opinion.

But the zero is missing. Perhaps we don't have analysts who could interpret these zeros into their reports. We don't have journalists who could dream up these additional zeros either. We certainly don't have shareholders who could still believe all of that. In any case, we don't have capital that could be inflated like that. In Germany, capital is a very shy creature that would rather put a lot of money into its social

systems. The government would, anyway. We don't have such an enlightened relationship with it, or with capital, the market economy or the stock market either. But that all belongs in the 20th century – the past. We're now in the third decade of the new millennium. We're at a turning point – at the turning point we thought we'd already reached 20 years ago. Now that it's here, perhaps we can't see it anymore. We were once 20 years ahead of ourselves and just used the wrong label: New Economy. Now we're calling it the digital transformation or New Normal – and sensing that that's not right either. What's happening at the moment is far, far bigger. We're still struggling to keep it together.

Mirko knows the long journey there firsthand; a first-class witness of the times. In the 1980s he started a banking apprenticeship at what was then Südwest LB – and has remained loyal to his employer ever since. Only his banking administration studies took him away from his bank. "Always the same employer," he says when the author of these lines finally succeeds in fighting his way through to the head office. "It's just the name that's constantly changed." Not his, but that of his employer, LBBW. It's had that name for a long time now. Since 1999. LBBW is and will remain LBBW.

When he then starts to talk about how things were when the New Market was still new, and how they became when this stock market segment began to ail and look quite old, it's there again: this honesty, this capacity for self-reflection you thought had been lost in the overly stressful business life of the last few decades. No, it was just hiding. People are fed up with deceiving themselves and other people. Far too stressful. Somehow they can no longer bear all this whitewashing. We'd evidently been bottling a lot up.

Maybe that's why USU is one of the companies he considers to be in the "first half of my Top 20, probably even in the top third," purely off the cuff and based on gut feeling. He does not state the specific criteria he used to make this judgment, but with almost 30 years of professional experience, a little intuition is allowed to play a role. As a young analyst, he once asked an experienced colleague what made a good analyst. His answer was: "If 51% of your assessments are right, you're a good analyst." Unfortunately, he didn't tell Mirko which 51% that was. But he seems to be managing anyhow. He doesn't need to mention it again though, does he?

"If 51% of your assessments are right, you're a good analyst."

A senior analyst's answer when Mirko Maier, then a young analyst, asked what makes a good analyst.

Stuttgart Central Station: Does even the devil reach for the sanitizer in 2020? From an exhibition in the otherwise empty main hall.

An analyst?
Figure in the Augsburg railway tunnel.

THE COSMINAUT

We met in Augsburg. Another analyst and another person who's comfortable in his own skin. Not one to pull all the stops out, not one little bit pretentious, but someone who also attaches great importance to integrity. SME through and through. We're visiting Cosmin Filker. He's a Danube Swabian and was born in 1979. Since 2007, he's worked at GBC, which is primarily renowned for its capital market conferences. Did his internship there. His first mandate was – who would have thought it? – USU. The financial crisis dominated everything at that time. And his analysis mandate was struggling, too. Both won.

Perhaps a good analyst is one who has also survived a crisis, you think. And, while you continue this thought, Cosmin explains: "I have huge respect for the young people who come to us and do their internship here now. They have far more about them than I did in my time." There it is again – this honesty, this capacity for self-reflection. And that somehow seems to be the secret of this coronavirus year in general. No, it's more than coronavirus. It's the eternal secret of being an SME: the capacity for self-reflection. And that also attracts very specific types of person. A great constellation. Cosmin confirms this in his down-to-earth yet warm-hearted way. All without frippery.

"We all want to find that out – a company's character."«

Cosmin Filker, an analyst at GBC in Augsburg

No, that's an analyst.

THE NETWORKER

We don't meet in Wuppertal. We're in USU's Sonthofen room, he's at home. Working from home. Thomas arranged it. Occasionally, Nico changes the "wallpaper" of his office at home so we can see what it would be like if we'd visited him in the office at gkvi – gkv informatik GbR – in Wuppertal. As it is, everything's virtual. And we all regret that a great deal, because neither Thomas nor Falk have ever traveled on a suspension railway in their lives. We'd also like to have taken our graphic designer Stephan (Kieninger) with us, so that he – the only Swabian in our team of four – can see that the suspension railway has nothing to do with Swabia. You all know the insidious saying written in High German: "We can do anything…")

Although Nico Steckelberg, a native of Sauerland and thus Westphalian, speaks very fine High German. He is 42 years old and responsible for the internal IT of a service provider. An autodidact. Is a sparring partner and "enabler" for his customers. "In the beginning, I was a Singleplayer," he says.

"You apply for a job like this if you love pioneering. Because that's his job: to see where his employer's IT is stuck. "Where are the white spots? Where the potentials? And then the networking begins. It's a bit like the suspension railway. Right in the

middle and with a good overview in short, quick stages to the destination.

For 15 years now, gkvi has been the IT service provider for the AOK and Barmer Ersatzkasse (BEK) health insurance funds, both institutions that owe their existence as non-profit health insurers to the social legislation introduced by Reich Chancellor Otto von Bismarck (1815–1898). And that's how their processes have been extracted and consolidated, too – over many, many years. There's a world of experience there.

Nico Steckelberg, gkv informatik GbR

Nico learned the business of social insurance brokerage at the AOK. Even during his training, his affinity for IT topics helped him, for example, as a multiplier for e-mail as a brand-new communication tool. He continued his education in business administration, became a salesman, then a manager, and studied health sciences on the side. And when gkvi was formed, he was there at an early stage. In 2007, he became an application consultant in the SAP BW environment. When he realized that he would rather delve deeper into the subject of controlling, he became a controller himself. That's not exactly the kind of job you'd expect to make a lot of friends with. But that's exactly what the young man managed to do. He saw himself as a consultant – and gradually won the trust of what are now around 650 employees.

Controlling thrives on information. For that, you need tools, which Nico gradually introduced with his teammates. Among them was the Valuemation Planning &

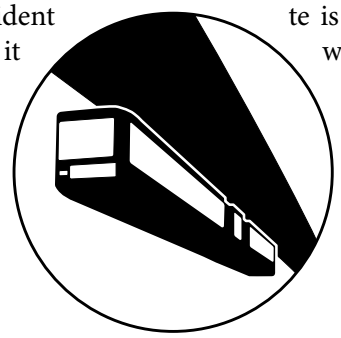
Wuppertal suspension railway

Calculation module. And suddenly the whole company was his customer. He picks up on acute issues, always keeping an eye on the IT roadmap like a schedule. It's not that he's a jack-of-all-trades who masters all topics in depth; he simply has immense experience as a project manager. He knows how projects work. He knows that he always needs experts at his side, a specialist. And then it starts. The fact that outside help may be necessary is the opportunity for providers like USU Software AG - but only if they also see themselves as part of this community. Not only technically, but also strategically. How does the ITSM tool suite help us improve our service metrics and optimize collaboration with our providers? What opportunities do AI, robotics and knowledge management offer in reducing incident metrics? And how do we get it all up and running quickly? Those who can answer these questions and offer integrative solutions are in demand. With contacts who know their customers and their business processes. Professionally. Human. Yes, says Nico Steckelberg, soft factors are playing an increasingly important role in the selection of strategic business partners. The interaction from person to person, the personally provided service. "Everything else can be automated, after all." In such a world, which has a lot going for it, many a challenge would be a home run for him.

Maybe we should all travel on a suspension railway sometime …

ALL UP IN THE AIR

Incidentally, anyone traveling on the suspension railway is in the coronavirus restrictions zone at all times. The route is 13.3 kilometers long. If you want to use a modern version of the suspension principle, you have to fly to Shanghai to admire this German invention: There, a magnetic



levitation train races along a route around double that length at a speed of at least 300 kilometers per hour rather than a maximum speed of 60 kilometers per hour. "China is the new land of unlimited possibilities," says Dario Polotzek, Head of Finance at USU Software AG since 2020. It drew him to Shanghai for six months as part of his business administration studies. He wanted to spend his obligatory semester abroad there – and ended up with a trade fair constructor who worked in the Asian region and had a preference for German companies. Thanks to Dario. "We won 95% of all our tenders," he explains. Because the German branches in China were pleased if their contacts also spoke German – and Dario had also learned a little Chinese in the meantime. He was much in demand, but not so much that they could pay him enough to live comfortably in Shanghai. "The conditions there are comparable with those in Stuttgart." You don't get far there with the equivalent of around EUR 800. But he enjoyed it nevertheless. And so then he also focused his master's thesis on a Chinese-influenced, very earthy subject matter. He couldn't be up in the air about things there.

He comes from Ingolstadt and had already moved 18 times by the age of 30; from childhood, life has taken him all over Germany and even beyond: to Luxembourg and – as mentioned – China. A modern nomad? He makes a rather down-to-earth impression, has both feet firmly on the ground – and makes fun of you. He'd like to have been a "short seller," he explains, seeing the confusion on your face. And then he laughs. He likes to pull your leg like that.

But this conceals what you might almost describe as Swabian characteristics; he probably watches every cent more than all the Swabians put together. But then there's that open, incredibly liberal manner again. He knows how to take life. Whether he was doing staid accounting work for a large auditing firm during his internships, trying out the travel industry or even performing auditing tasks, aimless activities still have a purpose: the search for one's own path. Highly qualified as he is, he's still recognized one thing: Ultimately, it's those around him, the people he works with, who motivate him. Pretty mature for his age. Ready for USU, you might say; for an environment where everyone is bigger than they are. You hover over one another, so to speak – and yet stay grounded. Very curious. You're always at home with yourself.

1982: » Home is where the computer is. «

The American news magazine Newsweek in a cover story about the PC

Unbelievable, but true: As early as 1983, a company recognized what became topical 40 years later.

Continues on page 40 ➡

In Elvish characters: Imagination is more important than knowledge. For knowledge is limited. – Albert Einstein

IMAGINATION IS WHAT PROTECTS FREEDOM.

Imagination despite the pandemic – the free exchange of thoughts and ideas; never was this so important as in 2020, the year in which we sometimes felt left alone with our thoughts. Yet ideas always find a way to one another. Thoughts are free.

Free development

Home game

You should definitely know that beforehand: USU is just different. And now, after this message, you can continue reading. Because you'll be confronted with all kinds of world history; that is, with people who know exactly why USU is just different. Because they themselves are. And they also know what true greatness is.

Like working from home, like a home: the USU head office

BENCHMARK

There was once a time, before wishing was online, when a young man built an office that looked like a home. And then the man, who was called Udo and had been a lone fighter up until then, gathered all sorts of experts around him – smart, clever people who called themselves computer scientists. A software company emerged in the midst of the largest business enterprises in the country. From nothing. Three letters. U.S.U. We're in the 1980s. A success story began. Based on good, soundly calculated entrepreneurial risk.

At the same time, when wishing was still a command, a somewhat older gentleman decided to build himself a superbank. He was prime minister of the region and was allowed to do that. Indeed, he had to do it, because none of the ten largest banks in Germany was based in Baden-Württemberg. Irksome for someone

who stood for farsighted politics. And so he got to work. When he was finished, the one they called Lothar spoke: "I will gather my automotive industry around me." (Original quote.) Lothar's export-oriented SMEs, such as Daimler-Benz AG and Porsche AG, all came. Among them were also small suppliers such as Bosch and ZF Friedrichshafen. He determined: "Large and therefore high-risk export businesses can only ever be financed by large banks." This plan of his was based on soundly calculated, political risk. Eventually, on January 1, 1999, this became four letters: LBBW. But Lothar was no longer there; he'd made a personal miscalculation.

A "dream ship," a petty affair, had thwarted his own plans. Lothar's political career was over. So he became the manager of a company in the east that was actually no longer a company at all. He completely restructured it with large amounts of taxpayers' money, although it was impossible to see what it was to become. Plowing its own furrow, finding its own way. It went public in 1998. They called Lothar the "King of Thuringia," although he actually came from Sigmaringen, from Swabia.

The 2000s came. An IPO thwarted Udo's entrepreneurial plans. He was now head of a company that no longer belonged to him alone. One bank played along; one with those four letters. It had taken his company to the stock exchange. It was – like everyone in the country – fascinated by the rise of the New Economy, but at once frustrated by its downfall. So the bank reorganized its investments. Udo was the Hans in Luck. He was free again.

It's certainly curious. One, Lothar Späth, had become Prime Minister of the State of Baden-Württemberg in 1978. A senior politician who played with his opportunities until others played him. But he took his freedom back. The other, Udo Strehl, had his first fiscal year in 1978. A small entrepreneur with whose opportunities others played until he played with them himself.

And now, if we look at our economy, the banks have lost quite a lot in terms of image and also power. Like all large, well-established institutions, they have to come to terms with the fact that what they do remains important, but that those who are doing it are becoming less important. Only how they do it still counts. And the fact things are the way they are is determined by that invisible, unfathomable thing called software. Everything that exists gets a software address. You can even install it on "grains of sand," as Franz Fehrenbach, the former head of SME giant Bosch once said.

Software regulates everything. But it's a great trouble spot at the same time.

THE RISK

A dilemma: "Almost all business models are cast in software now," explains Mirko Maier. "Accordingly, I ought to cover half of DAX as an analyst for the IT industry." But that's not how it is. A bank is a bank. An insurer is an insurer. An engineering

"You keep playing a game until the game plays you."

Hans-Georg Gadamer (1900–2002), German philosopher

Stuttgart (20)21: LBBW on a display in Stuttgart Central Station

company is an engineering company. A software company is a software company. Really? "No, a software company can be everything," according to Maier. "That makes it so difficult to define it precisely." If you know one bank, you know them all. The analysis mainly has to "pay attention to costs and, with software and high-tech companies, growth."

customers, 180,000 hospitality businesses with no guests, 20,000 performing artists with no audience, 7,000 museums with no visitors, empty factory floors and offices. And. So. On. Total shutdown. "And, despite this, the world didn't end," says Johannes Stoffels, a journalist at online platform 4Investors, which reaches an audience of millions. He, like all his colleagues, had to add new terms to his active vocabulary about stock markets and businesses in 2020. Words never before heard in everyday life swirled through the air: aerosols, Covid-19, lockdown and – tinfoil hat.

"I work at home a great deal now."

Josef Scherrer, Swiss fund manager

Fund manager Josef Scherrer sees things in a similar way: "An outsider like Elon Musk founds Tesla and says that a car is no longer a car, but a networked computer on four wheels. The major disruptions come not from the industries themselves, but from outside."

That's what's uncanny, threatening. No one knows where the attack on their traditional business model might come from anymore. No one has a monopoly on shaping their market anymore. Any plan can go out of the window at any time. And exactly that happened with brute force in 2020.

The most dramatic version of Germany's coronavirus figures: seven million people on reduced working hours. Eleven million school students with no school desk. 330,000 retail businesses with no

But all that only strengthens a trend that's already been emerging for some time. Everything's redefining itself.

Some, the big players, for example, are sometimes so big that they want to take control of their fate again by demerging. A trend that's been observed for over 20 years – in Germany since the IPO of Infineon from the Siemens stable. Maybe even the government was a pioneer when, for example, it split Deutsche Bundespost up in the 1990s. Deutsche Telekom shares set off an absolute firework.

Others are so small that they want to be able to assert themselves better on the market through mergers. Also a trend that's caused much furore over the last two decades. Billions were paid for companies with only a dozen employees. In its way, the 2002 merger between USU and Openshop to create today's USU Software AG is also part of this. It was also about a lot of money.

Perhaps this act of merging seems more entrepreneurial than the act of splitting up. Because the driving force behind it is growth. Something we urgently need again now: entrepreneurial thinking. Nowhere is this skill so present as in German SMEs. Perhaps that's the reason analysts such as Simon Bentlage, Cosmin Filker and Mirko Maier are particularly fond of companies like USU Software AG.

A fund manager's office at home

Acquisitions, purchases and new names have rattled and shaken USU Software AG as much as any of its own software innovations.

NOT AN AGGRESSOR

With 700 employees and sales of EUR 105 million, it's far from a giant. But it's no dwarf either. No shooting star, but no slowpoke either. Typical of the SMEs loved by people in the German-speaking world. "We're ahead of the game there," says Simon Bentlage, an analyst in Hamburg. "As good as the large international investment firms are among DAX companies, when it comes to our SMEs, no American investment bank or Anglo-American brokerage firm comes anywhere near us." An assessment shared by his colleagues.

SMEs keep the analysts fit in terms of assessing business models – the be-all and end-all for SMEs. Something's really happening here that's not hidden behind the walls of powerful organizations, hierarchies and financial strategies. It's open game here. All the time. Above all, everyone knows that. And, as a software company, USU isn't an aggressor. It doesn't attack the business models of the big players. On the contrary: It sees itself as a partner for all companies. That's its strategy. Lived every day. So, we'll say it one more time: USU is bigger than USU Software AG.

It's naturally all about risk. Personal and business risk. It's about combining the two; about professional risk. 2020 showed how much the two belong together. Due to the pandemic, which made us acutely aware of this connection.

Which raises the question: How, for example, do the people we entrust with our money, our future and our partnership – as shareholders, as employees, as customers, as partners – deal with it? One thing can already be said right now: People with very high ethics belong in USU's environment, in the widest sense, regardless of the role they play in this extensive sociogram.

That can't be proven, but we've found more than enough examples of it in the past few years during our research for these annual reports. Everyone we've encountered has faced a high level of personal risk in their lives. This makes them very human – and very steadfast. In the year of the virus, anyway. Even more so in a highly speculative DAX company in the year of the collapse.

Who's playing? Who's being played? That's what it's about. Self-sufficient or controlled by outside forces.

Continues on page 46 ➡

WE'RE FAMILY. ALWAYS.

§6

Not leaving anyone alone with their worries and troubles, sharing in their experiences and successes – that's what distinguishes any community. It's the basis of its existence. It's no different at USU Software AG. We're always one.

Can companies be too big to be analyzed – without creating a distorted picture?

THE FAMILY

Incidentally, this is the 25th annual report of the company that combines all of its activities under the name of USU Software AG. "One USU" was its internal motto in 2020. It now aims to develop as one company within its markets, gradually combining its various products into a "family." Yes, family – a very conservative concept in an innovative market. An exciting combination.

1996 annual report

Maryam Danesh-Kajouri, Head of Marketing at USU, knows that too: She brought the concept of family into play. Family is something very special for her and has a lot to do with cohesion – particularly when facing external threats. Because when she was six months old her family fled to Germany from Iran. It was 1979, the year Ayatollah Khomeini returned to his home country and the Shah had to leave Iran due to the Islamic Revolution. Maryam arrived in a country that her father knew because he'd studied in Heidelberg, but that was foreign to her until her first day at school. She didn't speak any German. And she now realized how strongly language defines one's sense of belonging. Of course, she's long since spoken flawless German and came to USU in fall 2019 because she sensed that this company knew what belonging meant.

Maryam Danesh-Kajouri, Head of Marketing at USU

Family – a very conservative concept that she somehow wanted to introduce when talking about USU's product world. She uses the term a little hesitantly. She doesn't need to. Because, in the history of information technology, it was precisely those companies who'd invested in such "families" – very bravely, very courageously, without any alternatives – who were extremely successful. Disruptive. Family policy – a good strategy. Traditional. Future-oriented. At USU for almost half a century. And Maryam knows from her own history how important it is to belong. By the way, the company that was first to introduce this concept of "family" into its product world, thereby uncovering enormous potential for innovation, is the one that's currently in the process of breaking itself up. It never again succeeded in repeating the brilliant merger of almost 60 years ago. A fate that seems likely to befall all giants of the economy at some time. And if they don't do it themselves, then they're forced to by governments.

Because when it's about an awful lot of money, which is then pure power, at some point the conviviality stops – as Bismarck didn't say.

THE FRIEND

Josef Scherrer, a fund manager at Principal Vermögensverwaltung in Liechtenstein, had been observing USU closely for a long time before he finally gave himself a shove and invested. His fund isn't very large, but he's invested in it himself with his own money and maintains close contact with his investors. They communicate a lot with each other. A network of Swiss and Austrians. You almost get the impression this is a family office. Everything happens with caution.

All the same, he's been managing this fund, which focuses primarily on SME shares in the Germany, Austria, Switzerland (D-A-CH) region, for 16 years. "We're not traders," he says. "For us, it's about supporting a company for as long as possible and participating in its success." Such success is manifold, you could almost say, forming its own family from "value growth, sales growth, employee development, and international presence." A dividend is also part of that – "as a reward for waiting." USU has offered this for __ years. As will be the case for 2020, if that's what the Annual General Meeting resolves.

"Primarily, though, we want to further a company we've invested in," he explains. "We're involved with around 40 companies." Scherrer has a kind of friendly/fatherly relationship with the companies he supports "until they've become too big for us." You're too big for him when too many eyes are looking at a company and too many large analysts and stock market players invest in a company and start to co-determine its policy – in short, when it stops being a family. "Family" is perhaps the greatest factor in a company's success. Its value can't be put into figures or crammed into an Excel table and no audit will be able to distill this value from the figures, but the 2020 pandemic, in particular, has shown pretty much everyone how much our society, our economy, and our entire government system rely on it. And USU – this much is certain – is a very strong family.

"You can give every grain of sand a web address."

Franz Fehrenbach, German entrepreneur

Scherrer knows that. The Swiss analyst goes into full-blown raptures when talking about innovative SMEs. That's his line of business. He knows it like the back of his hand. He stays quite true to himself in that respect, even though he once – on his own admission – invested in a DAX company like W. All went well. He didn't buy at the highest price or get out at the lowest price. Made a good margin. At some point he started to feel uneasy about the whole thing. That was enough: "I learned that quality is key." That's why USU is part of the portfolio. He's very happy.

Bayreuth: Anyone who founds an SME is focused on longevity. This pharmacy is 400 years old. Should it keep its name?

IN THE COUNTRYSIDE

Markus Horntrich leans back, then rushes forward as if electrified: "What? The founder isn't a Swabian?! Then the whole story's ruined." We laugh. It's the classic journalist reaction. There's nothing he fears more than news that could ruin his story. That's why – if he has anything about him – in the background he's always paying attention to anything that could jeopardize his story. And the field is always full of mines. On this morning, though, at most we're destroying a fable around the edges of the stock market events he observes. Markus is a journalist at Bernecker Börsenbrief in Düsseldorf. However, this Franconian works from home in a suburb of Bayreuth.

We'd just told him that although Udo was born in Ludwigsburg in 1954, not a single drop of Swabian blood flows through his veins. Because both his mother's and his father's side of the family come from Brandenburg. His parents and two older brothers are refugees who escaped the GDR regime. As a journalist, Markus naturally always has a story in his head. What would he think if we'd told him that the founder actually came from a farming family? On his mother's and his father's side. We missed our chance. Maybe that will save his story. No one else knows that, after all.

Yes, family matters. And world events. So on our tour we're amazed how many individual fates are connected with major events in world history. People from a migrant background – there are more than you might think 75 years after the end of the Second World War.

FINALLY HOME

Edmund Dück, for example. He is, as mentioned, Managing Director at USU's American partner Liferay. Eddy comes from Central Asia, from the former Soviet Union, from oil-rich Kazakhstan. Three years before the fall of the Berlin Wall, still in the Cold War, he came to Wiesbaden with his parents as a ten-year-old "Russian German." Over two million people came to us in the 1980s.

There are small parallels with the USU founder's family history here, too. When his parents were threatened with expropriation in the GDR at the beginning of the 1950s, they quietly made their way to the West – and settled in the state of Baden-Württemberg, which had been established only recently in 1952. Udo was then born here in 1954. In Ludwigsburg. It was a hard time.

Eddy reports that his family had emigrated to Ukraine in the 18th century, was dispossessed under Stalin and displaced to

"What? The founder isn't a Swabian?!"

Markus Horntrich, journalist.

USU's world in 2017: As if we already knew it back then. But back then no one could have imagined the massive disruption caused by the lockdown in 2020.

Siberia. "People were literally left to starve there, although there was enough to eat," he says. "They were systematically annihilated." Between five and seven million people died of hunger alone during Stalin's reign of terror. "My family was directly affected by that."

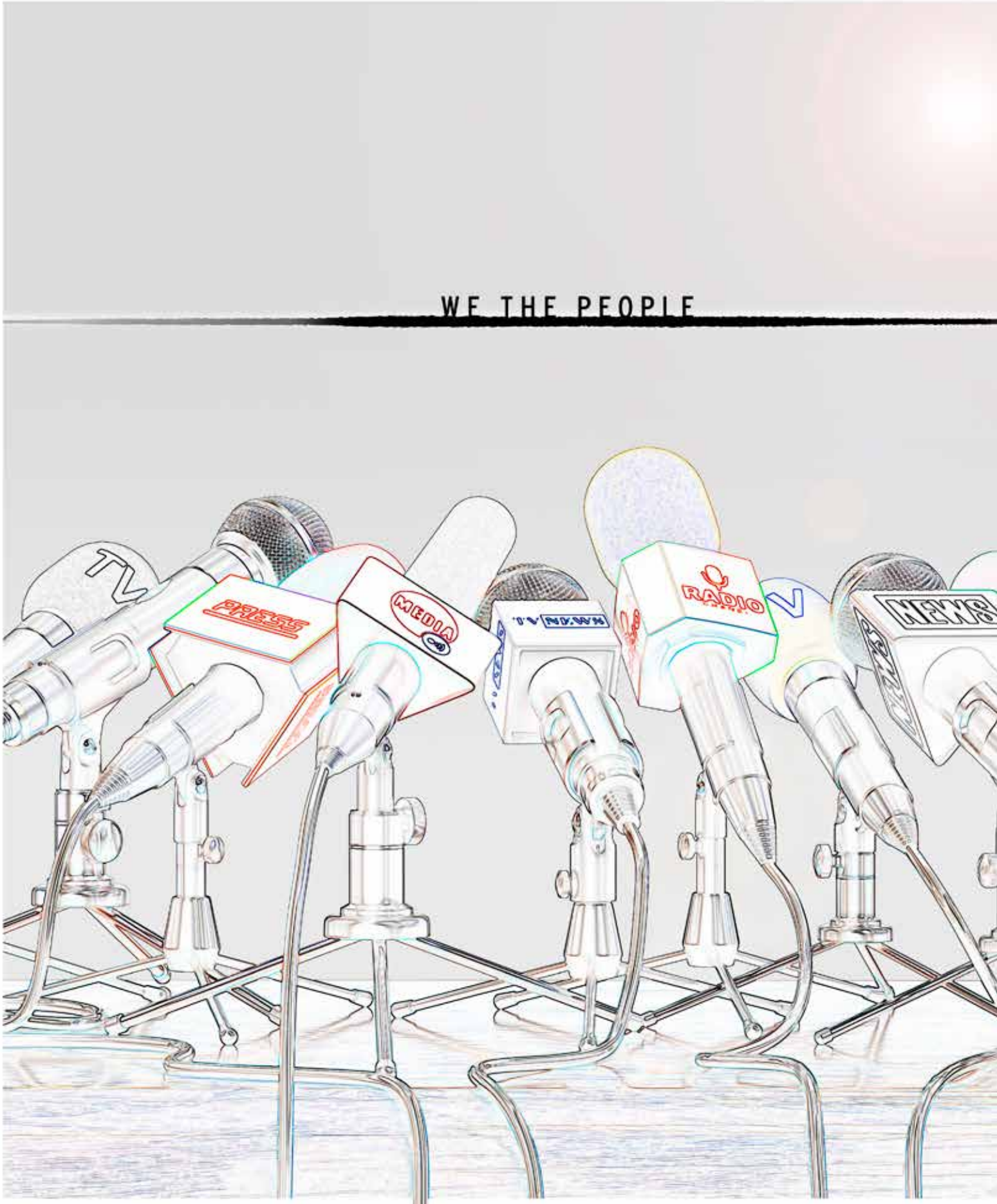
He himself spent the first years of his life in Almaty, 60 kilometers from the Indian border. As a country with 19 million inhabitants, Kazakhstan is somewhat more densely populated than North Rhine-Westphalia, but is seven times larger than the entire Federal Republic in terms of area: "larger than Western Europe," as the FAZ newspaper once wrote. A big country, rich in raw materials, a country he remembers well and with fondness. But when his parents spoke of "home," they never meant Kazakhstan, but always Germany. It was the country of longing. Nevertheless, Eddy holds the country of his birth in high esteem: "Particularly the hospitality." However, it's also true that he and his family were excluded due to their heritage. "We were abused because of that." Things weren't much better for him when he came here. He couldn't speak a word of German and immediately arrived in the fourth grade. He was saved by the fact that there was a stricter school regime in Kazakhstan. He was already familiar with the material.

He explains this all very frankly, very matter-of-factly. Openness is a very important criterion in a partnership, but also when investing. And perhaps it has even greater significance in technology partnerships – in an environment where normally only PowerPoint slides meet each other at first. In any case, the thing partners would like to create together is primarily an encounter amid great personal and professional changes.

ALL TOO HUMAN

You notice that, for all business partners, it's less about celebrating products and projects, plowing through and rejoicing in figures, than sounding out and bringing in these interpersonal relationships. The fact that the products work, that the projects run, is simply a matter of honor. And if something goes wrong, then these interpersonal relationships, the familiarity and the corporate culture are the requirements for runaway success. Corporate culture, to use the terminology, therefore has a very rational background. It's very efficient. For the company itself, for the partners, for the investors.

Continues on page 52 ➡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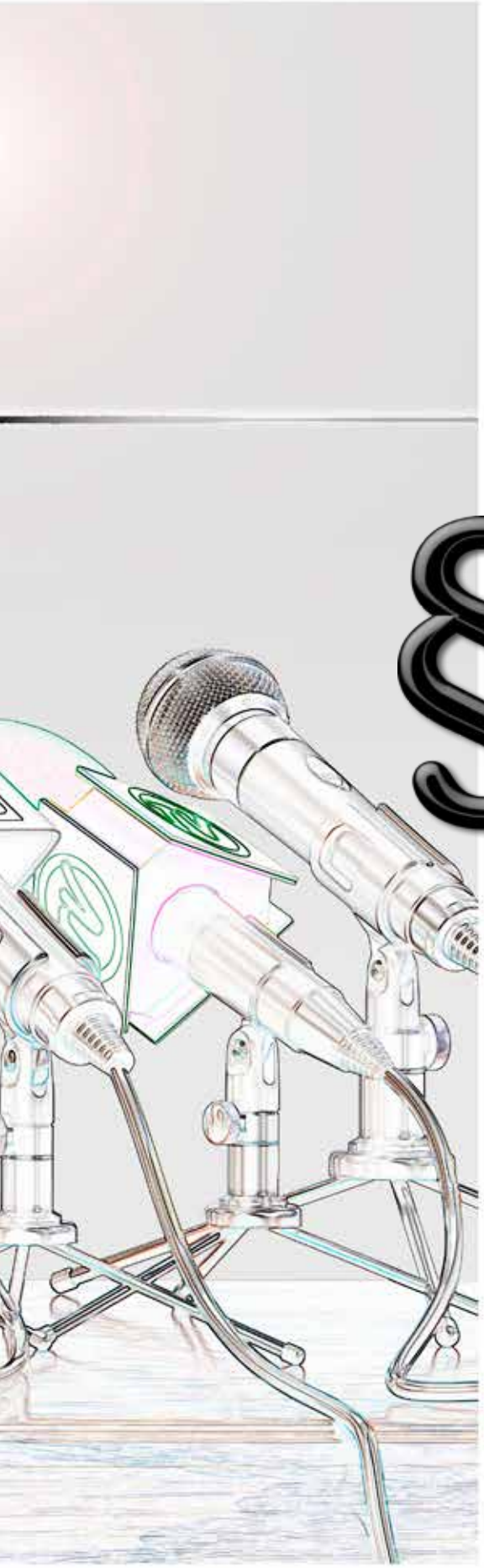


KNOWLEDGE IS MARKET. BECAUSE THAT ALONE IS ITS POWER.

§7

Nothing is so sure to cause companies to fail as missing, incorrect or forgotten knowledge. Therefore, it continuously has to be reviewed and compared in terms of competition with others. That's the market. And the market is us. As employees, as customers, as partners, as companies. As USU.

For example, Josef Scherrer calls himself a number cruncher. But if you listen to him carefully, you'll notice that he actually only looks to the figures for confirmation of what he's discovered about the target company's character from conversations with its management board and employees. However, how does that look for the analysts, those shrewd calculators and relentless number crunchers, those free spirits of the stock market?

Eschborn monument to an analyst or the man from structured sales?

A true analyst: Cosmin Filker

What does someone like Cosmin Filker think when he goes through USU Software AG's figures as an analyst at capital market consultant GBC in Augsburg? After all, corporate culture is far too soft a factor for one to be able to put a figure on such emotional frippery! And yet corporate culture penetrates everything a company does. It also influences every analysis on a subliminal level. According to Cosmin: "We all want to find that out – a company's character." Conversely, however, it's also important to find out about the guys who judge a company like USU Software AG.

"I don't hold any USU shares. That's just not compatible with my task," he says, almost with regret. Because he likes this company, its solidity, its dynamism. But we're not here in Augsburg to hear hymns of praise. (Well, actually we are – we don't interrupt them in any case.) We're just turning the tables at the moment. We want to know who's behind the analyses and recommendations that guide the investors in Germany.

And, once again, we've landed with someone "from a migrant background."

Cosmin is – as we mentioned – a Danube Swabian, although he'd rather say a "Transylvanian Saxon." He came to Landsberg am Lech from Romania at the age of 12. That was 1991. "I could speak a little German." His mother, a divorcee, had sent him to the German school. "But what I learned there in 12 months I'd have absorbed here in two months." He still understands Romanian, as he found out when he

visited his birthplace on vacation with his own family in 2016. His mother was very courageous when they left Romania without much ado in 1991, he says. They had nothing: no residence permits. No emigration papers. Nothing. But she managed it. Because she very evidently had one thing: an instinct for a good investment. Following the execution of the neo-Stalinist dictator Nicolae Ceausescu in 1989, which also brought the great turning point in Romania, she'd bought an apartment that not only practically financed itself due to inflation, but also yielded a high capital gain. The money now helped them through the initial problems, and Cosmin's mother also very quickly found a job as a commercial employee at the Landsberg town authority. Everything was good.

Cosmin, long since a father himself, remembers clearly: "Arriving here was a shock, a positive shock." Although he knew from his time in Romania what luxury and prosperity would await him here, he was still surprised. Relatives had told him what it would be like in Germany. And as they also gave them foreign currency, they could acquire western goods in the Intershops in the Eastern Bloc state. But then when he saw here that his friends' toy boxes were teeming with Matchbox cars, he was still overwhelmed. He went to general secondary school. He went to high school, completed an apprenticeship as a bank clerk at Hypovereinsbank, obtained his high school graduation certificate through the "second-chance" pathway and had just turned 19 when he asked himself if he wanted to fill out transfer forms for customers his whole life just because "they themselves were too lazy to do it."

He resigned and started a business administration degree. Because he had to earn money, he got a job in a call center at a car dealership asking customers if they were satisfied with the service. "You learn to put your shyness about telephoning to one side there." Good experience for a future analyst who wants to know what's behind the figures. His studies also included two internships. The first was with a pioneer in the field of structured sales. But that was too much for him. Betraying friends and family to a financial intermediary, so to speak. Not a good trick. That wasn't for him; it was impossible on a human level.

Then he found – right at the bottom of the list of companies offering an internship – a company that ultimately also became his employer: GBC in Augsburg. He dialed and mailed. And he was in – at a company where a management board member had finished his own business administration studies one year before.

Suddenly he was at the center of events in the capital markets – one of the many, of the large and small figures. But they were nothing compared to what happened in 2020.

Analysts: Aren't allowed to buy what they cover

Continues on page 56 ➡


Leibniz

SOFTWARE IS EVERYWHERE. ALL THE TIME.

We'll soon have been creating software for 50 years. Each and every day. That's why we call ourselves USU Software AG. Software is the soul of the business. Invisible and yet effective. Millions of lines whir through air and cables. They control the world we live in with invisible power. An immense responsibility. We take this on every day.

The laws

The predator

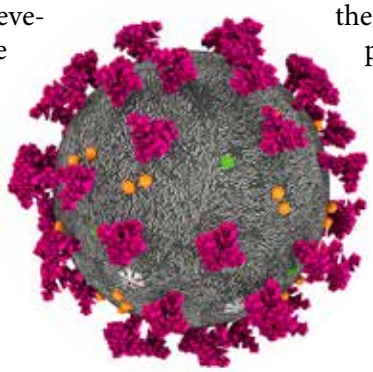
In the end, it's the figures and – by God – they're astronomical.

Indeed, they even explode that, taking big data to absurdity. Because, according to British business magazine The Economist in August 2020, the number of viruses on earth exceeds all the stars we'll ever be able to count in our universe. We can't capture these figures. Not even with the largest search machines. We can only estimate them. A number with 32 zeros. And yet it wouldn't be a problem to give every single virus on the Internet an address. Because there the supply of possible addresses is 340 sextillion. You can even add 36 more zeros. Each virus would be known personally on the Internet. Would that help?

SOFTWARE COMES TO POWER

We have software that answers billions and billions of search requests for us at sub-second intervals every day. We have software that's preparing to start a dialog with each of the four billion Internet users on a completely individual basis. We have software that ensures around two billion individually packaged and addressed parcel shipments in Germany alone find their way to their recipients. We have software for almost all processes in everyday life. Software is less a product and more a continuous process. In use around the clock on a daily basis. From Monday to Sunday. And USU Software AG is – as its name says – right at the center of this growth market that is radically changing our view of the world. It's no longer products, but processes, that are changing all our lives. Manuel Hölzle, founder of CBG, says: "We Germans are world champions in manufacturing perfect products; now we need the perfect processes." Strangely enough, it's coronavirus, of all things, that's giving us an understanding of this paradigm shift with brutal consequences.

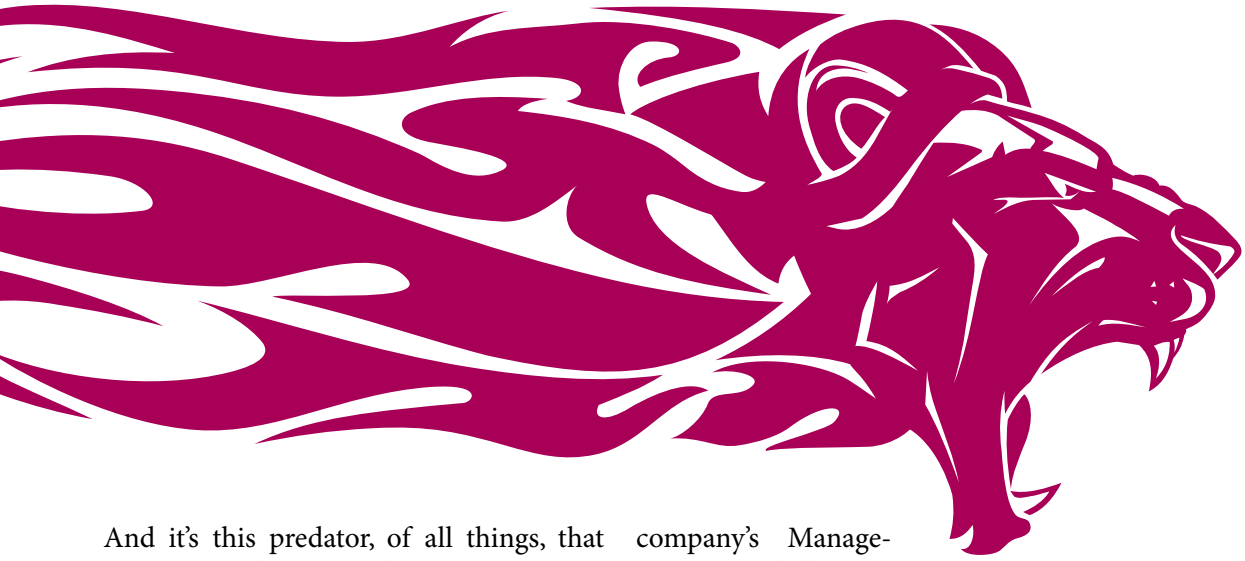
"The virus is a process, not a thing," says The Economist. Now that we have the product, the vaccine, the production and distribution processes are becoming the focal point. The key questions since the end of 2020 have been: Who'll get what and when? Because



Coronavirus Covid-19

we know one thing: A virus is deadly in extreme cases. "A few people I know caught it, very early, and some are still suffering from it now," explains Johannes Stoffels, copublisher of the 4Investors online portal. Coronavirus is bad. And yet it's currently changing our view of the world.

As mentioned, a virus isn't a living thing. Nevertheless, The Economist calls it a "predator," even the most deadly one in the world, according to the magazine.



And it's this predator, of all things, that wants to teach us something.

That takes our breath away. That's probably not the worst place to start in these coronavirus times of aerosol contamination.

This virus is something virtual in a double sense: It's in and around us – as a thought and as a process. It's something that has neither an objective nor a plan for itself, says The Economist. Yet it's attacking our existence in an unforeseen way. It's playing with us. We design counterstrategies based on data and hope that they're relevant. If the virus has no plan, then we're stabbing in the dark and hoping to learn faster than the virus can mutate.

What would we be without knowledge? Certainly not people who know very well that their ignorance is infinitely greater than their knowledge. We would, in the words of renowned evolutionary biologist Ernst Mayr (1904-2005), have no "respect for the unknown." We're confronted with that on a daily basis.

But that's exactly what makes our knowledge, every grain of it, so incredibly precious.

Without knowledge there'd be no USU Software AG. It's its business model. "Knowledge is our business and our customers' and partners' business," says Benjamin Strehl, a member of the company's Management Board. "More than that: Knowledge turns us all into partners." Ideally, he'd like to have said: partners with the whole world. But his Swabian upbringing prevents him. Knowledge teaches modesty in any case.

"Competition is the most ingenious instrument of disempowerment in history."

Franz Böhm (1895–1977), German economist and father of German antitrust law

Meanwhile, dealing with knowledge is the story that's shaped the company since 1999. It's about managing knowledge and therefore knowledge processes. At USU, it protrudes into all other areas of this software company with its by no means monothematic structure.

A showcase in the Corona year. What would we have done if eight billion masks had to be made with sewing machines 100 years ago? By hand. Today, software sews for us.

Benjamin Strehl wrote his doctoral thesis on the subject of innovation management ten years ago. He was primarily interested in one question: How can innovations for my customers emerge from my customers' knowledge? An exciting process. It's of key significance to USU and is also among the reasons for its reconfiguration as One USU. Because it's the topic that concerns all of its customers – particularly in relation to these customers' customers.

"Knowledge is market" – this was the company's slogan when it went public as USU AG on July 4, 2000. Knowledge is therefore more than power. Because power insists, while the market targets continuous change, transformation, innovation.

THE SHARE – ALWAYS ON THE LOOKOUT

Twenty years ago, at a time full of uncertainty on the stock markets, the software company took the leap to the big board, albeit only to that of the New Market. It didn't ask "What if..." or "What would happen if…," but itself placed something that isn't a thing so much as a process, never sleeps and can also rampage like a predator: the share – always on the move, constantly on the lookout, always ready to pounce, ultimately unpredictable. That's how all healthy markets function. It's a continuous exchange of knowledge, an information and knowledge process.

But what's a healthy market?

Seventy-five years ago, our country, occupied by Allies and destroyed by war, asked this question in the face of an unsolvable problem. It was the German Basic Law, our Constitution, that showed us the way out of the dilemma – through the social market economy. And two sentences from economist Franz Böhm (1895-1977) have never ceased to apply in this context. Back then, he wrote: "Anyone who avails themselves of private sector autonomy may not possess any power on the market." Period. USU's goal and aspiration was always to be self-sufficient.

The traditional SME philosophy is behind this. Manuel Hölzle, who observes SMEs' behavior time and again at his company's capital market conferences, says: "I experience how much mutual respect there is, and how much is really shared with others." That's precisely the autonomy Böhm, the professor of competition, meant. He'd also formulated the alternative to this: "Anyone who has market power has no claim to autonomy in the market economy," with the consequence that the government intervenes and regulates and, if necessary, takes over. Hölzle has a current example of this: His mother wanted to acquire Lufthansa shares for EUR 2.50 as part of the rescue package like the government did. She didn't get them, of course, nor did anyone – for a price that in fall 2020 was at best as high as 25 years ago – the time of the IPO in 1995.

Anyone who wants autonomy has to maintain their ground against the competition on their own. And that's exactly the challenge USU Software AG has always set itself over the 20 years of its history on the stock market. With its shares. It wanders between knowledge and lack of knowledge, constantly searching for support, for new investors. Like all growth stocks, it would actually like to gain investors who have stayed well clear of shares up to now. Indeed, that's how it all began on July 4, 2000.

WITH BODY AND SOUL

Gaining new players, both in terms of investors and stock market novices, was the strategic task of the New Market stock market segment. And the seed seemed to have taken. Created, as it was, for mid-sized growth companies, the New Market temporarily accounted for almost two thirds of the market capitalization in Europe in this segment. Suddenly, 24% of Germans held shares. The New Market was a powerful boulder, a rock in the New Economy, which wanted to make everything else appear old. Here, like everywhere around the world.

In 1999, US news magazine Newsweek quoted Edward Rosenbaum, an analyst at Reuters-owned financial advisor Lipper Inc., as saying: "We considered technology stocks part of the market, but now they are the market." That's how it was. Back then. It was primarily private investors, small shareholders, who had an unshakable faith in these stocks – and day after day they, the amateurs, outdid the pros, who had their doubts or just wanted to have a situation where they could start short selling.

Meanwhile, the start-ups burned through enormous amounts of money without delivering anything for it, as they were still credibly able to hold out the prospect of this. The burn rate was almost more important than the DAX or Dow Jones. At least for the pros. "There was a fair amount of greed in 2000. Greed combined with lack of knowledge," says journalist Markus Horntrich. Sometimes, fighting back against that, against lack of knowledge, is even almost life-threatening for journalists. If their readers don't like something, "We get threats, including death threats," reports Johannes Stoffels. And the general suspicion that "we're going short ourselves" (Stoffels) always does the rounds, that is relying on a negative report to set a price on a downward trend.

"Going short" are absolute curse words among the day traders who commentate on stock market events in various forums. It's a divisive issue: "It should be possible to precisely identify anyone who goes short," says Hölzle, "and they should state the objectives this relates to." He's trying to find a way to make short selling more tolerable.

However, it's unfair to accuse a journalist like Stoffels of having unethical intentions, because he'd never hold or trade in shares

Notice in the Frankfurter Allgemeine Zeitung of June 20, 2000 regarding USU AG's IPO

of a company he's in the process of writing about. Indeed, as far as possible he invests his money in funds managed by others so that "I can't ever be suspected of wanting to manipulate anything to any extent." His colleague does the same, perhaps to an even stricter degree: "He doesn't own any shares at all."

He works very hard to earn his good reputation. Especially among his readers, the small investors. Initially, as we transitioned into the third millennium, it did look for a long time as if no one could stop the small investors' game. It was almost small traders versus large hedge funds, like during the GameStop fight. Only back then the rivalry wasn't as well organized and was also less obvious and not as targeted as now. The small investors also had hardly any knowledge on their side. There was a lot of defiance, a lot of gambling at play.

At that time, if the analysts issued warnings, they bought even more. The most prominent voice here was that of Alan Greenspan, the legendary Chair of the US Federal Reserve: "But much as he railed

against 'irrational exuberance,' no one listened to him," wrote renowned geostrategist Edward N. Luttwak (born 1942) in April 2000. "Prices actually increased every time he warned they were already far too high." Incidentally, Greenspan wasn't alone with his warnings. But that didn't bother anyone. Even the Germans were infected with the share virus. Ever more people bought ever more shares. All reservations were pushed to the side. Until the bubble burst.

Mirko Maier was around then. He'd heard all the hype. In 1999, he'd helped a software company from the Black Forest to go public as an analyst at LBBW. And so it went on. Despite initial warning signs, the prices only knew one direction: upward, northward. The turn of the millennium came. Anxious seconds as the date, the millennium, skipped over into its new zeros. Everything went well. The IT worked. The stock market story continued.

The next candidates were waiting. There was Openshop from Ulm. Four months later came USU, "a major customer of the Ludwigburg district savings bank, Kreissparkasse Ludwigsburg," recalls Maier, who'd moved into the research business in 1998. "New Market valuations were certainly an exciting topic." In fact, they were actually unpredictable. While Openshop's issue price (March 2000) promptly doubled, USU's issue price came out of the starting blocks only hesitantly at its IPO in July 2000. Was that because the pricing had been better or because of stock market events themselves?

Probably both. But the damage had already been done, because in the meantime the event they called the New Economy crash had taken place. "Price losses on the New Market persist," read the headlines in the FAZ as early as mid-March 2000. "Global sellout of technology shares," read the headlines in daily newspaper Die Welt two weeks later. It spoke of a "dramatic fall in prices." On April 19, 2000, the FAZ quoted market observers as saying: "The nail-biting on the New Market continues."

As the year drew to a close, it simply became "Slaughter on the New Market." The New Market itself was to become the greatest victim.

Openshop and USU merged shortly afterwards – and have been establishing the foundation for One USU for almost 20 years. A well-to-do SME. Period. With great potential. Autonomous. Period.

Perhaps even a little boring? Very predictable?

"We know our number of shares. We started as USU AG with 5.7 million. Now it's 10.5 million. We also know what our shares were worth 20 years ago and what they're worth now. We could even work it out for each day – in the ups and downs of the prices and events," says CEO Bernhard Oberschmidt. "What we don't know is how much money we've moved with them in these two decades. In purchases and sales, in daily trading, in restructurings and conversions." Indeed, a listed company moves markets and markets move it.

Before the IPO in 2000: USU, a major customer of Kreissparkasse Ludwigsburg.

What Oberschmidt means by that is that the stock market is the factor that provides a company with new size and new power. It's not just the company's products and services that are represented on the market, but the company itself. With body and soul. Indeed, the company that now proudly calls itself USU Software AG has developed a resilience over the decades that has led it to grow and thrive, even in the midst of a pandemic. Twenty

years well spent. It should actually serve as an example of how it's worth investing in shares.

"We're a lost country as far as the capital market is concerned," sighs Markus Horntrich. The experiences of 20 years ago are too bitter. Markus doesn't like that at all: "It's ridiculous that in an industrial location like Germany only 10% or 12% of the population are shareholders. It's also made rather unattractive politically."

Maybe it's also the sometimes overly suave behavior that scares off so many German "honest men" – such as the trend for holding annual general meetings and analyst conferences in English. Mirko Maier is reminded of SAP founder Dietmar Hopp, who once refused to hold an analyst meeting in English out of regard for foreign attendees. "This is a German company; we speak German," is more or less what's he's said to have said. The result: "I had to translate everything for my English-speaking colleagues." That certainly takes courage. Today, SAP is the most valuable company in Germany.

But there are also success stories on a small scale.

CHAMPIONS OF DECENCY

That naturally also includes USU, as one of the survivors of the New Market. Hölzle: "The New Market was an invitation to spend money like it was going out of fashion. Those who thought long term like USU and used their money cautiously, went down a gear, survived – because their money lasted longer than the competition's." Indeed, USU held on, although it wasn't always easy. "This company has always been aware what its strengths are and where they come from," says Maier. "Even though the issue of knowledge management didn't come true in the way we thought back then, what's come out of it now, 20 years later, is nevertheless a great solution." He's still amazed by "this small Swabian company" today. It quite simply faces its market. According to Markus Horntrich, "This company is pleasantly cautious." It therefore doesn't correspond in any way to the image his friends have formed on the issue of shares: "Too speculative."

The cautious approach Markus associates with USU seems to rankle Mirko a little: "USU makes supercool software, but the outside world doesn't know it." He looks a little miffed at that, but only a little. You sense the teasing behind it. He wants to provoke a reaction. Finally he continues. He knows that this is exactly the company's style; that's how it's survived since 1977: through understatement. Markus joins in: "You sometimes get the impression that USU could grow more quickly through acquisitions, but is deliberately cautious." And then he grins to himself: "It's just that there are no companies on the market at Swabian prices at the moment."

For 25 years: Annual reports of the USU. In 2017, they got their own exhibition

Mirko naturally also appreciates the Swabian approach: "You proceed step by step. But as an analyst you're then quite jittery and demanding," he splutters out. Surprising, because he's a real Swabian. Although not born here, but grew up. He has a temper, which Swabians can certainly develop if you push the right buttons.

Mirko then demonstrates in himself what he looks for in each of the 30 listed companies he covers: "I expect a company never to lose its enthusiasm. It has to invest – in its products, in its employees. It has to pursue new ideas, even ones that can only be realized in two or three years' time." In short: It has to manage innovation.

Continues on page 64 ➡

SOFTWARE NEEDS SOFTWARE.

§9

Wherever USU Software AG offers its products and services, there's already software. Software is never alone. It's always combined with other software. That's how our world is made – and that of our customers and partners. Software always brings us together.

Josef Scherrer also sees it this way: "Management needs to have both ingenuity and commercial people – sales, marketing. I'd like to invest in business models that are more successful in five to ten years' time than now." He knows this only too well: "In a good company, time works for investors; in a bad one, it works against them." Very clever.

He obviously feels he's in very good hands with USU. But that's enough praise. That will do. Because there's another subject that has preoccupied our interviewees an awful lot – and not just them. All of us. It all goes to show how important it is that companies like USU Software AG exist; those hidden champions of decency.

THE DEVIL'S THUMB

The stock market game wouldn't work if there wasn't something infinitely bigger behind it – that's also often compared with a predator. Let's call it by its negatively connoted word. Let's call it capitalism! Or we can call it by the more noble term that's interwoven into general legislation. Let's call it the market! Perhaps the two terms are even counterparties. Capitalism wants what the market creates. Greed meets curiosity. Accumulation rather than creation. Put more elegantly: Capitalism wants the product, the market the process.

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This somehow brings to mind a legend that Johannes Stoffels tells us on a tour of his city: "When the people of Aachen were building their cathedral, they ran out of money. They needed an investor. And someone was willing to give them the money. It was the devil, but he imposed a condition: In return, the people of Aachen were to surrender the first soul who went through the portal at the inauguration of the church. The citizens agreed. When the time came, contrary to the devil's expectations the first living being they sent through the portal was a wolf rather than the cardinal. Inflamed with rage, the cheated devil left the cathedral, slamming the door so violently that the heavy wood split. It can still be seen today. He himself lost a thumb in the process. He'd slammed the door so fast that he couldn't pull his thumb out of the door handle in time."

Ouch.

A nice story. It must be true, because we touched the torn-off thumb on the handle ourselves. And the moral of this story? It's obvious! In the end, capitalism, so often seen as "the work of the devil" (Neue Zürcher Zeitung newspaper), leaves empty handed. But can we therefore simply surrender our companies to capitalist investors, especially those from abroad? Of course. Because we get them all back in good time – if necessary through the state, which secured itself 20% of Lufthansa AG, state-owned between 1953 and 1997, in the pandemic, for example.

Was he the first derivative? Instead of the cardinal, the devil only caught the soul of a wolf. Captured from the entrance area of Aachen Cathedral.

That's nonsense, of course. But we should just bear in mind that if the shares of over two thirds of 30 DAX companies were at

least 50% foreign-owned in 2019, then we must have very attractive companies. If we then also take our real strength, SMEs, into account, then there should actually be no stopping us. We need to become "capitalists" ourselves. The prospects weren't good for a long time. And that annoys someone like Markus. However, the situation seems to be improving recently. Low interest rates are driving us into speculation, into the market process.

What's stopping us, actually – apart from the experiences on the New Market? "It's pensions," says Markus. "In the US, they're clearly aligned with the capital market; here, we're focused on the state pension insurance system." That's also why, he says, companies' stock market values are considerably higher on Wall Street than in Germany, despite the fact that shares would outperform all other forms of investment over the long term.

Perhaps the Germans have been disappointed too often – and by the very companies that the state had its thumb on. Companies such as VW in the 1960s or Deutsche Telekom 30 years later. "Projekt Volksaktie," the people's share project, never really got off the ground.

In 2020, we then also experienced how the matter of "control" was in a bad way, too.

THE FEDERAL INSTITUTE

Gereon Kruse still vividly remembers the day he received mail from the German Federal Financial Supervisory Authority (BaFin). He was required to prove, so the curt notice stated, that the work he did was actually journalism and not that of an analyst. He knew that, were the latter the case, he'd fall under the supervision of the state. That was a very different business model to that of a journalist, which he'd become following his degree. At Börse Online, he'd established a career through all the movements on the market. Now he'd dared to take the big step into self-employment – into uncertainty. But he hadn't reckoned with a blow like this. He was scared to death. (You have to have experienced something like that yourself to be able to understand how frightening such a question regarding the legality of your own actions can be. Because that's what was behind this inquiry, after all. All the same, as a journalist you consider yourself directly protected by the Constitution.)

Gereon had sleepless nights. His livelihood, which he was building up painstakingly and with incredible persistence, was at stake. He was a journalist – through and through. He fought. One registered letter answered another. He was very anxious. BaFin ultimately released him. "It may have been a routine investigation for the authority, but my livelihood depended on it." That's why he insisted they also gave him his "acquittal" in writing. Indeed, he had to make a special request for this.

The devil's thumb can still be felt today at the Aachen Cathedral Gate.

On the other hand, you have to ask yourself: What kind of country are we living in actually if journalists who build up a database of companies from publicly accessible sources over many years suddenly have to justify themselves because of it – to a super-authority which then didn't cover itself in glory when put to the test itself.

"What Gereon has built for himself is incredible, of the highest quality. It's super well researched," says his colleague Johannes in praise. And then that! He remembers also receiving a letter from BaFin when starting his 4Investors online service. "We told the authority that we comply with the recommendations of the German Press Council. This states that we may not trade in the shares of any company we report on for two weeks before and two weeks after a publication." Period. End of story.

As stated. Johannes does practically nothing at all with shares himself. Gereon's the same. So is Markus. And that goes without saying for the analysts. Meanwhile, they're all bitterly disappointed with

BaFin. Rather than being supervised by the authority, as journalists they would have preferred to have been protected by it.

Because now the company that staged the biggest stock market scandal of 2020 is coming into play. "W." – as we've called it up to now. Written out in full: Wirecard. An absolute scandal, uncovered by journalists at the Financial Times, based in Brexitland.

"We always had contact with Wirecard," explains Johannes, and this contact wasn't always good. "We were berated and hassled by the company in some cases. We were supposed to put certain articles to one side." Although the Wirecard watchers had only read the headline and overlooked the date of publication. "We knew we had Wirecard's attention, in any case." That usually flatters the yellow press. But very different stories about the management's treatment of journalists were also doing the rounds. So Hölzle initially found it hard to believe when journalists said that they suddenly saw muscle-bound figures hanging around their neighborhoods if they made critical remarks. Would BaFin have helped there? It was clear that you preferably didn't want to report on the company at all. We heard a lot of nasty stories on our journey.

This picture of the "Ständige Vertretung in Berlin" seems almost unreal: the true "auditors" among themselves. Are the small shareholders coming back to the stock exchange? Without a mask, of course.

"Wirecard was an extremely clickable topic of course." Gereon had known about the appeal of this high-tech highflier for 15 years. But the stories about this company were – to put it mildly – too hot for him. They made him uneasy. "It was certainly made plain that you'd better keep your hands off this company," particularly as it was clear to him that he "couldn't pay a bunch of lawyers" to justify his reports. "The business simply didn't provide that." Where would BaFin have stood on this if it had taken him under its supervision? Would it have paid for his lawyers?

Hardly. "I always had a bad feeling about these shares," Markus recalls. And if he looked into what triggered this "bad feeling," he then had to expect to be "tackled ferociously by the readers." Then came the killer argument, too: "You're all short." And Markus naturally saw the price of the share rise and rise. "Then, at some point, you think your assumption is wrong."

Wirecard seemed to be the devil's fire card, straight from hell.

So we're astonished that the topic was viewed with great, great skepticism, at least in the specialist journalist scene. And the analysts?

"I never thought there could be a giant fraud behind a DAX company. I also hope nothing like that happens again," says Simon Bentlage, for whom a world fell apart that spring. He'd trusted BaFin, he'd trusted the auditors, he'd trusted the management board, he'd trusted the customers, who, after all, processed millions and millions through Wirecard. He'd done what had actually been the gem of Germany Inc.: shown mutual trust. Then this disappointment: "That was a hard lesson." Mirko Maier was also heavily impacted by this collapse – particularly the feeling that "some people hadn't done their job properly there. I'm very saddened that I was so deceived." Manuel Hölzle: "Everything looked good from a business model perspective; the technology was very highly acclaimed. But it's unlikely anyone would have thought a kind of snowball system could be running in the background." He too trusted the auditors. "They're the ones

who were equipped with all the authority to turn every stone within the company."

And then comes the respect for the British journalist who got the ball rolling, Dan McCrum. He'd been researching for five years. He was laughed out of town, ridiculed and sued. "Even Bafin has had him investigated" says Mirko, still shaking his head.

But Dan and his newspaper, the British Financial Times, persisted. "I take my hat off to them," says Simon. It was unimaginable for Mirko that there'd come a day when he'd "have to believe the press more than the auditors." But this disappointment doesn't only concern the controller scene. "We did think we'd have a second SAP in Germany with Wirecard." And Manuel adds: "For a time, there was talk of Wirecard taking over one of the major German banks. If it hadn't been for Dan McCrum and that had actually happened, we'd have a financial crisis now."

But we haven't. Our markets are working, albeit differently than planned. They're the greatest protective shield for the companies we should perhaps concentrate on the most – on the fact that "we have 300 really great companies in the German-speaking world," Johannes says. 300 companies whose business model isn't fraud. Everyone who's read this annual report seems to know one of them.

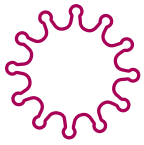
If you want to know more, ask Mirko and Manuel, Cosmin and Simon, Gereon, Johannes and Markus, for example. They study the whole market every day. At least 51% of their assessments are probably right. It would be enough to revive the German capital market – and perhaps also make it more steadfast.

Deutsche Börse had sales of around EUR 235 billion in its order book. Not in 2020, but 20 years ago. Now it's a mere EUR 60 billion. In the same period, the stock market capitalization rose by USD 1 billion to USD 2.2 billion. No one would object if the next billion came more quickly.

Your decision. You can be sure of one thing: USU's happy to help. With its shares.

Addendum: February 26, 2021. "Young people discover the stock market," reads the FAZ's headline of that date. The number of people in Germany who own shares had increased by 28% to 12.4 million. The increase is particularly rapid among 14 to 29-year-olds: up 67% to 1.4 million. The reason? The topic of shares was now far more prevalent on social media.

That doesn't just please Gereon, Mirko, Johannes, Markus, Manuel and Cosmin. That pleases everyone. Let's go. Let's catch the predator!



When will we be together again? Annual general meeting is on 06 July 2021

COMPLETE TRUST. TO US. OUR PARTNERS. OUR SHAREHOLDERS.

Whether it's our own employees or those of our customers and partners, whether it's analysts or shareholders – no community can work without complete trust, especially not in USU Soft-ware AG's ecosystem. We are who we are. With complete trust.

LANDKREIS
LUDWIGSBURG

CORONAVIRUS BOT PROVIDES GUIDANCE

The Ludwigsburg District is the heart of the old Württemberg region. More than half a million people live in 39 communities, which include six large county towns. As part of the measures to combat the coronavirus pandemic, the persons in charge of the district decided to offer citizens a smart online aid in addition to conventional over-the-phone services. It was to deliver reliable answers to all important individual questions on regional coronavirus regulations in Baden-Württemberg and Ludwigsburg District – anytime, anywhere.

The offer for that came from the software house USU based in Möglingen. USU had developed its chatbot technology further at the initiative of employees. The objective was to quickly deliver a dialog system that offered concrete, practical assistance in all questions relating to Covid-19.

Ludwigsburg District launched the coronavirus bot service in April, placing it at a prominent location on its homepage. There was a huge – and positive – response. To this day, the new self-service channel continues to reduce the workload on the district's service hotline significantly.

Whether about emergency care for children, masks, test labs if people are symptomatic or questions about the current situation as regards schools – the system even understands "fuzzy" questions and quickly supplies the right answers thanks to intelligent dialog management.

The bot is simple to use and maintaining the contents takes just a few minutes a day. And it keeps on learning all the time, which means it is always up-to-date. Around 12,000 inquiries were submitted to Ludwigsburg's coronavirus bot within a few months – and the lion's share of them was answered conclusively by the system. The application currently stores approximately 200 questions and answers, which are reviewed every day in a matter of minutes and updated or supplemented if necessary.

"Our objective with the USU chatbot is to improve our service for citizens in our district, yet also reduce the load on the coronavirus citizens' hotline. Digital tools offer a great opportunity for public administration – one we have to keep on leveraging afterwards, in particular to reach the younger target group."

Dietmar Allgaier,
Head of Ludwigsburg District Authority

ROADSIDE ASSISTANCE AT THE TOUCH OF A BUTTON

Customer services for technical faults are a core component in the sophisticated service concept the Volkswagen Group has systematically built and expanded over the years. In the event of an emergency, customers expect qualified and quick help from a single source so that they can stay mobile in the event of an accident or breakdown. It is important for the "human" service chain – from the contact person in the control center to the specialist Volkswagen mechanics – to function smoothly. In many cases, self-help tips from the experts mean drivers in need can continue their journey.

Key components of a complete mobility service are an intelligent solution database and an extensive, efficient diagnostics tool. The latter automatically sends the required vehicle data to the solution database, and the process of pinpointing and rectifying the problem is optimized. A further requirement for quick assistance is close integration with Salesforce's CRM system. All that is enabled by the technologies from USU and the jointly developed comprehensive concept in the background.

Whether drivers' gas tank is empty, they have a flat tire or their battery is dead – in the case of a breakdown or even an accident, direct communication via the online breakdown service or by mobile phone means quick help is at hand around the clock. From self-help, interactive remote diagnostics and troubleshooting, callout of mobile service technicians, towing services or repairs in certified workshops – Volkswagen's mobility services coordinate assistance and deliver the right solutions thanks to the systems used. More than 3,000 documented fault trees map all conceivable scenarios for supporting the global roadside assistance service which – with its quality-assured, tailored solutions – helps enhance Volkswagen's image and customer loyalty.

"It's not just an obligation, but part of our DNA to assist customers quickly, efficiently and individually when they have a breakdown. Together with our long-standing technology partner USU, we have succeeded in implementing a holistic knowledge-based system that meets the very highest standards."

Daniel Beck,
Audi AG

ON-THE-ROAD SERVICE FROM THE HOME OFFICE

The E-470 Public Highway Authority is responsible for the E-470, a nonstop, cashless, all-electronic toll highway that traverses the Denver Metropolitan Area in Colorado in the USA.

The E-470 Public Highway Authority is in charge of operating and maintaining it. 150 Service Center employees are on hand to help customers and partners in word and deed on all matters relating to the toll highway. Up to now, the E-470 customer service staff have used diverse heterogeneous systems and sources to document and file knowledge. These existing systems were not integrated and could therefore not be organized in a clear workflow or tailored to specific business requirements. There was great potential for error, and the knowledge was not always up-to-date and quick and easy to find. A constantly high volume of calls exacerbated the situation even further.

As a consequence, rigorous digitization of customer service became a vital factor in ensuring continued business success. On behalf of the authority, an internationally acknowledged service company that also operates the E-470 Service Center evaluated the market together with the consulting partner WSP.

The solution had to centralize all existing support data and map various formats and use cases – digitally. Key requirements for the new knowledge management tool were provision of consistent knowledge across all communications channels and use of the platform for e-learning.

The persons in charge put their trust in the expertise and technology of USU. The cloud-based system from USU was configured, tailored and provided within two weeks and since the spring of 2020 has been the central knowledge instance, helping staff to respond to all customer inquiries by supplying quality-assured answers that are up-to-date at all times. In particular during the Covid-19 crisis, that means the service agents working from home are provided with effective support.

"Knowledge Center is the hub for our service agents. I can't imagine ever going back."

Susan Ermisch,
Director of Customer Service at,
WSP USA for E-470.

TÜRK TELEKOM MANAGES SOFTWARE LICENSES USING ASPERA TECHNOLOGY AND EXPERTISE

Türk Telekom, Turkey's leading information and communication technologies company with 180 years of history in Turkey. The company serves 49.5 million customers, and offers mobile, internet, fixed voice and TV products, home entertainment and digital services under the single "Türk Telekom" brand.

Over the years, the company has transitioned into a more customer-centric, integrated service provider, relying heavily on digital processes and state-of-the-art technologies; managing group-wide software license use (Software Asset Management/ SAM) is part of this focus.

A merger of three separate companies (fixed network, mobile communications and broadband), pushed the importance of SAM to the forefront. Türk Telekom faced the challenge of unifying its diverse and heterogeneously distributed software assets in a cost-transparent manner using license management methodology and infrastructure. After a comprehensive market evaluation, Türk Telekom selected Aspera SAM solutions and expertise to meet its license management goals.

The project was designed for more than 20,000 clients and approximately 12,000 servers. Over 1,600 software license items from approximately 140 manufacturers had to be inventoried and cataloged to determine the contractual and actual usage in order to ensure optimal cost-efficiency of the software. SmartCollect, a discovery technology from Aspera's partner Raynet, was also used to accurately collect software data.

Prior to the SAM implementation, complex license data had only been managed using Excel spreadsheets. Therefore, the initial project goal was to develop a successful SAM program for Türk Telecom's five major vendors: SAP, Microsoft, Micro Focus, IBM and Oracle. Once the results were achieved, the software inventories of other providers were successively optimized.

Within a single year, Türk Telekom saved nearly 3 times the cost of the Project using Aspera's SAM solutions, strongly justifying the value of professional license management. In the fall of 2020, Türk Telekom received the international SAMS Europe Award for outstanding SAM project.

"The overall solution offered by Aspera and Raynet was the most valuable because it met our high technical requirements. The team impressed us with its detailed expertise in license processing."

Alaattin Çetin,
Technology Governance Group Manager,
Türk Telekom

NetCologne

TOTAL TRANSPARENCY AND MONITORING

NetCologne is a regional telecommunications service provider, cable network operator and Internet service provider that has its own telecommunications network in the Rhineland metropolitan region. The company currently has around 420,000 landline connections (phone and Internet), 200,000 broadband connections, and 14,000 mobile network and 250,000 TV customers.

NetCologne wanted to ensure complete monitoring of its complex technical infrastructure with its 600 servers and more than 12,000 network elements, as well as related services, and therefore evaluated the market for professional monitoring solutions. After an extensive selection procedure, the persons in charge decided in favor of a holistic, modular solution approach comprising cross-system controlling of business services and service levels and the issue of alarm management. As part of that, a central system was to act as "data collector," aggregating all relevant information so as to offer a central overview. USU Solutions was able to come out on top in the selection procedure thanks to its system's range of features and integratability, as well as the company's expertise. Further criteria were the qualified support it provides from Germany and the option of integrating customized product extensions in the platform. Issues such as anomaly detection, service level monitoring and reporting were also key factors in the decision.

Following successful accomplishment of the project, USU IT Monitoring now supports technicians at NetCologne's specialist departments. A state-of-the-art, multi-client self-service portal ensures end-to-end visualization of the availability of mission-critical IT and business services, as well as compliance with service levels. Integrated alarm management means the responsible service technicians are notified by push messages sent by app, SMS or other channels so that quick and targeted troubleshooting is guaranteed in an emergency.

"The modular monitoring platform from USU impressed us across the board. We can deliver service quality to our customers with the support of end-to-end, central monitoring."

Klaus Peitscher
Project Coordinator/System Manager, NetCologne

ADVISORY BOARD

The sustained business success and future viability of growth companies such as USU Software AG and its subsidiaries are based, in particular, on positive and trusting cooperation with its customers and interested parties. Within the context of a long-term business relationship based on cooperation, this means offering customers a high level of service and demonstrable added value.

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

The basis of all endeavors is rigorous customer orientation, something which the USU Group has been pursuing as the overarching principle of business strategy for over 43 years. In this respect USU Software AG receives comprehensive support from its Advisory Board. The Advisory Board is constituted from business figures with in-depth experience and expertise in the area of information technology. A large number of the Advisory Board members are direct customers of USU Software AG and its Group subsidiaries.

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

The list of members of the USU Group Advisory Board when the 2020 Annual Report went to press was as follows:

Andreas Dümmler
IS Manager, Arburg GmbH & Co. KG

Frank Karsten
Chairman of the Management Board,
Stuttgarter Versicherungsgruppe

Joachim Langmack
Management consultant

Stefan Leser
CEO Langham Hospitality Group

Uwe Neumeier
Chief Digital Officer,
TP Group Service GmbH

Heike Niederau-Buck
Chief Information Officer,
Voith Digital Solutions GmbH

Dr. Hans-Joachim Popp
Principal, BwConsulting

Dr. Dieter Pütz
Head of Division,
Connected Services, Fiducia & GAD IT AG

Werner Schmidt
Management consultant

Ralf Stankat
Member of the Management Board IT/Operations,
Basler Versicherungen

Daniel Thomas
Member of the Management Board,
HUK-Coburg

Marcus Loskant
Member of the Management Board IT,
LVM-Versicherung

The Management Board would like to thank all of the members of the USU Advisory Board for their dedicated support, their advice and their detailed suggestions for the further successful development of the USU Group and looks forward to continuing this trust-based partnership in the current 2021 fiscal year.

Report of the Supervisory Board of USU Software AG

Dear shareholders,

The year 2020 was largely dominated by the coronavirus and the associated COVID-19 pandemic. During the 2020 fiscal year, the Management Board and Supervisory Board of USU Software AG therefore dealt with its effects on the USU Group in detail. Thanks to USU's focus on digitalization solutions that allow our customer to make huge savings and thus make them more efficient, the negative impact on USU was comparatively minor. With sales growth of more than 12% year on year, and an increase in adjusted EBIT of over 48%, USU Software AG was extremely successful in fiscal year 2020 in the Group as a whole, taking account of the conditions, and even achieved or surpassed the originally planned figures. As a standalone company, USU Software AG increased its profits by 21.4% to EUR 7.4 million. Accordingly, the company's shareholders are to share in this positive business development again in line with USU Software AG's dividend policy, although we still need to act cautiously in view of the continuing pandemic. The Supervisory Board thus concurs with the Management Board's proposal on the appropriation of net profit for the 2020 fiscal year which involves a dividend at the prior-year level for the 2020 fiscal year in order to ensure dividend continuity. The Management Board and Supervisory Board of USU Software AG will therefore propose an unchanged dividend distribution of EUR 0.40 per share to the Annual General Meeting of the Company on July 6, 2020. I would also like to mention at this point already that in view of the continuing COVID-19 pandemic we are planning to hold this year's Annual General Meeting virtually, as in the previous year. Although the atmosphere is completely different from a physical Annual General Meeting, we really have no other choice as things currently stand. You can see from the two pictures below of our Annual General Meetings in 2019 and 2020 how different the atmosphere is at a virtual Annual General Meeting as compared to a physical event.

Annual General Meeting 2019

Annual General Meeting 2020

Performance of Supervisory Board duties

In the 2020 fiscal year, the Supervisory Board performed all the tasks and duties prescribed by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code with great care and including comprehensively monitoring and advising the Management Board in its activities. The Management Board regularly, promptly and comprehensively informed the Supervisory Board of the development and position of USU Software AG and the USU Group, corporate strategy and planning, any deviations of business performance from the original planning, risk management and compliance as well as key business transactions. The Supervisory Board itself monitored the business development of USU Software AG and the Group on an ongoing basis. The Supervisory Board maintained close contact with the Management Board in the 2020 fiscal year and was directly involved in decisions of major importance to the Company at an early stage. Also outside the Supervisory Board meetings the Chairman of the Supervisory Board maintained regular contact with the Chairman of the Management Board. The Supervisory Board was comprehensively informed in advance of, and carefully examined and unanimously approved, all legal transactions requiring approval as well as transactions of significant importance to the profitability and liquidity of the Company.

Composition of the Management Board and Supervisory Board

There were no changes in the composition of the Management Board in the 2020 fiscal year. Likewise, no

changes took place in the composition of the Supervisory Board of USU Software AG in the 2020 fiscal year. Since the Supervisory Board comprises three members, no committees were set up in the 2020 fiscal year, as in the previous year. Independently of this, the Supervisory Board of the company jointly assumes the tasks of these committees.

Meetings of the Supervisory Board and main points of discussion

Six ordinary Supervisory Board meetings were held in the 2020 fiscal year, two of which were held as video conferences due to the coronavirus. All members of the Supervisory Board were present at the Supervisory Board meetings, meaning that the average participation rate of Supervisory Board members in the meetings was 100%.

The reports and discussions at the meetings of the Supervisory Board, which were regularly attended by the Management Board and the divisional managers of the subsidiaries as necessary, focused on the business development, the net assets, financial position, results of operations and the strategic planning of USU Software AG and the Group. The Supervisory Board received information on an ongoing basis on the current status of business at USU Software AG and its subsidiaries, the Group's foreign investments and activities and their progress, and on potential acquisition targets. The Management Board of the Company reported to the Supervisory Board meetings on sales, earnings, investment and profitability, including deviations from planning, and the liquidity development of the Company and the Group. The Supervisory Board, together with the Management Board, also discussed risk management for USU Software AG and the Group as a whole, and defined in detail the existing risks and planned strategies and measures to control and manage risk, which in 2020 particularly included the COVID-19 pandemic and related topics such as working from home. The Management Board also addressed the medium-term corporate planning for USU Software AG and the Group and presented the key elements of its financial, investment and human resources planning. Other key topics of discussion in the year under review were the "One USU" strategic project and the development of the company's share price during the coronavirus pandemic, including the largely virtual investors relations activities of the Management Board.

At the accounts meeting of the Supervisory Board on March 19, 2020, which was held as a video conference, 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 2019 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 0.40 per share. Another topic addressed at this Supervisory Board meeting was the status report of the Management Board including the projection for 2020, taking account of the COVID-19 pandemic, the associated effects of the pandemic on the business development, and the measures required in this regard.

The Supervisory Board meeting on April 1, 2020, which was also held as a video conference and was also attended by the Management Board of USU Software AG, covered the Management Board's status report on the current business development of USU Software AG and its subsidiaries and in particular the "ONE USU" strategic project. In addition, the preparation for and the discussion of the agenda for the Annual General Meeting to be held on June 26, 2020 was discussed and then adopted unanimously in the meeting. In this context, the participants also discussed and finally resolved on holding the Annual General Meeting as a virtual event without the shareholders being physically present so as to protect the shareholders in view of the COVID-19 pandemic. The Management Board also pointed out the need to hold the central customer event USU World in a virtual format due to COVID-19.

The two-day Supervisory Board meeting on May 13 and 14, 2020, in which the USU AG Management Board and the managing directors of the subsidiaries participated, dealt with the status reports on the current business development of USU Software AG and its subsidiaries, taking account of COVID-19, and in particular with the "One USU" strategy including the new branding and accordingly the future Group strategy. In addition, strategic initiatives of the subsidiaries/divisions along with the associated investment plans were presented and discussed, such as the targeted expansion of the chatbots, the development of a cloud management solution, and USU's regional expansion to Japan, which were approved by the Supervisory Board following extensive discussion with the management. The detailed planning for the upcoming virtual Annual General Meeting was also discussed.

The Supervisory Board meeting on June 25, 2020, the day before the Annual General Meeting, addressed the Management Board's report on the current course of business of USU Software AG and the Group as a whole and its planning for the subsequent quarters and the full fiscal year, as well as the effects of and necessary measures in connection with the COVID-19 pandemic. The Management Board and Supervisory Board also discussed details of the preparations for the upcoming Annual General Meeting.

In the context of the Management Board's report on the current course of business of USU Software AG and the Group as a whole and its planning for the subsequent quarters and the full 2020 fiscal year, other topics of the Supervisory Board meeting on September 23, 2020 included the progress of the "One USU" strategic project. The Management Board and Supervisory Board also discussed D&O insurance and resolved on the necessary deductible that the executive body members can cover for this insurance at their own expense.

The reports on current business development and the projections for the full 2020 fiscal year were key topics at the Supervisory Board meeting on December 16, 2020, which was also attended by the Management Board of USU Software AG as well as the managing directors of the subsidiaries and members of the Executive Board. This Supervisory Board meeting also dealt with the implementation of the provisions of the German Corporate Governance Code, including the adoption of the corresponding declaration of conformity. In this context, the Supervisory Board established that the share of women on the Management Board is currently zero and that no changes are planned until at least December 31, 2023 based on the current Management Board contracts. At its meeting on December 16, 2020, the Supervisory Board therefore set a target of 25% for the share of women on the Management Board in the event of an expansion of the Management Board to more than three members and a target of 33% for the share of women on the Supervisory Board, 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 also believes that at least two of its three members should be independent shareholder representatives. This target is achieved with the independent members Erwin Staudt and Gabriele Walker-Rudolf. In addition, the procedure for long-term succession planning for the Executive Board was discussed with the Executive Board to the effect that discussions on an extension will be held with the Executive Board members in good time, at least one year before the end of the terms of their contracts. Furthermore, the Supervisory Board conducted an efficiency audit on the basis of an extensive questionnaire at its meeting on December 16, 2020, which was concluded with a positive outcome. In this context, the Management Board and Supervisory Board emphasized that the Supervisory Board members show strong commitment to further training. For example, the Supervisory Board members successfully completed security training and planned to take part in an online training course on the rights and responsibilities of the Supervisory Board that was proposed and organized by the Management Board. Finally, the Supervisory Board meeting on December 16, 2020 discussed planning for the 2021 fiscal year. The Supervisory Board discussed these plans in detail with the Management Board and the managing directors of the subsidiaries, and unanimously approved the planning for the 2021 fiscal year. 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 16, 2020, the Supervisory Board discussed in detail with the Management Board the points contained in the German Corporate Governance Code in the current version of December 16, 2019. The Management Board and Supervisory Board of USU Software AG issued the relevant declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Company's website. This declaration of conformity is included in the combined management report in this annual report as part of the statement on corporate management of USU Software AG in accordance with section 289a of the German Commercial Code (HGB) under VIII. 1 Declaration of conformity with the German Corporate Governance Code. The Supervisory Board also refers to the Compensation report in this annual report, which sets out the individual compensation of the members of

the Management Board and the Supervisory Board for the 2020 fiscal year.

Audit of the single-entity and consolidated financial statements

Based on a resolution by the Annual General Meeting on June 26, 2020, 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 2020 fiscal year.

The subject of the audit was the accounting, the 2020 financial statements prepared in accordance with HGB, the 2020 consolidated financial statements prepared under section 315a 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 315a (1) HGB as well as the accompanying combined management report for the 2020 fiscal year. The Supervisory Board also examined the non-financial Group declaration by USU Software AG, which was published on the Company's website on March 25, 2021.

The financial statements of USU Software AG, the consolidated financial statements and the combined management report for the 2020 fiscal year were each issued with an unqualified audit opinion. The Supervisory Board was presented with the aforementioned year-end closing documents, including the Management Board's proposal on the appropriation of net profit and the non-financial Group declaration and the auditor's reports, for examination in a timely manner. The auditors reported on the key findings of their audit at the accounts meeting on March 19, 2021. 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 2020 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, 2020 in the amount of EUR 11,293 thousand will be appropriated as follows:

- to pay a dividend of EUR 0.40 per share for 10,523,770 shares, amounting to a total of EUR 4,209 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 7,084 thousand to new account.

The Supervisory Board also addressed the mandatory disclosures in accordance with sections 289 (3) and (4) and 315 (4) HGB and the corresponding reports. Further information can be found in the disclosures and explanations in the combined management report for the 2020 fiscal year under V. Accounting-related internal control and risk management system and under IX. Non-financial Group declaration (unaudited). The Supervisory Board has examined the reports and the disclosures and explanations contained therein and is satisfied that these are complete and correct in terms of their content. Accordingly, the Supervisory Board has adopted the reports. The Supervisory Board therefore agrees with and raises no objections to the non-financial declaration and the disclosures on the accounting-related internal control.

In addition, the Management Board of USU Software AG, as the parent company of the USU Group, compiled its report on related parties in accordance with section 312 AktG for the fiscal year from January 1, 2020 to December 31, 2020 (hereinafter referred to as the report on related parties), in which it made the following closing statement:

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

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

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

1. the factual statements made in the report are correct, and
2. the companies' compensation with respect to the transactions listed in the report was not inappropriately high."

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

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

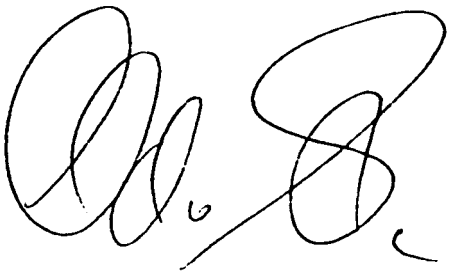
Concluding remarks and thanks

It is particularly in times of crisis that the quality of the management, the workforce, and especially the corporate culture becomes clear. The fact that USU Software AG and its subsidiaries managed to increase their sales and earnings in the year of the COVID-19 pandemic thus speaks for the entire USU Group. On behalf of the Supervisory Board, I would therefore like to express my sincere thanks to all employees of the USU Group for their exceptional commitment to our USU Group, which has now been around for 43 years. I would also like to thank the entire management of the subsidiaries for their loyal and professional work for the benefit of USU. In particular, I would like to thank the Management Board team at USU Software AG for their tireless work and extremely positive, trusting, and successful cooperation.

Thank you!

Möglingen, March 19, 2021

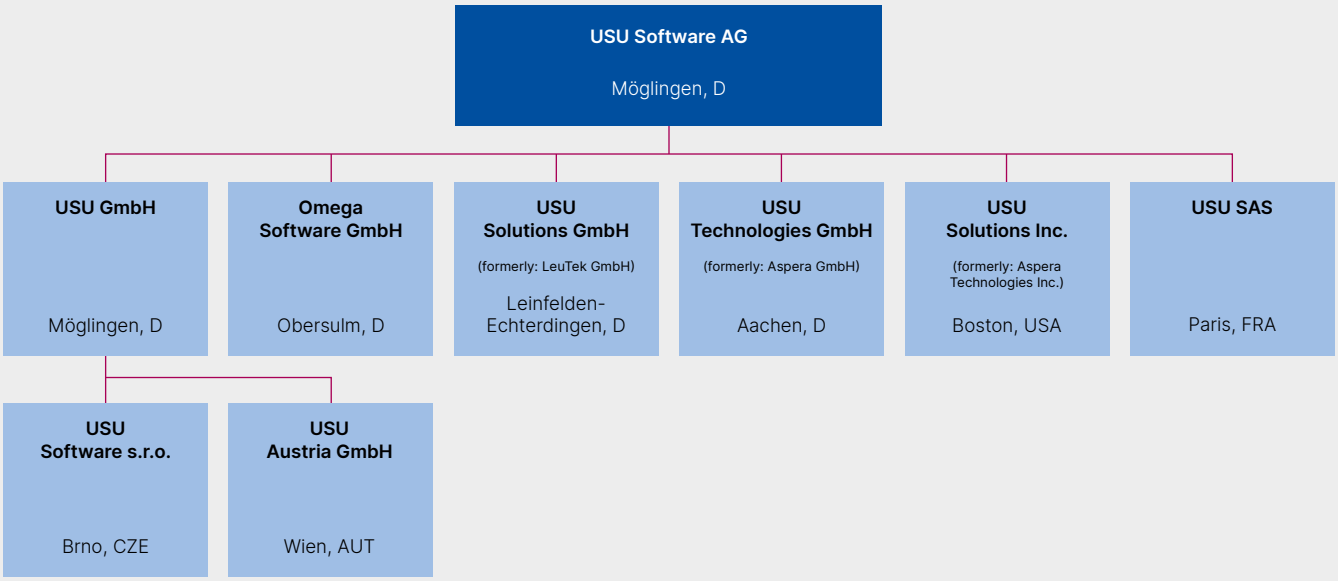
For the Supervisory Board



Udo Strehl
Chairman of the Supervisory Board of USU Software AG

Management Report on the Company and the Group

The 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, directly or indirectly participated in the following operational companies in fiscal 2020: Aspera GmbH, Aachen, Germany; Aspera Technologies Inc., Boston, USA; LeuTek GmbH, Leinfelden-Echterdingen, Germany; Omega Software GmbH, Obersulm, Germany; USU GmbH, Möglingen, Germany; USU Austria GmbH, Vienna, Austria; USU SAS, Paris, France; USU Software s.r.o., Brno, Czech Republic. In addition, USU Software AG had a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.

As part of the "One USU" strategic project launched in the year under review, which was about bundling the technologies, decades of experience, and Group-wide expertise from more than 10,000 customer projects under one brand name "USU", the companies were renamed at the beginning of 2021. All independent divisions (Katana, unymira, Valuemation) and subsidiaries (Aspera, LeuTek) have been operating exclusively with the brand name USU since 2021. As a result of this new brand presence, Aspera GmbH is now trading as USU Technologies GmbH, the US company Aspera Technologies Inc. as USU Solutions Inc., and LeuTek GmbH as USU Solutions GmbH. USU GmbH remains unchanged as a legal entity and breaks down into the divisions USU Service Management (previously Valuemation), USU Digital Services & Solutions and USU Knowledge Management (previously unymira) and USU AI Services (previously KATANA). The Group company USU Software AG, the French subsidiary USU SAS, and the development company USU Software s.r.o. also remain unchanged.

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

As part of the "One USU" strategic project, the Group strategy was also honed:

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

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

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

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

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

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

For fiscal 2021, the Management Board is anticipating slight growth in sales along with an increase in adjusted EBIT and the margin. Although it is clear in the first quarter of 2021 that the coronavirus crisis is not over yet, which is why the Management Board is generally expecting reluctance to invest on the part of companies in the first half of 2021, the Management Board nonetheless anticipates slight growth in sales for fiscal 2021 as a whole, along with an increase in adjusted EBIT to at least EUR 9 million to EUR 10 million. After a highly successful 2020, the Management Board is also confirming the current medium-term planning, which includes average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the operating margin on adjusted EBIT to between 13% and 15% by 2024.

I. 2 Research and development

New, innovative technologies and their implementation to create more value at companies are key factors for the USU Group's growth. A wide range of research and development (R&D) activities demonstrate the innovation capacity of the company, which was awarded the Deutschlandtest seal of quality for "Germany's most innovative companies" in June 2020, for example. In addition to a dedicated research department, the development company in Czechia, and various R&D teams for the software products, another important pillar here is intensive collaboration with customers and partners such as universities and institutes in various projects.

For years, the company has been making above-average investments in research and development. In fiscal 2020, it invested a total of EUR 15,427 thousand (2019: EUR 15,801 thousand) or 14.4% (2019: 16.5%) of consolidated sales. The number of employees in this area was 201 as of December 31, 2020 (December 31, 2019: 200). The USU Group does not capitalize its R&D expenses.

In the USU Service Management division, the new version of the IT and enterprise service management software of the same name was completed. Major new developments include intelligent AI-based ticket handling, usage-based billing of service costs, and improved accessibility. In addihtion to revising the architecture, work began on the development of three new modules in the field of technical functionality: the Requirements Manager, the Project Portfolio Manager, and the Time Booking Manager. The current version of Valuemation was awarded the ITIL 4 certificate for maximum process reliability in IT and enterprise service management by the independent management consulting company SERVIEW GmbH.

Central overview of ticket management incidents

R&D activities at the subsidiary USU Solutions GmbH are focusing on continuous improvement of the USU ZIS-System software for business service monitoring. The current version includes enhancements to cloud monitoring and to encryption. Other work involved improvements to reporting, end-to-end integration, and operation of the system using Linux. At the same time, the development of the new service level monitoring module, to be delivered in the first quarter of 2021, was continued. In addition, the ZIS software received the sought-after ITIL 4 certificate from SERVIEW for the five relevant monitoring disciplines.

Dashboard for capacity management

In the context of further development for the area of software license management, the R&D team at the subsidiary USU Technologies GmbH particularly worked on enhancing functions for the USU License Management software (SmartTrack) and special applications of major manufacturers such as SAP and Oracle.

Alongside improved user interface ergonomics and a number of functional improvements, the main focus of development work was on optimizing cloud license management, for example by means of new interfaces with cloud platforms. In addition to the important SAP NetWeaver certificate, the license management solution for SAP was awarded the coveted SAP License Management certification by the leading international industry community ITAM Review. The customer proximity and practical focus of USU Technologies GmbH's products is also reflected in its designation as "Customers' Choice" in the current "Gartner Peer Insights 2020" report.

Overview of license status for Microsoft Office 365

One focus of R&D in the USU Knowledge Management division is AI technologies, which are increasingly being integrated in various intelligent functions of the USU Knowledge Center database and the USU chatbot. The current version of the knowledge database thus offers an outstanding AI-based search experience with the new AI Powered Search. Activities to enhance the USU chatbot are focusing on enabling multiple bots to work together and thereby complete more complex service tasks in an intelligent way as a team. The products for digital customer services were also adapted to meet the special requirements of service organizations during the COVID-19 crisis. For example, the USU chatbot started to be used as a "coronavirus bot" in several municipalities and rural districts, answering specific questions from citizens about the regional coronavirus regulations.

Solution in the knowledge database on different devices

In the USU AI Services division, the R&D team developed AI-supported ticket routing in collaboration with USU Service Management. This allows for rapid, automated classification and assignment to suitable processing agents in the event of IT problems. For the big data analytics solution USU Industrial Analytics Go, the web interface was redesigned, among other things. In addition, two new components were delivered: The Explore module allows for convenient querying of databases and visualization of the results in a dashboard. Machine data can thereby be examined and presented directly, and initial findings shared with other users. In addition, data scientists can use USU Industrial Analytics CLI to easily integrate analyses they have developed themselves in the USU AI Services platform.

Detection of a production fault by USU Industrial Services Flow

The USU research department's activities focused on various major collaborative projects. For example, the LIMBO (Linked Data for Mobility) research project funded by the German Ministry for Transport and Digital Infrastructure (BMVI) was brought to a successful conclusion in the summer. The goal was to develop innovative mobility solutions and new business models by processing freely available geodata. As the technology partner, USU created AI-based solutions for this and validated the project on the basis of a specific use case. Another subsidized project, DAIKIRI – explainable diagnostic AI for industrial data – aims to prepare automatically comprehensible diagnoses for mechanical and plant engineering in the future using artificial intelligence. There was a particular focus on the "Service Master" flagship project from the German Federal Ministry of Economics and Energy for the development of an AI-based service platform for German SMEs. Here, the requirements analysis for the four use cases managed by USU at the companies KEB, Atlas Copco, OGE, and Trumpf was advanced and partially completed. In 2020, the USU research team supported a total of 12 projects.

Since mid-2020 already, a USU development team has been working on a new, modular comprehensive solution for hybrid cloud management. The first version is expected to be available for marketing in early summer 2021. It focuses on linking defined cloud resources from Azure, AWS, or Google Cloud with business services, connecting a configuration management database (CMDB), and analyzing and presenting the financial status and deviations from planning. The new USU solution for hybrid cloud management integrates a large portion of the USU product range. It is intended to offer companies a consolidated overview of their IT infrastructure and contracts, as well as transparent management options both for the cloud and for their own data centers.

II. ECONOMIC REPORT

II. 1 Summary

In spite of the coronavirus crisis, which had a significant negative impact on the global economy in 2020, USU Software AG increased its consolidated sales (IFRS) by 12.2% year-on-year to EUR 107,327 thousand in the year under review (2019: EUR 95,630 thousand). It benefited in particular from strong domestic consulting business, which led to a 13.9% increase in domestic sales to EUR 78,771 thousand (2019: EUR 69,168 thousand). USU's international business also grew by 7.9% as against the previous year to EUR 28,557 thousand (2019: EUR 26,462 thousand). In particular, the main driver of this sales growth was service business, which benefited from the digitalization trend in the reporting year and increased its sales by a total of 30.0% year-on-year to EUR 27,393 thousand (2019: EUR 21,075 thousand) thanks to a large number of new orders. At the same

time, USU benefited from very strong cloud and maintenance business. Maintenance income including sales from Software-as-a-Service (SaaS) business increased by 13.1% year-on-year to EUR 32,491 thousand (2019: EUR 28,739 thousand), of which EUR 9,704 thousand (2019: EUR 6,917 thousand) was attributable to SaaS sales alone. This represents an increase in SaaS sales of 40.3% as against the previous year.

As a result of the significant increase in sales while costs only rose at a slower rate, USU's profits grew faster than its sales in the year under review. Accordingly, EBITDA climbed by 34.8% year-on-year to EUR 13,377 thousand (2019: EUR 9,920 thousand). Adjusted for total depreciation, amortization and impairment of EUR 6,356 thousand (2019: EUR 5,866 thousand), USU generated EBIT of EUR 7,021 thousand in the same period (2019: EUR 4,054 thousand). This corresponds to a year-on-year increase in EBIT of 73.2%. After interest and taxes, consolidated net income amounted to EUR 5,484 thousand (2019: EUR 5,273 thousand). In line with this, USU increased its earnings per share to EUR 0.52 (2019: EUR 0.50) for the Group as a whole.

Adjusting for the effects of acquisitions, the USU Group generated adjusted EBIT of EUR 9,244 thousand (2019: EUR 6,226 thousand), representing a 48.5% increase in earnings. At the same time, adjusted consolidated net profit jumped 3.6% as against fiscal 2019 to EUR 7,611 thousand (2019: EUR 7,349 thousand). Adjusted earnings per share thus climbed from EUR 0.70 in the previous year to EUR 0.72.

Net income (calculated in accordance with the German Commercial Code) of USU Software AG as a standalone company rose by 21.4% as against the previous year to EUR 7,363 thousand in fiscal 2020 (2019: EUR 6,066 thousand). Including the profit carried forward from the previous year of EUR 3,930 thousand (2019: EUR 2,074 thousand), the company generated an unappropriated surplus of EUR 11,293 thousand (2019: EUR 8,140 thousand). As in previous years, this is to be used in particular to pay a dividend to all shareholders of USU Software AG. In accordance with the company's communicated dividend policy, whereby 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, subject to the approval of the Supervisory Board, a dividend distribution equal to the previous year's level of EUR 0.40 (2019: EUR 0.40) per share for fiscal 2020.

For 2021, the Management Board is anticipating slight growth in sales along with an increase in adjusted EBIT and the margin. Although it is clear in the first quarter of 2021 that the coronavirus crisis is not over yet, which is why the Management Board is generally expecting reluctance to invest on the part of companies in the first half of 2021, the Management Board nonetheless anticipates slight growth in sales for fiscal 2021 as a whole, along with an increase in adjusted EBIT to at least EUR 9 million to EUR 10 million.

After a highly successful 2020, the Management Board is also confirming the current medium-term planning, which includes average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the operating margin on adjusted EBIT to between 13% and 15% by 2024.

II. 2 Overall economic development

According to initial calculations by the German Federal Statistical Office (Destatis)[1], Germany's gross domestic product (GDP) adjusted for inflation was 5.0% lower in 2020 than in the previous year. After ten years of growth, the German economy thus entered a deep recession in the coronavirus crisis year 2020, according to Destatis, similar to during the financial and economic crisis in 2008/2009. The coronavirus pandemic significantly impacted almost all parts of the economy in 2020. Production both in the service sectors and in the manufacturing industry was restricted enormously in some cases.

Unlike during the financial and economic crisis, when the economy was supported by overall consumption, private consumer spending decreased by 6.0% year-on-year in 2020 after adjustment for inflation, representing its largest ever decline. By contrast, government spending had a stabilizing effect in the coronavirus crisis, too, with an increase of 3.4% after adjustment for inflation. Gross capital investment recorded its sharpest decrease since the financial and economic crisis in 2008/2009 at 3.5% after adjustment for inflation. Here, construction investment bucked the trend with an increase of 1.5%. By contrast, investments in equipment – particularly including machinery, devices and vehicles – were 12.5% lower in 2020 than in the previous year after adjustment for inflation. Investments in other assets – particularly including research and development investments – fell by 1.1%, according to initial Destatis estimates.

[1] *cf. Destatis press release 020 dated January 14, 2021, published at www.destatis.de*

The coronavirus pandemic also had a huge impact on foreign trade: Exports and imports of goods and services decreased in 2020 for the first time since 2009, exports by 9.9% and imports by 8.6% after adjustment for inflation. There was a particularly significant decrease in service imports, which was chiefly due to the high share of sharply declining tourist travel.

According to an initial estimate of the annual growth rate for 2020 based on quarterly data from the Statistical Office of the European Union (Eurostat) adjusted for seasonal and calendar effects[2], the euro area recorded a significant year-on-year decline in GDP of 6.8% in 2020 (2019: +1.2%).

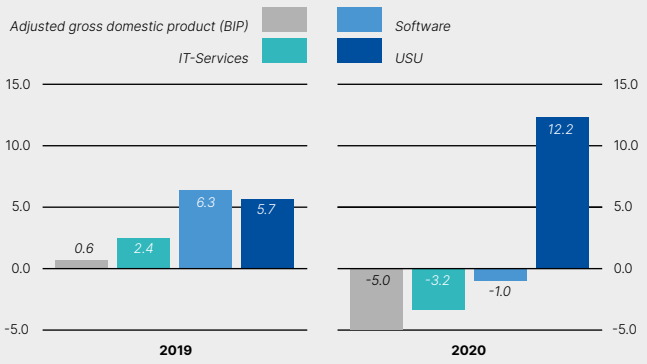
II. 3 Sector development

The German high-tech market contracted slightly in 2020 in the wake of the coronavirus crisis and thus could not continue the previous years' growth in the year under review. According to forecasts by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM)[3], the ICT market declined by 0.6% to EUR 169.8 billion in the reporting period, primarily due to weaker business with IT services and software. The IT services market recorded a decline of 3.2% (2019: increase of 2.4%) to EUR 39.6 billion (2019: EUR 40.9 billion), while the software market decreased by 1.0% (2019: growth of 7.3%) to EUR 25.9 billion (2019: EUR 26.2 billion). According to calculations by the US market research company Gartner[4], the global IT market shrank by as much as 3.2% to USD 3,695 billion in 2020 (2019: USD 3,722 billion), with the enterprise software and IT services markets recording considerably larger than average declines globally, too, at 2.4% and 2.7% respectively.

II. 4 Business performance

Despite the coronavirus pandemic and the restrictions arising from the lockdown, USU Software AG and its subsidiaries achieved new records in fiscal 2020. USU particularly benefited from the digitalization trend and from companies' need to make savings and become more efficient in this crisis situation, for which USU offers corresponding solutions and services. At the same time, the shift from one-time license business toward software-as-a-service (SaaS) business in the year under review led to a stable and sustainable business development. USU accordingly increased its consolidated sales by 12.2% to EUR 107,327 thousand (2019: EUR 95,630 thousand), representing a new high in the company's history and the first time that it had exceeded EUR 100 million, while its EBIT grew by 48.5% to EUR 9,244 thousand (2019: EUR 6,226 thousand). As USU is now benefiting from the high SaaS share and the French subsidiary USU SAS reached the break-even point in 2020, the company successfully overcame the negative effects from the previous year. This also included the significantly increased service business, which benefited particularly strongly from the digitalization trend. As such, USU even achieved and in some cases exceeded the original planning for consolidated sales of EUR 102 million to EUR 105 million and adjusted EBIT of EUR 7.5 million to EUR 10 million in the year under review, and thus also surpassed the revised guidance due to the coronavirus, which anticipated sales growth and positive adjusted EBIT.

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



The year-on-year increase in sales and profits was primarily due to the successful generation of new SaaS orders, license orders, and a large number of consulting orders in the field of digitalization of business processes at new and existing customers in Germany and abroad. At the same time, USU's cost base only increased at a slower rate despite further expansion of the workforce, resulting in corresponding growth in earnings.

II. 5 Development of sales and costs

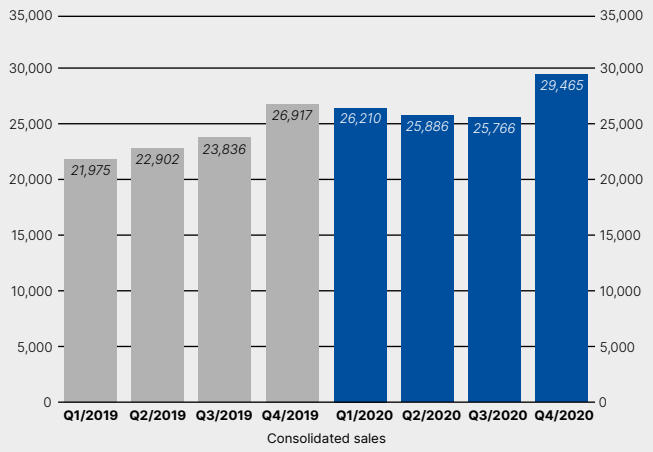
Consolidated sales

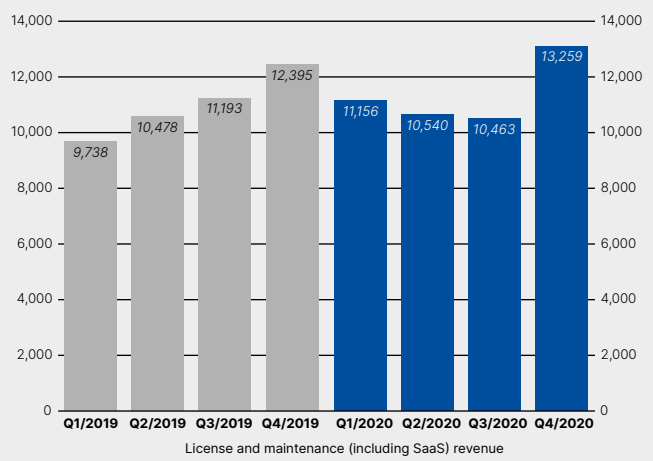
In fiscal 2020, USU Software AG increased its consolidated sales by 12.2% year-on-year to EUR 107,327 thousand (2019: EUR 95,630 thousand), thus passing the EUR 100 million mark for the first time. USU benefited

[2] cf. Eurostat press release 17/2021 dated February 2, 2021, published at http://ec.europa.eu/eurostat
[3] BITKOM press release dated January 13, 2021, published at www.bitkom.org
[4] cf. Gartner press release dated January 25, 2021, published at www.gartner.com

in particular from strong domestic consulting business, which led to a 13.9% increase in domestic sales to EUR 78,771 thousand (2019: EUR 69,168 thousand). USU's international business also grew by 7.9% as against the previous year to EUR 28,557 thousand (2019: EUR 26,462 thousand). However, the share of consolidated sales accounted for by international business fell to 26.6% in 2020 (2019: 27.7%) as a result of the bigger increase in domestic sales. The above-average increase in domestic sales also meant that USU remained below the targeted 30% mark for the international share of consolidated sales, despite the double-digit increase in sales outside Germany.

Sales development of the USU Groupby quarter
in EUR thousand





In particular, the main driver of this sales growth was consulting business, which benefited from the digitalization trend in the reporting year and increased its sales by a total of 20.6% year-on-year to EUR 60,175 thousand (2019: EUR 49,905 thousand) thanks to a large number of new orders.

At the same time, USU benefited from very strong cloud and maintenance business. Maintenance income including sales from Software-as-a-Service (SaaS) business increased by 13.1% year-on-year to EUR 32,491 thousand (2019: EUR 28,739 thousand), of which EUR 9,704 thousand (2019: EUR 6,917 thousand) was attributable to SaaS sales alone. This represents an increase in SaaS sales of 40.3% as against the previous year. As a result of the very high share of new contracts attributable to SaaS business, license sales in 2020 was 13.8% below the very strong figure from the previous year at EUR 12,927 thousand (2019: EUR 15,005 thousand), despite a positive final quarter. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 1,734 thousand (2019: EUR 1,981 thousand).

As the majority of USU's staff were 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 coronavirus in the reporting period.

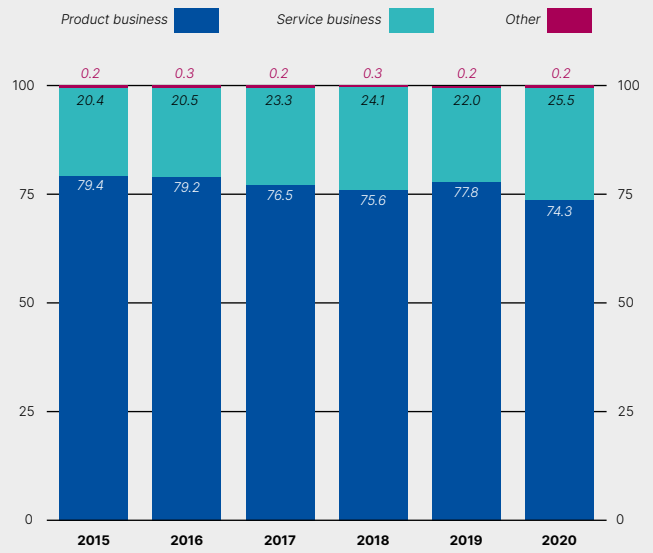
Sales by segment

The product range of the Product Business segment includes all activities relating to USU's product portfolio in the market for IT management solutions, the knowledge management market and Katana (from 2021: USU AI Services), the division for big data analytics that emerged from the research department. The Service Business segment comprises consulting services for IT projects, individual application development and digital strategy consulting, service and UX design and web portals, apps and intranets.

The Product Business segment contributed sales of EUR 79,775 thousand in fiscal 2020 (2019: EUR 74,349 thousand), up 7.3% on the previous year. This was primarily due to the expansion of the maintenance and SaaS business and product consulting income. Over the same period, consulting sales in the Service Business segment grew substantially by 30.0% to EUR 27,393 thousand (2019: EUR 21,075 thousand). Following a dip in growth in the previous year, USU thus returned to its long-term trend as planned thanks to a large number of new orders from new and existing customers. Sales not

allocated to the segments totaled EUR 159 thousand in fiscal 2020 (2019: EUR 206 thousand). Owing to the particularly strong performance of the service segment in 2020, the product segment's share of consolidated sales fell from 77.8% in 2019 to 74.3%.

Sales development of the USU Group by segment in %



Operating costs

The operating cost base of the USU Group increased by 8.5% year-on-year to EUR -100,942 thousand in fiscal 2020 (2019: EUR -93,017 thousand). In addition to higher fees for freelancers and higher staff costs as a result of business growth, expenses also rose due to increased non-staff operating costs and amortization and depreciation.

The cost of sales rose by 10.1% as against the previous year to EUR -50,817 thousand in the period under review (2019: EUR -46,171 thousand) as a result of business growth and the increased use of inhouse and freelance consultants this entailed. Due to the greater increase in consolidated sales, the cost of sales as a percentage of consolidated sales fell slightly from 48.3% in fiscal 2019 to 47.3% in 2020. At the same time, gross income rose from EUR 49,459 thousand in the previous year to EUR 56,510 thousand. Concurrently, the gross margin increased slightly as against the previous year to 52.7% (2019: 51.7%).

Marketing and selling expenses climbed by 8.1% year-on-year to EUR -20,398 thousand in the period under review (2019: EUR -18,864 thousand). This increase was chiefly due to higher staff costs as a result of the workforce expansion, increased partner commission fees as a result of expanded partner business, and higher amortization and depreciation. Marketing and selling expenses as a share of sales accordingly declined from 19.7% in 2019 to 19.0% in the period under review.

General and administrative expenses climbed by 17.4% year-on-year to EUR -14,299 thousand in fiscal 2020 (2019: EUR -12,181 thousand), mainly as a result of the necessary workforce expansion implemented during the previous year, as well as higher depreciation and amortization in connection with IFRS 16. The ratio of administrative expenses to consolidated sales rose to 13.3% in the reporting period (2019: 12.7%).

Research and development expenses fell by 2.4% year-on-year to EUR -15,427 thousand in the reporting period (2019: EUR -15,801 thousand). At the same time, the ratio of research and development expenses to consolidated sales fell to 14.4% (2019: 16.5%) as a result of the significant increase in sales and was thus lower than in the previous year as planned. USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. In the medium term as well, USU is planning to increase its R&D expenditure in absolute terms while further reducing the ratio of research and development expenses to consolidated sales on account of strong sales growth.

Net other operating income and expenses came to a positive total of EUR 635 thousand in 2020 (2019: EUR 1,441 thousand) and mainly included income from research funds in the form of government grants, income from the reversal of provisions, and income and expenses from currency translation differences.

II. 6 Results of operations

As a result of the significant business growth and the slower rise in expenses, the USU Group's profitability increased significantly in 2020 as compared to the previous year. Thus, USU's EBITDA rose by 34.8% as against the previous year to EUR 13,377 thousand (2019: EUR 9,920 thousand). This included amortization from leases and rental agreements in accordance with IFRS 16 in the amount of EUR 2,877 thousand (2019: EUR 2,360 thousand). In addition to this amortization, there was amortization and depreciation of non-current assets in the amount of EUR 3,478 thousand (2019: EUR 3,506 thousand), of which EUR 1,481 thousand related to

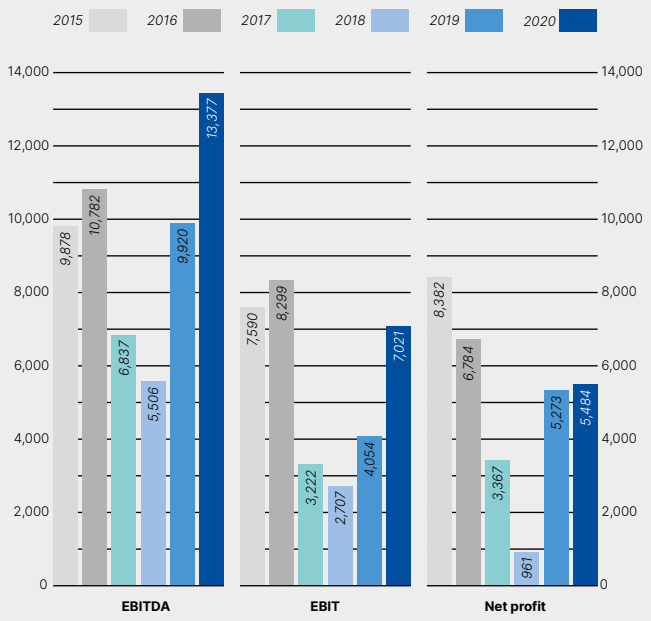
amortization of brands in connection with the "One USU" strategy. Adjusted for total depreciation and amortization of EUR 6,356 thousand (2019: EUR 5,866 thousand), USU generated EBIT of EUR 7,021 thousand in fiscal 2020 (2019: EUR 4,054 thousand). This represents an increase in operating earnings of 73.2% as against the previous year.

Net finance costs amounted to EUR -222 thousand in fiscal 2020 (2019: EUR -4 thousand). This mainly included income and expenses from currency differences in bank balances.

Tax expense amounted to EUR -1,315 thousand in 2020 after tax income of EUR 1,223 thousand in the previous year. This was due to the fact that since 2020 the reversal of deferred taxes has been higher than the new activation of deferred taxes on existing loss carryforwards.

Overall, consolidated net profit improved by 4.0% year-on-year to EUR 5,484 thousand in 2020 (2019: EUR 5,273 thousand), translating to earnings per share of EUR 0.52 (2019: EUR 0.50).

Earnings development of the USU Group
in EUR thousand



II. 7 Adjusted consolidated net profit

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

Adjusted consolidated net profit EUR thousand	**Jan. 1, 2020-Dec. 31, 2020**	Jan. 1 , 2019-Dec. 31, 2019
Profit from ordinary activities (EBIT)	**7,021**	**4,054**
Amortization of intangible assets recognized in connection with company acquisitions	2,223	2,172
Adjusted EBIT	**9,244**	**6,226**
Finance income (as per consolidated income statement)	50	104
Finance costs (as per consolidated income statement)	-272	-108
Income taxes (as per consolidated income statement)	-1,315	1,223
Tax effects relating to adjustments	-96	-96
- from amortization	-96	-96
Adjusted consolidated net profit	**7,611**	**7,349**
Adjusted earnings per share (in EUR):	**0.72**	**0.70**
Number of underlying shares		
Basic and diluted	10,523,770	10,523,770

As a result of business growth, USU's adjusted EBIT improved by 48.5% year-on-year in fiscal 2020 to EUR 9,244 thousand (2019: EUR 6,226 thousand). This corresponds to a rise in the operating margin on adjusted EBIT from 6.5% in 2019 to 8.6%. At the same time, USU's adjusted consolidated earnings rose by 3.6% to EUR 7,611 thousand (2019: EUR 7,349 thousand).

Accordingly, adjusted earnings per share improved to EUR 0.72 (2019: EUR 0.70).

II. 8 Net assets and financial position

On the assets side of the statement of financial position, the USU Group's non-current assets climbed to EUR 71,923 thousand as of December 31, 2020 (December 31, 2019: EUR 67,028 thousand). This rise was partly due to the increase in property, plant and equipment to EUR 3,464 thousand (December 31, 2019: EUR 2,222 thousand) as well as the increase in right-of-use assets recognized in accordance with IFRS 16 in the amount of EUR 16,280 thousand (December 31, 2019: EUR 8,533 thousand).

Over the same period, current assets increased from EUR 37,432 thousand as of December 31, 2019 to currently EUR 43,543 thousand in spite of the dividend distribution to USU's shareholders, essentially as a result of the increase in Group liquidity (cash on hand and bank balances including securities) to EUR 18,534 thousand as of December 31, 2020 (December 31, 2019: EUR 10,413 thousand). This is thanks in particular to the payment of invoices by customers, which also caused trade receivables to decline to EUR 16,725 thousand as of December 31, 2020 (December 31, 2019: EUR 20,001 thousand).

On the equity and liabilities side of the statement of financial position, the USU Group's equity increased from EUR 60,198 thousand as of December 31, 2019, to EUR 61,770 thousand as of December 31, 2020, as a result of the positive consolidated earnings. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 53,696 thousand as of December 31, 2020 (December 31, 2019: EUR 44,262 thousand). This increase essentially resulted from higher non-current lease liabilities in accordance with IFRS 16.

With total assets of EUR 115,466 thousand (December 31, 2019: EUR 104,460 thousand), the equity ratio was 53.5% as at December 31, 2020 (December 31, 2019: 57.6%). With this equity ratio, extensive Group liquidity, and no liabilities to banks, the USU Group still has extremely sound and secure financing, even in the coronavirus crisis.

II. 9 Cash flows and capital expenditure

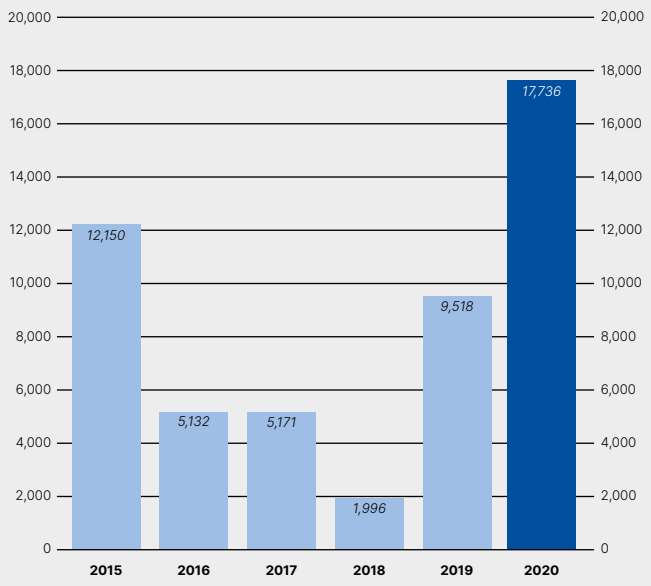
The USU Group had cash funds (not including securities) of EUR 18,534 thousand as of December 31, 2020 (2019: EUR 10,413 thousand). This corresponds to a year-on-year increase of EUR 8,121 thousand or 78.0%, essentially stemming from the operating cash flow from the profit generated by USU in the year under review.

USU's cash flow from operating activities accordingly climbed significantly from EUR 9,518 thousand in 2019 to EUR 17,736 thousand now.

Net cash used in investing activities of EUR -2,442 thousand (2019: EUR -1,816 thousand) primarily includes investments in property, plant and equipment and intangible assets.

The cash flow from financing activities of EUR -7,049 thousand (2019: EUR -6,771 thousand) primarily results from the dividend payment to USU's shareholders of EUR -4,209 thousand (2019: EUR -4,209 thousand) and payments for lease liabilities of EUR -2,840 thousand (2019: EUR -2,318 thousand).

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



II. 10 Current situation of the Group

Thanks to a large number of contracts concluded in Germany and abroad in the final quarter of 2020 and the associated further expansion of SaaS business, USU is currently well positioned to implement its growth targets successfully in 2021. This is demonstrated not least by the USU Group's record orders on hand, which passed the EUR 60 million mark for the first time in fiscal 2020. USU thus already has secured orders for a significant portion of the sales targeted for 2021. Thanks to sustained demand for digitalization solutions, the Management Board expects to be able to gain a large number of new orders again in 2021, although the high level of new orders from 2020 probably will not quite be matched. In addition, the Management Board anticipates positive effects and increased efficiency in connection with the implementation of the "One USU" strategy. Thus, the USU Group is still in an excellent economic situation and anticipates continued high potential for its short- and medium-term future. In particular, the growth pillars of internationalization and innovation are expected to result in average organic sales growth of 10% over the coming years and at the same time – thanks to the anticipated continuing strong development of SaaS orders – an increase in the adjusted EBIT margin to between 13% and 15%. Furthermore, USU has a high level of readily available Group liquidity, allowing it to invest in further acquisition-based growth in line with its growth strategy.

II. 11 Development and situation of USU Software AG

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

USU Software AG essentially focuses on acquiring and holding equity investments in other companies and on research, which is situated at the Karlsruhe site and accounted for a total of 17 of the company's 47 employees as of December 31, 2020. 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 and the US subsidiary USU Solutions Inc.

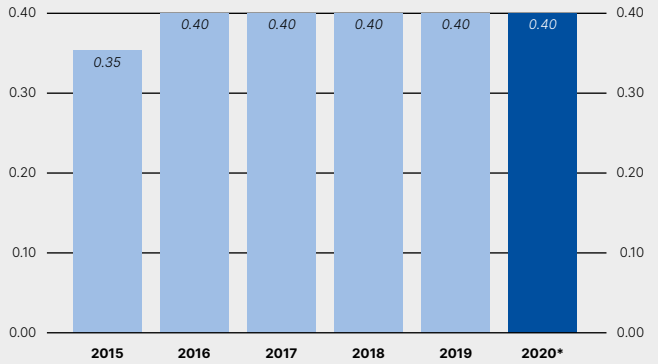
USU Software AG generated sales of EUR 4,926 thousand in fiscal 2020 (2019: EUR 4,891 thousand), primarily from intragroup services and the AI Services (formerly Katana) division, which emerged from our research division and develops and markets solutions for big data and artificial intelligence. In addition, USU generated investment income of EUR 13,883 thousand (2019: EUR 12,646 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 2,679 thousand (2019: EUR 2,736 thousand) mainly derives from the settlement of intragroup services and grants received in connection with research projects in USU's research division. Other operating expenses totaling EUR 7,265 thousand (2019: EUR 6,583 thousand) essentially include rental expenses, fees for external services, IT/data center costs, event and marketing costs, and stock exchange costs. The cost of materials decreased year-on-year to EUR 213 thousand in fiscal 2020 (2019: EUR 398 thousand) due to lower utilization of third-party services by the research department. At the same time, staff costs rose from EUR 4,166 thousand in fiscal 2019 to EUR 4,641 thousand as a result of the expansion of the company's workforce to an average of 47 employees (2019: 43). Amortization of intangible assets and depreciation of tangible assets totaled EUR 95 thousand in 2020 (2019: EUR 17 thousand). At the same time, write-downs of financial assets amounted to EUR 545 thousand (2019: EUR 750 thousand). In 2020, these exclusively related to the German subsidiary Omega Software GmbH, whereas in the previous year there had been write-downs on the equity investment in the French subsidiary USU SAS. Net interest amounted to EUR -395 thousand (2019: EUR -380 thousand) and essentially consisted of interest payments to subsidiaries.

Income taxes were up slightly on the previous year at EUR -972 thousand (2019: EUR -941 thousand). Including other taxes of EUR 1 thousand (2019: EUR 1 thousand), USU Software AG as a standalone company reported net profit of EUR 7,363 thousand for fiscal 2020 (2019: EUR 6,066 thousand). This corresponds to a 21.4% increase in profit as against the previous year. Including the profit carried forward from the previous year of EUR 3,930 thousand (2019: EUR 2,074 thousand), the company generated an unappropriated surplus of EUR 11,293 thousand (2019: EUR 8,140 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, whereby 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, subject to the approval of the Supervisory Board, a dividend distribution equal to the previous year's level of EUR 0.40 (2019: EUR 0.40) per share for fiscal 2020.

USU Software AG as a single company thus achieved the sales and earnings growth planned for 2020 and also anticipates a slight increase in sales and earnings in 2021 as compared to the previous year in the low single-digit percentage range and, in this respect, the continuation of the positive business development.

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

On the assets side of the statement of financial position, USU Software AG's non-current assets increased to EUR 49,323 thousand as of the end of fiscal 2020 (2019: EUR 48,771 thousand). This was particularly due to an increase in property, plant and equipment as a result of purchasing IT and office equipment in connection with the workforce expansion and renting a new office building. Current assets increased to EUR 23,257 thousand as of December 31, 2020 (2019: EUR 18,366 thousand). This was firstly due to increased receivables from affiliated companies as a result of outstanding profit transfer payments by the subsidiaries for 2020. Secondly, the company's liquidity increased to EUR 3,954 thousand as of the reporting date December 31, 2020 (2019: EUR 452 thousand), mainly as a result of the profit transfer payments by the subsidiaries for 2019. Under equity and liabilities, equity increased to EUR 35,462 thousand (2019: EUR 32,308 thousand) as a result of the increase in profit and despite the dividend distribution in the reporting year. At the same time, total liabilities rose from EUR 34,959 thousand as of December 31, 2019 to currently EUR 37,615 thousand, essentially as a result of increased liabilities to the company's subsidiaries. With increased total assets of EUR 73,190 thousand (2019: EUR 67,321 thousand), the equity ratio of USU Software AG improved to 48.5% as of the end of fiscal 2020 (2019: 48.0%).

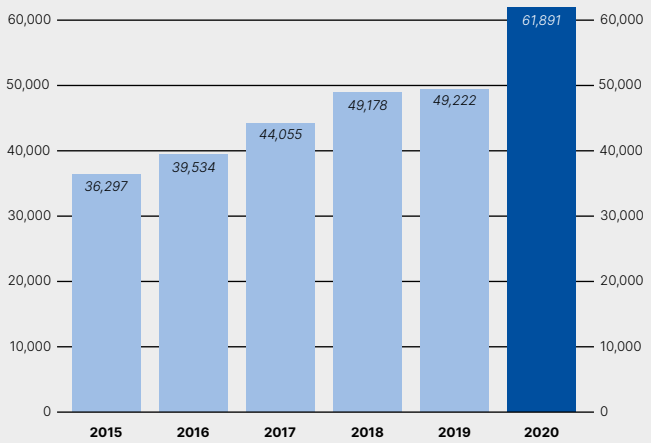
USU Software AG's focus on investment business means that the company will remain highly dependent on the performance of its subsidiaries, particularly USU Technologies GmbH, USU Solutions GmbH, and USU GmbH, in future years. Information on the resulting risks and opportunities can be found in the Group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

II. 12 Orders on hand

As of the end of fiscal 2020, the USU Group's total orders on hand increased by 25.7% year-on-year to EUR 61,891 thousand (December 31, 2019: EUR 49,222 thousand), once again reaching a new high in USU's history. This substantial increase was particularly driven by the higher level of SaaS and consulting orders.

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

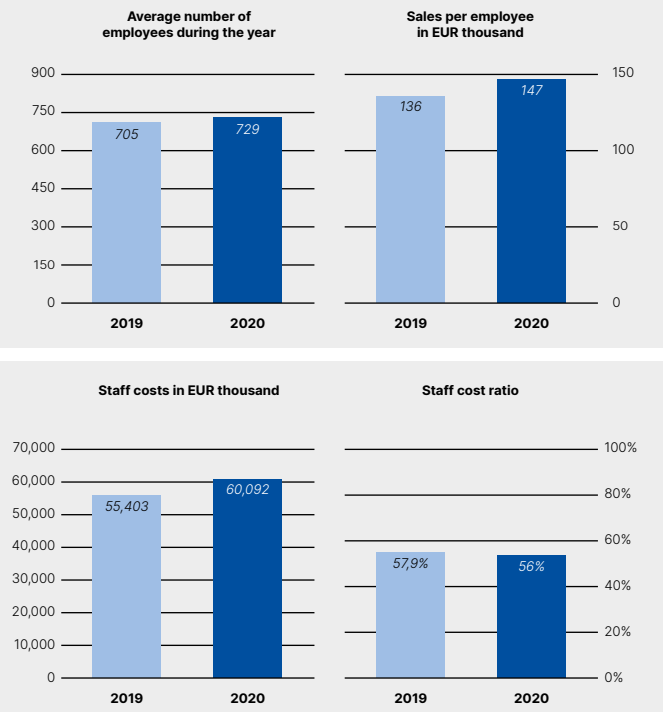
Development of the USU Group's orders on hand in EUR thousand



II. 13 Employees

The USU Group expanded its workforce by 3.0% year-on-year to 732 employees as of December 31, 2020 (2019: 711). USU thus expanded the Group workforce again in 2020 as planned, despite the coronavirus pandemic and the shortage of qualified staff in the IT sector. Broken down by function, USU employed a total of 309 (2019: 312) people in consulting and services, 209 (2019: 200) in research and development, 112 (2019: 100) in sales and marketing and 102 (2019: 99) in administration as of December 31, 2020. Broken down by segment, USU had 520 (2019: 507) employees in the Product Business segment, 110 (2019: 105) in the Service Business segment and 102 (2019: 99) in central USU Group functions. Group employee figures do not include the two members of the Management Board of USU Software AG, 230 freelance staff who can be employed for project work as required, 10 temporary workers, 14 trainees/dual study students or 21 interns/student workers.

Key personnel figures of the USU Group



The average total workforce of the USU Group increased to 729 employees in fiscal 2020 (2019: 705). With consolidated sales of EUR 107,327 thousand (2019: EUR 95,630 thousand), the average sales contribution per employee rose from EUR 136 thousand in 2019 to currently EUR 147 thousand. Staff costs grew by 8.5% year-on-year to EUR 60,092 thousand (2019: EUR 55,403 thousand) as a result of recruitment and salary increases in fiscal 2020. As a result of the much greater increase in sales, the cost of sales as a percentage of consolidated sales fell to 56.0% (2019: 57.9%).

Following the targeted increase in the Group's workforce in 2020, the Management Board is also planning further expansion of the workforce in fiscal 2021 in order to achieve the medium and long-term growth targets. The number of employees is therefore expected to increase to around 800 by December 31, 2021. In addition to the acquisition of highly qualified technical and management employees, personnel measures will also focus on the motivation and retention of existing staff. A variable component in the salaries of a substantial number of USU employees should also be seen in this context. Variable components act as an additional performance incentive that separately rewards both the attainment of individual targets and the success of the respective unit, the company and the Group as a whole. In addition, the Group also offers an extensive and flexible employee company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of the "USU – U Step Up" career model. Through this program, USU offers its employees and managers personal development opportunities in the form of ongoing refresher and consolidation courses in addition to specialist training courses and the further development of soft skills. A common system of values, rapid information exchange, a family-like working environment, and numerous staff events – primarily virtual ones during the coronavirus pandemic – round off the diverse range of measures aimed at developing and motivating the USU Group's workforce over the long term.

Proof of the positive corporate culture can be found in USU's certification as an "Attractive Employer" by the Great Place to Work® institute from 2020, for which USU employees voted USU the best employer in 2020 for teamwork, respect, and an excellent worklife balance. The certification stands for credible, fair management and active support for employees. Credibility, respect, fairness, pride, and team spirit – these were the values that the survey focused on. In all aspects, USU scored well above average among the more than 1,000 companies included in the survey. In addition, USU has been awarded the "Top Company" employer quality seal by the employer assessment platform kununu due to the high level of employee satisfaction.

The share of women in the USU Group's workforce in Germany as of the end of fiscal 2020 remained at the previous year's level at 28.7% (2019: 28.9%).

III. EVENTS AFTER THE REPORTING DATE

No events of particular significance with a material financial impact occurred after the end of the financial year.

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 16, 2020, the recovery of the German economy will be delayed. This is chiefly due to the resurgence of the coronavirus pandemic and the shutdown measures introduced again since November 2020. As some of these measures will probably remain in place over the coming months, there are indications that gross domestic product (GDP) will decrease in the first quarter of 2021. However, this decrease will not be on the same scale as in spring 2020. The negative effects will be more focused on individual, consumer-related segments, which in many cases have not yet fully recovered from the slump in spring 2020, meaning that economic activity will decrease less here in the winter half of the year. In addition, exports are likely to keep rising in view of the comparatively robust global economy. For this reason, too, industry will probably get through the winter half of the year largely unscathed. All in all, the institute now anticipates a lower GDP growth rate of 3.1% in 2021. If the pandemic can be driven back on a lasting basis from the spring onward, a strong recovery will set in over the course of the year and be reflected in a significant rise in GDP of 4.5% in 2022.

According to the Economic Report dated December 16, 2020, the IfW Kiel[6] expects the global economy to recover during the first quarter of 2021 as the wave of infections is predicted to subside. For the remainder of the year, a lasting reduction in infection risks is then anticipated as vaccination coverage among the population increases, along with a progressive normalization of conditions, including for particularly contact-intensive economic sectors. The IfW Kiel therefore expects global production (measured on the basis of purchasing power parities) to increase by 6.1% in 2021. Economic activity is expected to see stronger growth than the medium-term trend in 2022, too, at 4.1%.

Sector

Following the coronavirus shock in 2020 and temporarily decreasing sales, the signs now point to growth again for high-tech companies in 2021, according to information from Bitkom[7]. The German market for IT, telecommunications, and consumer electronics (ICT) is expected to grow by 2.7% this year (2020: -0.6%) to EUR 174.4 billion (2020: EUR 169.8 billion). After temporary losses, Bitkom expects the IT segment to increase its significance as the biggest industry segment again in 2021. According to Bitkom's calculations, German IT sales will rise by 4.2% (2020: -0.7%) to EUR 98.6 billion in 2021 (2020: EUR 94.6 billion). In terms of the global IT market, the "IT Spending Forecast" published by the market research company Gartner[8] on January 25, 2021, forecasts a year-on-year increase in IT expenditure of 6.2% (2020: -3.2%) to USD 3,923 billion in 2021 (2020: USD 3,695 billion). For 2022, Gartner also anticipates growth in the global IT market of 4.6% to USD 4,105 billion. According to John-David Lovelock, Research Vice President at Gartner, CIOs will need to perform a balancing act in 2021 – saving money while also expanding IT. As the economy regains a certain degree of security, he says, companies will invest in IT in a way that reflects their growth expectations rather than their current sales levels, with the effect that digital business – which is led by projects with a short value creation period – will receive more money and attention at management board level in 2021.

Outlook

After the very successful fiscal 2020, the Management Board anticipates slight growth in sales and a further improvement in the adjusted EBIT margin in 2021 as against the previous year. This is expected to be driven in particular by strong software-as-a-service (SaaS) business, which resulted in a volume of recurring sales (maintenance including SaaS) of EUR 32,491 thousand in 2020 (2019: EUR 28,739 thousand) with a corresponding level of orders on hand, causing orders on hand to climb to a new record of EUR 61,891 thousand (December 31, 2020: EUR 49,222 thousand). In addition, the Management Board anticipates positive effects and increased efficiency in connection with the implementation of the "One USU" strategy.

[5] *cf. Kiel Economic Reports, No. 74 (2020 | Q4) dated December 16, 2020, published at https://www.ifw-kiel.de*
[6] *cf. Kiel Economic Reports, No. 73 (2020 | Q4) dated December 16, 2020, published at https://www.ifw-kiel.de*
[7] *cf. Bitkom press release dated January 13, 2021, published at www.bitkom.org*
[8] *cf. Gartner press release dated January 25, 2021, published at www.gartner.com*

However, it is clear in the first quarter of 2021 that the coronavirus crisis is not over yet, which is why the Management Board is generally expecting reluctance to invest on the part of companies in the first half of 2021. Nonetheless, the Management Board anticipates slight growth in sales for fiscal 2021 as a whole, along with an increase in adjusted EBIT to at least EUR 9 million to EUR 10 million.

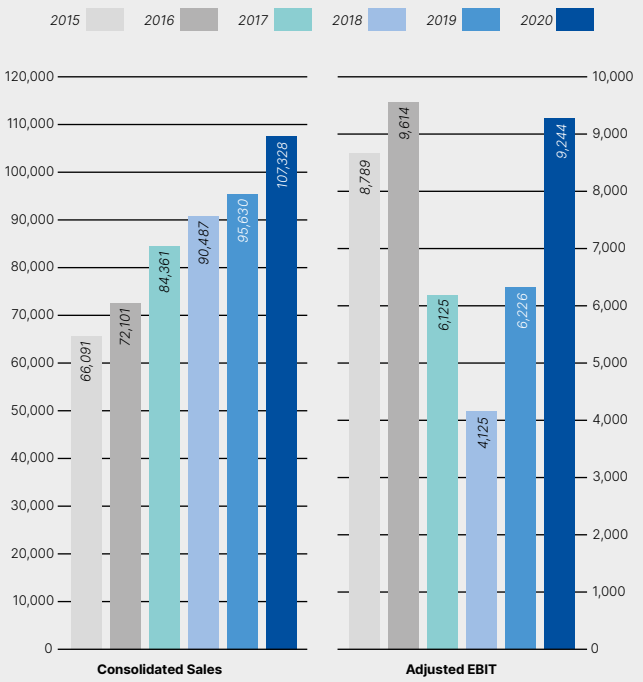
After a highly successful 2020, the Management Board is also confirming the current medium-term planning, which includes average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the operating margin on adjusted EBIT to between 13% and 15% by 2024.

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

The Group subsidiaries USU GmbH, USU Technologies GmbH, and USU Solutions GmbH will be the main sales drivers in fiscal 2021. As a separate company, the Group's parent company USU Software AG will again focus on research projects, the development and marketing of industrial big data products in the environment of Industry 4.0 in the AI Services division, 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 2021, as in previous years, and to continue the shareholder-friendly dividend policy with the distribution of a dividend that is never lower than in the previous year and that amounts to around half of the profit generated.

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



IV. 2 Risk report

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

Risk management system

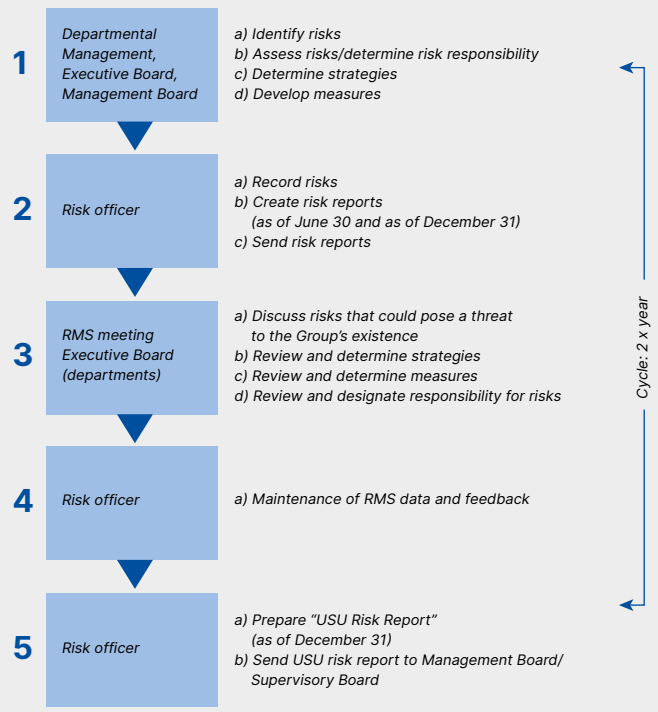
Dealing with risks in a responsible manner forms the basis of sustainable business success. The management of USU Software AG and its subsidiaries therefore operates a central risk management system for the early identification, analysis, assessment, control and management of risks to the USU Group.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

system is to ensure a Group-wide awareness of risk within USU's organizational structure and workflows. The Group uses the internally developed Valuemation Risk Manager software to map its risks on an individual basis.

Risk management process

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 appropriate 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, the top management and the relevant departmental managers of the respective Group subsidiaries. Risks are analyzed, documented and assessed in terms of the potential loss they may cause and the likelihood of their occurrence.

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

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

Overview of risks

From the current risk report of USU Software AG and its subsidiaries, no individual risks have been identified that could pose a threat to the company as a going concern, either currently or in the foreseeable future, and whose occurrence has been rated very likely. Nevertheless, the Management Board of USU Software AG cannot rule out the possibility that multiple risks whose cumulative impact could pose a threat to the company's existence might have an adverse effect on the net assets, financial position and results of operations of the company. Taking into account the measures implemented, the risks classified as serious or that could have a material effect on the company's net assets, financial position and results of operations are listed below:

Qualitative assessment

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

Probability of occurrence

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

Market risk

In view of the unstable global economic development as a result of the coronavirus crisis, analysis of the market and competitive situation remains an essential component of risk management at USU Software AG and its subsidiaries, particularly with regard to the forecast and planning security of the company and its subsidiaries, ensuring capacity utilization, and competitive pressure. One key focus here is market diversification in order to make the Group's business performance less dependent on the core German market or individual business areas, while also tapping new growth markets. The business growth at the Group subsidiary USU Solutions Inc. and the deeper penetration of the US and Canadian markets, in addition to the ongoing expansion of European business, have allowed the international share of consolidated sales to stabilize at approximately 30% despite the strength of domestic business and the growing customer preference for SaaS. At the same time, the Management Board sees a major opportunity in the further expansion of international business with regard to the future operating performance of the company and of the Group as a whole. However, it cannot rule out the possibility that diminishing economic momentum in the regions where USU operates could have a negative impact on the IT sector and thus restrict the development of USU Software AG and its subsidiaries. For this reason, one key focus here in 2021 and beyond will be a further increase in recurring sales from maintenance and SaaS.

A total of 11 individual risks are allocated to market risk. After risk abatement measures, one market risk is regarded as "posing a threat to the company as a going concern," although its probability of occurrence is classified as "unlikely." In addition, five market risks are classified as "serious," one of which is considered "likely," three "possible" and one "unlikely." The remaining five market risks are classified as "medium" after risk abatement measures, with the probability of occurrence classified as "possible" for two of these risks and "unlikely" for the other three.

Product risk

The internally developed software sold by USU Software AG and its subsidiaries is offered as a software-as-a-service solution. Continuous availability of the SaaS platform plays a particularly important role here.

A potential attack on the SaaS platform 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 SaaS products.

One individual risk is allocated to product risk. After risk abatement measures, this product risk is classified as "serious" and its probability of occurrence is rated "possible."

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 and damage could lead to liability and warranty claims to the detriment of the USU Group. The company's internally developed software is predominantly used in the context of larger projects, where the company makes fixed, contractual commitments with regard to functionalities, completion schedules and project costs. Accordingly, there is a risk that the planned schedules and cost estimates may not be met due to product defects or project delays, which may in turn lead to claims for damages by the client or losses on the project in question. To minimize such project risks, the USU Group applies extensive quality management in its development activities. In addition, USU has an effective project monitoring system for identifying errors at an early stage and taking suitable countermeasures. The Group is also covered by a third-party liability insurance policy aimed at minimizing risk, which provides cover in particular against damage to data, data media and implementation losses and losses arising from material defects caused by the lack of agreed functionalities from EUR 40 thousand up to a maximum of EUR 5 million per claim. In addition, there is a risk that project business may be negatively impacted by the coronavirus crisis and therefore decline.

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

Legal risk

In their operations, USU Software AG and its subsidiaries are exposed to a large number of potential legal risks ranging from warranty and liability risks from existing contracts, to product liability and data protection risks, to legal risks in connection with the stock exchange listing. In order to minimize such risks, the USU Group employs an inhouse legal advisor 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" and their probability of occurrence is rated "possible." The other three legal risks are classified as "medium" in terms of their potential loss. With regard to their probability of occurrence, one of these is classified as "possible" and the other two as "unlikely."

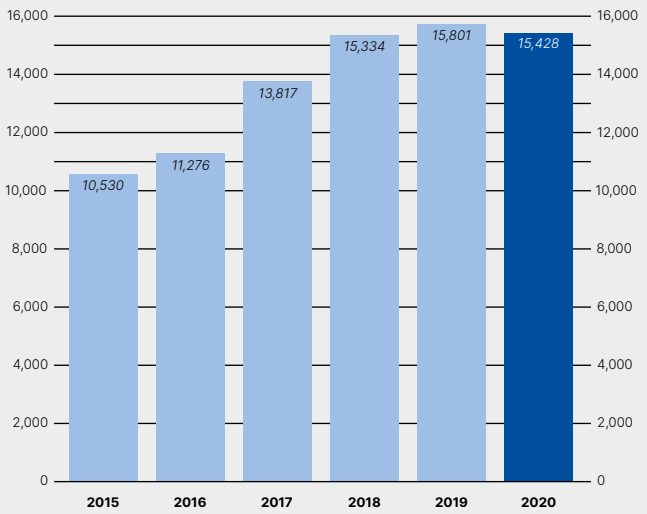
Service risk

Service risk chiefly relates to the company's forecast and projection reliability and the risk of damage to its image if it repeatedly fails to achieve it projections. To counteract this, the Management Board performs regular forecast analyses and reviews and has implemented measures to improve forecasting methods, expanded sales management, and revised the CRM system. A total of two individual risks are allocated to service risk. After risk abatement measures, one service risk is regarded as "posing a threat to the company as a going concern" and its probability of occurrence is classified as "likely." The second service risk is considered to be "medium" with a probability of occurrence of "possible."

Research and development risk

Intense competition and specific customer attitudes require extremely short development cycles for new product versions and releases. At the same time, demands are constantly increasing as a result of rapid 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 200 employees work on continuously refining the Group's internally developed software products to reflect market developments and the demands of product management. The development process is rounded off with tests and quality management measures. Close contact with leading market analysts ensures that any technical changes can be addressed rapidly. As a technology pioneer, the USU Group also devises its own innovations with the aim of permanently improving and extending its product portfolio. Protecting the Group's own software products from potential hacker attacks is also very important. One individual risk is allocated to research and development risk and is rated "serious" after risk abatement measures. In terms of probability of occurrence, the research and development risk is declared "possible."

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



Personnel risk

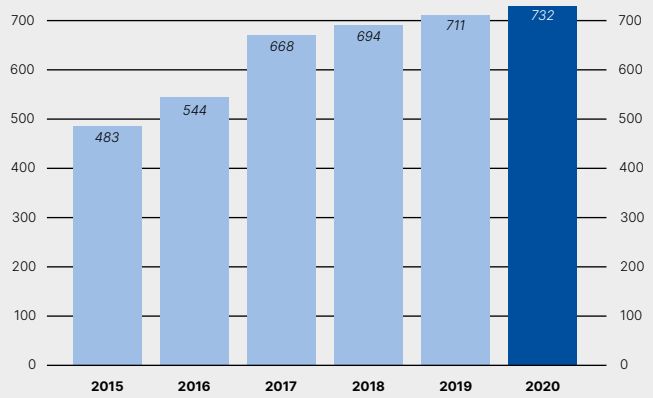
The successful implementation of the corporate strategy and the economic success of USU Software AG and its subsidiaries depend to a significant extent on the performance of its professional staff and managers. The company is therefore particularly reliant on highly qualified personnel in order to satisfy future market demands and customer requirements. The loss of management staff

or employees in key positions can be just as detrimental to the company as the failure to attract new knowledge carriers. Consequently, USU has implemented a wide range of measures 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.

A total of 11 individual risks are allocated to personnel risk. After risk abatement measures, nine personnel risks are classified as "serious," one as "medium," and one as "low." Among the personnel risks with a potential "serious" loss, seven are considered "possible" and two "unlikely," while the personnel risk with a potential "medium" loss is considered "unlikely" and the personnel risk with a potential "low" loss is considered "likely."

Development of the USU Group's workforce



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 has been expanded with an Executive Board, and shared journeys by the USU management with one means of transport are avoided wherever possible.

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

IT risk

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

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

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

IT risk consists of nine individual risks. After risk abatement measures, two of these are classified as "serious" with a probability of occurrence of "possible," while six risks are considered to have a "medium" potential loss, three of which have been declared "likely," two "possible," and one "unlikely" in terms of their probability of occurrence. Finally, the potential loss for one IT risk is classified as "low" and its probability of occurrence as "unlikely."

Financial risk

With funds of more than EUR 18 million as of December 31, 2020, 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.

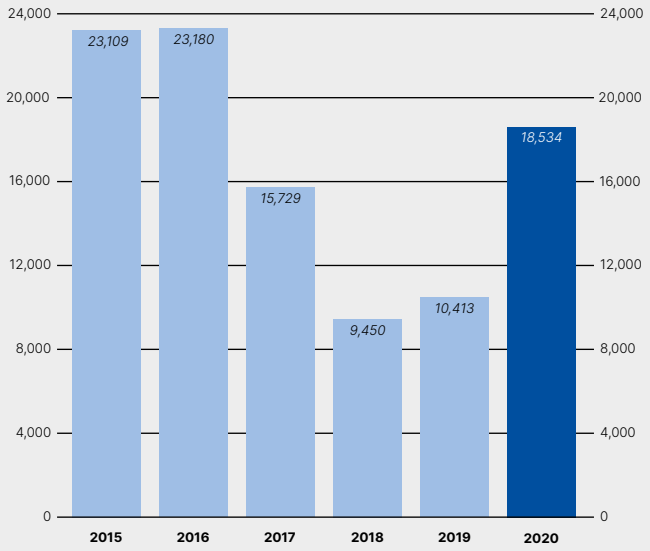
Instead of being amortized, the goodwill reported in the consolidated statement of financial position is now subject to impairment testing at least once a year in accordance with IFRS 3. Impairment testing can result in either the confirmation of the reported goodwill or in a write-down that serves to 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 2020 revealed a need to adjust the goodwill of Omega Software GmbH, although this has only negligible relevance for the Group as a whole due to Omega's small size and the fact that some of its customers have since moved to USU GmbH. In light of the expected positive operating business development of USU Software AG and the Group as a whole, the Management Board therefore does not expect any impairment losses on goodwill with an adverse effect on net profit in the following year.

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

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

Financial risk consists of 10 individual risks and is regarded overall as "posing a threat to the company as a going concern" after risk abatement measures. One individual risk is classified as "posing a threat to the company as a going concern," five as "serious," three as "medium," and one as "low." The probability of occurrence for the financial risk posing a threat to the company as a going concern is considered "possible," while two of the "serious" financial risks are considered "possible," one "unlikely," and two "almost impossible." Finally, the probability of occurrence for the low financial risk is classified as "unlikely."

Development of the USU Group's liquidity
in EUR thousand



IV. 3 Report on opportunities

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

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

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

This is based firstly on targeted growth in the Group's own activities in Europe and the US, and secondly on the global presence of the worldwide USU partner network, which is continuously being expanded. Another core element of the USU Group's growth strategy is rounding off its product portfolio with new product innovations. USU has a dedicated research unit that has already contributed a new division to the USU Group portfolio in the form of AI Services. This division, which develops and markets solutions for the future markets of big data and artificial intelligence (AI) while also advancing the development of the existing portfolio, offers huge growth opportunities in the medium term. The acquisition of additional technical and management employees and the associated expansion of the Group's workforce also represents a major opportunity to fully exploit the existing growth options. Finally, the USU Group's growth strategy also includes external growth in the form of acquisitions or equity investments in companies. Accordingly, USU ensures that it has extensive Group liquidity for future acquisitions so that it can take advantage of acquisition opportunities that arise in a timely and flexible manner.

V. ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

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

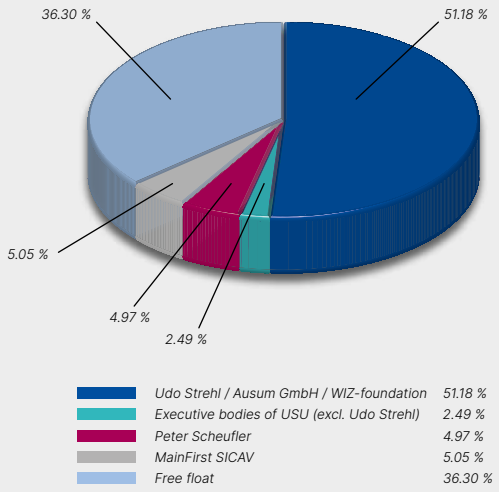
The regular training and upskilling of the employees involved in the accounting process and the timely investigation of new or amended accounting-related provisions serve to ensure that the preparation of the (consolidated) financial statements is up-to-date at all times.

VI. TAKEOVER DISCLOSURES

VI. 1 Issued capital, shares and shareholder structure

As of December 31, 2020, a total of 10,523,770 (2019: 10,523,770) no-par value bearer shares in USU Software AG had been issued, with the same number of voting rights and a notional interest in the share capital of EUR 1.00 per share. A total of 5,386,578 (2019: 5,384,013) of these are held by the main shareholder and Chairman of the Supervisory Board of the company, Udo Strehl, corresponding to 51.18% (2019: 51.16%) of the share capital. 5,000 (2019: 5,000) of these shares are held by him directly and a further 5,349,578 (2019: 5,347,013) shares are held by AUSUM GmbH, in which Udo Strehl is the majority shareholder. A further 32,000 (2019: 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. A total of 4.97% (2019: 5.32%) of the share capital of USU Software AG, or 523,289 shares (2019: 560,192), was attributable to Peter Scheufler, a former shareholder in USU Solutions GmbH, according to his voting rights notification to the company dated November 10, 2020. Another shareholder in excess of the notification threshold is MainFirst SICAV, which exceeded the 5% notification threshold on February 19, 2020, with a 5.05% share of the voting rights (2019: 4.97%) and held a total of 531,661 (2019: 522,864) shares in the company, according to a voting rights notification to the company.

Shareholder structure of USU Software AG as of December 31, 2020



VI. 2 Management Board authorizations to issue and repurchase shares

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

By way of resolution of the Annual General Meeting on March 2, 2000, the share capital of USU Software AG was further contingently increased by EUR 757 thousand through the issue of 756,911 no-par value bearer shares for the purpose of granting options to members of the Management Board and employees of the company and affiliated companies ("Contingent Capital"). By way of resolution of the Annual General Meeting on July 15, 2004, Contingent Capital was reduced to EUR 378 thousand. The Contingent Capital increase can only be exercised to the extent that the bearers of the options issued exercise their rights. There were no outstanding options as of December 31, 2020.

By way of resolution of the Annual General Meeting on June 26, 2020, the company's Management Board was also authorized to acquire treasury shares in one or more installments, subject to approval of the Supervisory Board, until June 25, 2025.

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

Statutory provisions and Articles of Association of USU Software AG

In accordance with section 84 of the Aktiengesetz (AktG – German Stock Corporation Act) and Article 8(2) of the Articles of Association of USU Software AG, the Management Board is appointed or dismissed by the Supervisory Board. In urgent cases, a member may be appointed to the Management Board by court order in accordance with section 85 AktG. However, the corresponding mandate expires as soon as the vacancy has been filled. In accordance with Article 18 of the Articles of Association, the Supervisory Board is also authorized

to approve amendments to the Articles of Association that concern their wording alone. All other amendments to the Articles of Association require a resolution by the Annual General Meeting in accordance with section 179(1) AktG. This resolution requires a majority of at least three quarters of the share capital represented in the vote in accordance with section 179(2) AktG. Resolutions by the Annual General Meeting that do not relate to the Articles of Association require a simple majority of the votes cast in accordance with section 133 AktG.

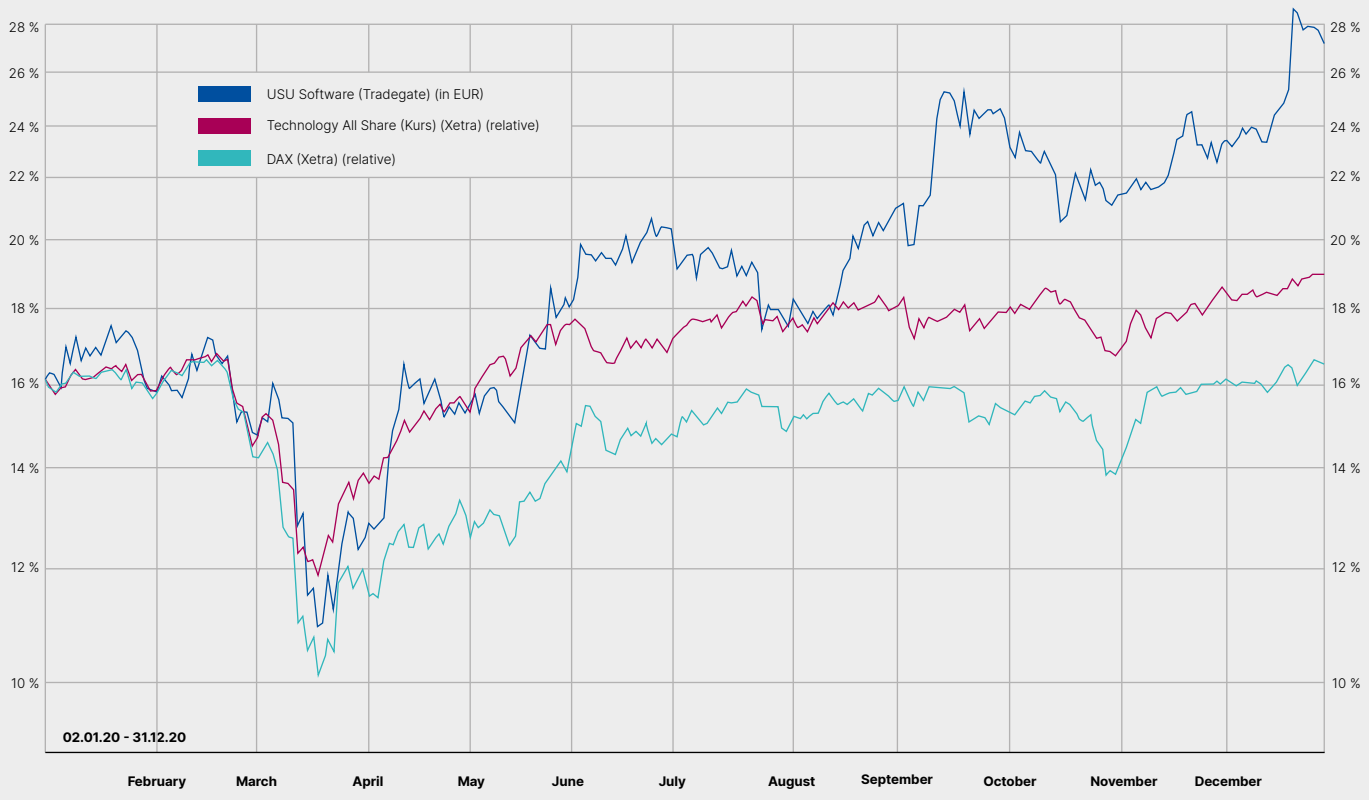
VI. 3 USU SHARES (ISIN DE000A0BVU28) (UNAUDITED)

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

VI. 4 Share price performance

After initially moving sideways at the beginning of 2020, the German stock market recorded an increasingly weak trend as a result of the emerging coronavirus pandemic and the associated effects, and saw a drastic price crash as of the end of the first quarter as a result of a nationwide lockdown. As the year progressed, however, the stock market showed a positive counter-reaction and mostly continued its upswing until the end of the year. Despite the temporary slump, the DAX gained 3.5% over the year, closing at 13,718.78 points on the electronic trading platform XETRA as of December 31, 2020 (December 31, 2019: 13,249.01 points), while the Technology All Share-Index posted a 20.8% increase in the same period to 4,479.20 points (December 31, 2019: 3,708.89 points) as a result of the growing digitalization trend. In view of the positive business development, the USU share price shot up, posting an increase of 72.2% to EUR 27.2 in the year under review (December 31, 2019: EUR 15.80).

Share price performance of USU Software AG in 2020



VII. COMPENSATION REPORT

Compensation of the Management Board

The compensation of the Management Board is specified at an appropriate level by the Supervisory Board, taking into account all compensation paid within the Group on the basis of a performance assessment for each member of the Management Board. In accordance with the regulations of the German Corporate Governance Code (Code), this includes monetary compensation components, pension commitments and other commitments. The monetary components of compensation for the Management Board are divided into fixed and variable components. The variable compensation, which consists entirely of a one-year component, is based on the achievement of targets set annually by the Supervisory Board. These are determined after the annual planning for the respective fiscal year is completed. The amount of the variable compensation actually paid depends on the extent to which the agreed quantitative and qualitative targets are met. Specifically, 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 consist of financial performance criteria in relation to the fiscal years of the medium-term planning (income target, sales growth, and dividend).

In fiscal 2020, the compensation for the Management Board of USU Software AG amounted to EUR 833.8 thousand (2019: EUR 820.5 thousand), including all compensation paid to the Management Board within the Group. Bernhard Oberschmidt, the Chairman of the Management Board of USU Software AG, is also the Managing Director of the subsidiaries Openshop Internet Software GmbH and USU Austria GmbH. In addition, this compensation includes a supplementary bonus payment for 2019 totaling EUR 75 thousand, as the payment of the one-year variable compensation in the previous year was made only on the basis of a projection and ultimately turned out to be too low based on the final figures.

in EUR thousand				
	Bernhard Oberschmidt Chairman of the Management Board		Dr. Benjamin Strehl Management Board	
	2020	2019	**2020**	2019
Fixed compensation	208.0	184.0	156.0	132.0
Fringe benefits	18.1	25.5	7.3	13.0
Total	**226.1**	**209.5**	**163.3**	**145.0**
One-year variable compensation	180.0	75.0	144.0	65.0
Long-term variable compensation	-	-	-	-
Other	45	-	30	-
Total	**451.1**	**284.5**	**337.3**	**210.0**
Pension expenses	22.7	22.4	22.7	22.5
Total compensation	**473.8**	**307.0**	**360.0**	**232.5**

Compensation of the Supervisory Board

Compensation for the Supervisory Board of USU Software AG is governed by Article 17 of the Articles of Association of the company and was last amended retroactively to March 28, 2018 at the company's Annual General Meeting on June 28, 2018. In accordance with the original provisions of the Code, total compensation for the Supervisory Board comprises a fixed and a performance-related component. Under these provisions, in addition to the reimbursement of expenses, each member of the Supervisory Board of USU Software AG receives fixed compensation of EUR 17.5 thousand for each full fiscal year of membership of the Supervisory Board. The Deputy Chairman of the Supervisory Board receives an amount of EUR 20.0 thousand, while

the Chairman of the Supervisory Board receives EUR 70.0 thousand. Members of the Supervisory Board also receive variable compensation each year that is dependent on EBITDA, as reported in either the combined management report or the Group management report, in relation to the reported consolidated sales. A premium of 10% of the fixed annual compensation is paid per year as variable compensation for each full percentage point by which EBITDA exceeds 8% of consolidated sales. This is subject to a cap on total compensation of 200% of the fixed annual compensation. EBITDA amounted to 12.5% of consolidated sales in fiscal 2020. The variable compensation of the USU Software AG Supervisory Board thus amounted to 40% of the basic fixed compensation of the individual members of the Supervisory Board. The compensation of the Supervisory Board of USU Software AG amounted to EUR 150.5 thousand in total in fiscal 2020 (2019: EUR 129 thousand).

Individual compensation of the Supervisory Board for fiscal 2020		in EUR thousand
	Fixed compensation USU Software AG	Variable compensation USU Software AG
Udo Strehl	70	28
Erwin Staudt	20	8
Gabriele Walker-Rudolf	17.5	7

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

VIII. 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 (Code) in the form of recommendations for implementation. The core objective of the Code is to promote the trust of investors, customers, employees and the general public in the management and supervision of listed German companies. The Code came into force in 2002 and was last updated in 2019.

In accordance with section 161 AktG, the Management Board and Supervisory Board of a listed company must make an annual declaration on the extent to which these recommendations have been, and will be, complied with, providing reasons for any cases of non-compliance. The Management Board and Supervisory Board of USU Software AG have made an express commitment to implementing the major recommendations of the Code and submitted the following declaration of conformity for 2020 on December 16, 2020, making it available on the company's website:

"The Management Board and Supervisory Board of USU Software AG declare that the recommendations of the Government Commission on the German Corporate Governance Code, as amended December 16, 2019, have been complied with since the last declaration of conformity dated December 12, 2019, and will continue to be complied with in the future, although the following recommendations have not been and will not be implemented:

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

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

Item A.2 of the Code recommends that the Management Board institutes appropriate measures reflecting the company's risk situation (compliance management system) and discloses the main features of those measures.

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

Items B.1 and B.5 of the Code recommend that diversity should be observed in the composition of the Management Board and an age limit specified for its members.

In addition, the Supervisory Board sets targets for the proportion of women on the Management Board in accordance with Principle 9 of the Code.

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

The Management Board grew from one to three members as of October 1, 2014. Following Bernhard Böhler's departure as a Management Board member as of December 31, 2019, the Management Board has since consisted of two male members. There are currently no plans to expand the Management Board. Based on the current Management Board contracts, no changes are envisaged at least until December 31, 2023. At its meeting on December 16, 2020, the Supervisory Board therefore set a target of 25% for the share of women in the event of an expansion of the Management Board to more than three members.

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

With regard to its composition, the Supervisory Board of USU Software AG bases its decisions on the professional and personal suitability of the persons in question, taking into account their knowledge, skills and professional experience required to properly fulfill their duties. A general age limit and a restriction on the length of membership for the Supervisory Board members of USU Software AG has not been and is not intended, as the company does not wish to deprive itself indiscriminately of the potential offered by older, experienced and renowned figures in the composition of the Supervisory Board. In addition, a specification of this type would, in the company's opinion, inappropriately limit the shareholders' right to vote at the Annual General Meeting.

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

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

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

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

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

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

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

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

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

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

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

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

Compensation was and is not envisaged for membership or chairmanship of a committee of the Supervisory Board. Based on the composition of the Supervisory Board with three experienced members who jointly assume the intended functions, the formation of Supervisory Board committees and accordingly the associated compensation has been and will continue to be dispensed with in the future.

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

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

Möglingen, December 16, 2020

Signed

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

The current declaration of conformity and the declarations for previous years are permanently available at https://www.usu.com/de-de/unternehmen/investor-relations/corporate-governance/corporate-governance-2020/.

VIII. 2 DIVERSITY CONCEPT

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

As early as 2015, the Management Board of USU Software AG resolved that diversity must be taken into account when filling management positions at all levels below the Management Board of USU Software AG and its affiliated companies, and that appropriate consideration should be given to women in this regard. In the USU Group, the share of women at the first management level below the Management Board is zero. At the second level below the Management Board, this figure is 11.9% (2019: 11.7%), which is higher than the target defined by the Management Board. The Management Board had set a target of zero for the share of women at the first management level and 10% at the second management level, to be achieved by June 30, 2020. As such, these targets were met and exceeded as planned.

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

The Management Board itself grew from one to three members as of October 1, 2014. Following Bernhard Böhler's departure as a Management Board member as of December 31, 2019, the Management Board has since 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.

The Supervisory Board consists of two male members who were reelected for another term of office in line with the Articles of Association at the Annual General Meeting on June 17, 2016, and one female member who was also elected until the end of the term of office in line with the Articles of Association at the Annual General Meeting on July 2, 2019. At its meeting on December 12, 2019, the Supervisory Board set a target of 33% for the share of women on the Supervisory Board by June 30, 2021, which is currently met, and confirmed the profile of skills and expertise for the Supervisory Board. This profile requires the members of the Supervisory Board to have the following skills in particular: (1) Several years of experience as an entrepreneur or a member of management at a medium-sized or large company and (2) several years of professional experience in national and international sales within the IT industry. These skills are fully covered by the existing Supervisory Board. The Supervisory Board believes that at least two of its three members should be independent shareholder representatives. This target is achieved with the independent members Gabriele Walker-Rudolf and Erwin Staudt.

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

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

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

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

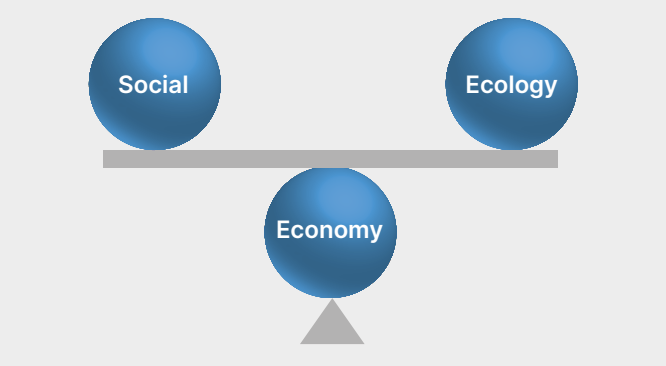
The Supervisory Board also adopts the single-entity financial statements and approves the consolidated financial statements. Detailed information on the activities of the Supervisory Board is provided annually in the report by the Chairman of the Supervisory Board to the shareholders present at the Annual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

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

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

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

The principles of sustainable action are a core element of USU's business activities. The USU Group defines sustainable action as striking the right balance between the three dimensions of sustainability – economic, ecological and social – and incorporating the interests of stakeholders into its decision-making processes. USU is aware that this is a complex process and that interdependencies cannot always be fully assessed in advance. However, USU endeavors to continuously challenge itself and develop in order to ensure that its actions make a positive contribution to its stakeholders and society. USU designs value-adding and exchange processes based on the market, the environment and society. The Management Board and the company's managers and employees accept their responsibility. Sustainability and socially and ethically aware actions have been implicitly practiced at the USU Group since its formation and are a fixed element of its corporate culture. For USU, this is a continuous improvement process that we can only achieve by maintaining a constant dialog with our stakeholders.



Social responsibility at USU Software AG has many facets and is strongly anchored in our business management and business strategy. USU does not currently have a dedicated sustainability strategy, but rather an overarching general business strategy from which all the other subareas derive. One of these sub-areas is sustainability. The overall strategy comprises the three business principles of "Company, Customers & Products," which form the basis for the company's corporate values, its commitment to sustainable action and its operational planning. The "Company" principle means that USU strives to be an attractive company for employees, investors and all those in its environment. This means dealing fairly and respectfully with stakeholders and focusing on ensuring awareness and perception of its ecological and social responsibility. This is the only way for the company to ensure its long-term success and to become more attractive to employees and investors. The "Customers" and "Products" principles also contribute to ensuring the USU Group's sustainable success. USU's actions are geared towards its customers, to whom it offers individual software solutions. This individuality and proximity to the customer 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 in 2019 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."

Mission and vision of the USU Group

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 for employees in order to reduce resource consumption by using fewer disposable bottles;
- giving employees the opportunity to use bicycles and Pedelecs leased through the company;
- special support for company cars with a good CO_2 efficiency class, especially electric vehicles;
- reducing electricity consumption, e.g. by systematically switching to LED technology or virtualizing servers.

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

The action areas identified in preparing this report are intended to help to increase awareness for key issues, record their status and document improvements. In the medium term, this will provide greater guidance for employees and customers and help to secure the company's economic success.

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 2020, which can be viewed and downloaded on the company's website at www.usu.com/en-us/sustainability.

X. 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 18, 2021

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

RESPONSIBILITY STATEMENT

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

Möglingen, March 18, 2021

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

Consolidated statement of financial position as of December 31, 2020

USU Software AG, Möglingen

Assets	Notes to the annual financial statements	31.12.2020 EUR thousand	31.12.2019 EUR thousand
Non-current assets			
Intangible assets	(8)	3,644	5,951
Goodwill	(9)	40,392	40,392
		44,036	**46,343**
Property, plant and equipment	(10)	3,464	2,222
Right-of-use assets	(11)	16,280	8,533
Financial assets	(12)	846	835
Prepaid expenses	(18)	320	309
Deferred taxes	(31)	6,977	8,786
		27,887	**20,685**
		71,923	**67,028**
Current assets			
Inventories	(13)	351	381
Work in progress	(14)	4,606	3,482
Trade receivables	(15)	16,725	20,001
Income tax receivables	(16)	179	928
Financial assets	(17)	570	430
Other assets		694	435
Prepaid expenses	(18)	1,884	1,362
Cash on hand and bank	(19)	18,534	10,413
		43,543	**37,432**
		115,466	**104,460**

Annex 1

Equity and liabilities	Notes to the annual financial statements	31.12.2020 EUR thousand	31.12.2019 EUR thousand
Equity	(20)		
Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)		10,524	10,524
Capital reserves		52,792	52,792
Other retained earnings		-1,719	-3,003
Other comprehensive income		173	-115
		61,770	**60,198**
Non-current liabilities			
Pension provisions	(21)	1,316	1,210
Lease liabilities	(22)	14,036	5,510
Deferred income	(30)	2,040	846
Deferred taxes	(31)	1,339	2,873
		18,731	**10,439**
Current liabilities			
Income tax liabilities	(23)	347	287
Financial liabilities	(24)	837	105
Lease liabilities	(22)	2,396	3,083
Personnel-related liabilities	(25)	9,538	7,408
Other provisions and liabilities	(26)	3,062	3,526
Liabilities from advance	(27)	5,057	4,967
Trade payables	(28)	4,171	4,782
Deferred income	(30)	9,557	9,665
		34,965	**33,823**
		115,466	**104,460**

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2020

Annex 2

USU Software AG, Möglingen

	Notes to the annual financial statements	2020 EUR thousand	2019 EUR thousand
Sales	(32)	107,327	95,630
Cost of sales	(33)	-50,817	-46,171
Gross profit		**56,510**	**49,459**
Selling and marketing expenses	(34)	-20,398	-18,864
General and administrative exp.	(35)	-14,299	-12,181
Research and development exp.	(36)	-15,427	-15,801
Other operating income	(37)	1,293	1,943
Other operating expenses	(38)	-658	-502
Finance income	(39)	50	104
Finance expenses	(40)	-272	-108
Profit before taxes		**6,799**	**4,050**
Income taxes	(41)	-1,315	1,223
Consolidated net earnings		**5,484**	**5,273**
Items that cannot be reclassified to profit or loss:			
Actuarial gains/losses from pension provisions		-33	-439
Deferred taxes on actuarial gains/losses		9	-83
Items that can be reclassified to profit or loss in future periods:			
Currency translation difference		321	-9
Other comprehensive income after taxes		**297**	**-531**
Total comprehensive income		**5,781**	**4,742**
Earning per share in EUR (diluted and basic)	(19)	**0,52**	**0,50**
Number of underlying shares		10,523,770	10,523,770

Consolidated statement of cash flows for fiscal 2020 Annex 4

USU Software AG, Möglingen

	Notes to the annual financial statements	2020 EUR thousand	2019 EUR thousand
Consolidated net profit		5,484	5,273
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets		3,479	3,506
+ Depreciation/amortization of right-of-use assets IFRS 16 leases		2,877	2,360
+/- Other non-cash expenses/income		360	-19
-/+ Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities		1,239	598
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities		3,069	1,147
- Payment for the transfer of a pension provision		0	-2,500
+ Payments from insurance covering a pension provision		0	1,729
+/- Interest expenses/income		222	4
-/+ Income taxes paid		-223	-1,328
-/+ Interest paid/received		-86	-29
+/- Income tax expenses/income		1,315	-1,223
Net cash from operating activities	(43)	**17,736**	**9,518**
- Purchase of intangible assets		-42	-573
+ Proceeds from disposals of property, plant and equipment		7	37
- Purchase of property, plant and equipment		-2,407	-1,280
Net cash used in investing activities	(44)	**-2,442**	**-1,816**
- Dividends paid to shareholders		-4,209	-4,209
- Repayment of purchase price liabilities in connection with the acquisition of subsidiaries		0	-244
- Reductions of lease liabilities in line with IFRS 16		-2,840	-2,318
Net cash used in financing activities	(45)	**-7,049**	**-6,771**
Change in cash and cash equivalents		8,245	931
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement		-124	32
+ Cash and cash equivalents at the start of the period		10,413	9,450
Cash and cash equivalents at the end of the period	(46)	**18,534**	**10,413**
Cash and cash equivalents			
Cash and cash equivalents		18,534	10,413

Consolidated statement of changes in equity for fiscal 2020

USU Software AG, Möglingen

	Issued capital	
	Number	EUR thousand
Consolidated equity as of December 31, 2018	**10,523,770**	**10,524**
Consolidated net earnings	0	0
Reclassification to other retained earnings	0	0
Other comprehensive income after taxes	0	0
Total comprehensive income	**0**	**0**
Dividend payment	0	0
Consolidated equity as of December 31, 2019	**10,523,770**	**10,524**
Consolidated net earnings	0	0
Other comprehensive income after taxes	0	0
Total comprehensive income	**0**	**0**
Dividend payment	0	0
Consolidated equity as of December 31, 2020	**10,523,770**	**10,524**

Annex 5

	Capital reserves EUR thousand	Other retained earnings EUR thousand	Other comprehensive income		Equity EUR thousand
			Pension plans EUR thousand	Currency translation EUR thousand	
	52,792	**-3,453**	**-208**	**10**	**59,665**
	0	5,273	0	0	5,273
	0	-531	531	0	0
	0	-83	-439	-9	-531
	0	**4,659**	**92**	**-9**	**4,742**
	0	-4,209	0	0	-4,209
	52,792	**-3,003**	**-116**	**1**	**60,198**
	0	5,484	0	0	5,484
	0	9	-33	321	297
	0	**5,493**	**-33**	**321**	**5,781**
	0	-4,209	0	0	-4,209
	52,792	**-1,719**	**-149**	**322**	**61,770**

Note to the Consolidated Financial Statements for Fiscal 2020

USU Software AG, Möglingen

A. THE COMPANY

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

The Group includes subsidiaries Germany, Czechia, France, Austria and the US. 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 consolidated financial statements have been prepared in the functional currency of the parent company (euro). All figures in the consolidated financial statements are rounded to thousands of euro (EUR thousand) except for figures pertaining to shares. The reporting date is December 31, 2020.

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 18, 2021. It is anticipated that the Supervisory Board will adopt the consolidated financial statements prepared by the Management Board at its meeting on March 19, 2021 and approve their publication.

The annual financial statements of USU Software AG in accordance with HGB for the year ended December 31, 2020 and these consolidated financial statements have been submitted to the electronic Bundesanzeiger (electronic German Federal Gazette) and published on the Company's website.

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

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

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

- Amendments to References to the Conceptual Framework in the IFRS Standards
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 3 Definition of a Business

- Amendments to IFRS 9, IAS 39, and IFRS 7: Interest Rate Benchmark Reform (Phase I)
- Amendments to IFRS 16: Covid-19-Related Rent Concessions

The amended standards do not have any 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, 2021.

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	Title	IASB Effective date
Amend. to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR-Reform (Phase II)	Jan. 1, 2021
Amend. to IFRS 3	References to the Conceptual Framework in the IFRS Standards	Jan. 1, 2022
Amend. to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022
Amend. to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022
IFRS 1, IFRS 9, IFRS 16, IAS 41	Improvements to IFRSs: 2018-2020 Cycle	Jan. 1, 2022
IFRS 17	Insurance Contracts	Jan. 1, 2023

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. Consolidation principles

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

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

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

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

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).

All intragroup revenue, intercompany profits, income and expenses, receivables and liabilities, provisions and contingent liabilities are eliminated. In the consolidation processes impacting profit and loss, income tax effects are taken into account and deferred taxes are deducted.

4. Consolidated group

The Group comprises USU Software AG and nine German and international subsidiaries that are all wholly owned.

In addition to the parent, the following companies 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.

Consolidated group Name and domicile of the company	Equity as of Dec. 31, 2020 EUR thousand	Net profit/loss for 2020 EUR thousand
USU GmbH, Möglingen [1]	30,368	8,972
USU Solutions GmbH (renamed from LeuTek GmbH on January 27, 2021), Leinfelden-Echterdingen [1]	1,380	2,447
Omega Software GmbH, Obersulm [1]	970	-166
USU Software s. r. o., Brno, Czech Republic [2]	1,124	221
USU Austria GmbH, Vienna, Austria [2])	-792	-65
Openshop Internet Software GmbH, Möglingen [1]	-667	-1
USU Technologies GmbH (renamed from Aspera GmbH on February 4, 2021), Aachen [1]	300	2,632
USU Solutions Inc. (renamed from Aspera Technologies Inc. on January 19, 2021), Boston, USA	-3,864	-197
USU SAS, Paris	-2,161	-114

[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*

5. Currency and currency translation

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.

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 statement of changes in equity.

Currency translation differences arising from the elimination of intragroup balances are recognized in profit or loss under other operating income or expenses.

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

Currency (EUR 1 equivalent to)	Closing rate Dec. 31, 2020	Closing rate Dec. 31, 2019	Average rate 2020	Average rate 2019
Swiss franc (CHF)	1.0802	1.0854	1.0708	1.1124
Czech koruna (CZK)	26.242	25.408	26.316	25.641
US dollar (USD)	1.2271	1.1234	1.1422	1.1195

Currency translation differences recognized in profit or loss in the past fiscal year amounted to EUR 607 thousand (2019: EUR 192 thousand).

6. Use of significant estimates and assumptions

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

In particular, areas requiring significant estimates include the recognition of revenue over time (see notes 7.6 and 7.17), determining the probable economic life of intangible assets (notes 7.1 and 8), and with rights of use in lease contracts, particularly in the case of extension options, the decision not to capitalize software development costs (note 7.19), bad debt allowances (note 15), contingent liabilities, pension provisions (notes 7.10, 7.15 and 21), other provisions (notes 7.11 and 26) and estimates of the recoverability of future tax benefits in the form of the recognition of deferred taxes on tax loss carryforwards (note 31).

In addition, significant estimates and assumptions are required to determine the fair values of property, plant and equipment and intangible assets and of purchase price liabilities (earn-out), particularly as part of purchase price allocation in the event of business acquisitions and for goodwill impairment testing.

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 three years. Assumptions are made about the future development of revenue and costs. In the event that the actual amounts differ from the significant assumptions made, this may lead to the recognition of goodwill impairment in profit or loss in the future (note 9).

7. General accounting policies

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

7.1 Intangible assets and goodwill

Acquired intangible assets and goodwill are recognized at cost when acquired in accordance with IAS 38. The amount by which the acquisition cost of the merger 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 straight-line basis over their expected economic life of between three and thirteen years. Intangible assets with an indefinite useful life – including goodwill as well as trademarks and brands – are not amortized but instead are tested for impairment at least once a year in accordance with IAS 36. "Amortization of intangible assets capitalized as a result of business combinations and goodwill" is reported under the cost components of the function of expense method.

Sales and marketing expenses amounted to EUR 1,838 thousand (2019: EUR 981 thousand), research and development expenses to EUR 303 thousand (2019: EUR 1,109 thousand), the cost of sales to EUR 73 thousand (2019: EUR 73 thousand) and general and administrative expenses to EUR 9 thousand (2019: EUR 9 thousand).

7.2 Property, plant and equipment

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

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

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 the respective asset is no longer recoverable.

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.

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

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

As cash flows in the USU Group are planned and distinguished between at the level of the subsidiaries USU GmbH, USU Solutions GmbH, USU Technologies GmbH, and USU SAS (with the exception of Omega Software GmbH and USU Solutions Inc.), the CGUs are defined as USU GmbH together with Omega Software GmbH for the Product Business segment and USU AG for the Service Business segment, and the subsidiaries USU Solutions GmbH and USU Technologies GmbH together with USU Solutions Inc. and USU SAS, all of which are fully allocated to Product Business. Information on the differences between Product Business and Service Business can be found in the notes on segment reporting in section F.

In accordance with IAS 36.A17 (a), the cost of capital of the cash-generating units is calculated as the weighted average cost of capital (WACC). The calculation of the weighted cost of capital includes the cost of equity, composed of a risk-free basic interest rate and a risk premium (market risk premium multiplied by a beta factor based on a peer group analysis), and the cost of debt, which is equal to the average cost of debt for peer group companies. The cost of equity and debt is weighted using the average capital structure of peer group companies. The pre-tax cost of debt ranges from 1.54% to 5.17%. A market risk premium of 7% is applied. The unindebted beta factor ranges from 0.865% to 0.869%.

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

CGU	WACC	
	2020	2019
USU Product Business	5.75%	6.21%
USU Service Business	5.75%	6.21%
USU Technologies	5.75%	6.21%
USU Solutions	5.75%	6.21%
USU SAS	6.52%	7.45%

In the annual impairment tests, there were no impairment requirements (2019: EUR 791 thousand).

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 2021 to 2024). Working capital is forecast depending on the development of revenue.Capital expenditure is assumed to correspond to depreciation and amortization, meaning that measurement is based directly on EBIT. A growth factor of 0.1% is assumed for the terminal value.

7.4 Financial instruments

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. 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 expected credit loss for the full remaining term.

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

Besides bank balances, the Group has recognized only trade receivables and contract assets as financial assets. 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. 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.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss on derecognition and as a result of amortization. The Group has no financial liabilities measured at fair value through profit or loss.

7.5 Inventories

Inventories are individually carried at the lower of cost or net realizable value determined by reference to prices on the respective sales market.Inventories mainly relate to software licenses from third-party providers and IT hardware.

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

7.6 Contract balances

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

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

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

7.7 Deferred taxes

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

Deferred 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.

Write-downs are recognized on deferred tax assets when the tax benefit is more likely to be lost that used.

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

7.8 Treasury shares

Treasury shares are carried at their fair value on the acquisition date plus any incidental costs of acquisition and are deducted from equity. In accordance with the authorization of the Annual General Meeting, treasury shares can be used as acquisition currency and withdrawn. USU Software AG did not hold any treasury shares as of December 31, 2019 or December 31, 2020.

7.9 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.

7.10 Pension provisions

The actuarial valuation of the pension provisions recognized is based on the projected unit credit method for pension commitments as prescribed by IAS 19. This procedure takes into account the pension commitment at the end of the reporting period and expected future increases in pension commitments that do not take the form of one-time payments. The calculation is based on actuarial reports including biometric calculations. Actuarial gains and losses, for example from the adjustment of the discount rate, are offset against other comprehensive income in accordance with IAS 19.122. 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.

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 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.

The practical expedient for short-term leases of less than twelve months is used. Low-value leases with a total value below EUR 5,000 are not recognized in the statement of financial position. The lease payments resulting from these contracts are recognized over the term of the lease as other operating expenses.

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

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

The 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 and 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 straight-line basis.

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

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

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

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

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

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 (2020: EUR 15,428 thousand, 2019: EUR 15,801 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 920 thousand (2019: EUR 1,269 thousand), trademarks and brands of EUR 531 thousand (2019: EUR 2,011 thousand) and software of EUR 2,193 thousand (2019: EUR 2,580 thousand).

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

Software of EUR 2,193 thousand includes inventories of EUR 1,660 thousand (2019: EUR 1,922 thousand) attributable to the USU SAS cash-generating unit. The estimated remaining useful life is six years.

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

CGU	2020 EUR thousand	2019 EUR thousand
USU GmbH/Omega (Product Business)	446	445
USU GmbH (Service Business)	85	85
USU Solutions (Product Business)	0	829
USU Technologies (Product Business)	0	652
	531	**2,011**

In the context of the "One USU" strategic project launched in the year under review, as a result of which the Group will trade under the uniform "USU" brand names in future, impairment losses of EUR 1,481 thousand (2019: EUR 0 thousand) were recognized on trademarks and brands. The impairment was recognized in profit or loss under sales and marketing expenses.

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

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

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

9. Goodwill

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

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

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

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

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

Planning is based on the following growth rates for revenue:

	2021	2022	2023	2024
USU GmbH/Omega (Product Business)	13.68%	15.85%	12.57%	12.86%
USU GmbH (Service Business)	-5.75%	7.55%	7.57%	8.29%
USU Solutions (Product Business)	6.27%	7.46%	6.48%	5.67%
USU Technologies (Product Business)	11.77%	15.01%	15.51%	16.76%
USU SAS (Product Business)	4.59%	16.83%	12.14%	16.98%

Based on its medium-term planning, the Group's management has forecast a terminal value based on assumed annual growth of 0.1% (2019: 0.1%).

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

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

CGU	2020 EUR thousand	2019 EUR thousand
USU GmbH/Omega (Product Business)	14,233	14,233
USU GmbH (Service Business)	4,019	4,019
USU Solutions (Product Business)	10,448	10,448
USU Technologies (Product Business)	7,773	7,773
USU SAS (Product Business)	3,919	3,919
	40,392	**40,392**

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

The changes in goodwill for each reporting unit in fiscal 2019 and fiscal 2020 are shown in the following table.

EUR thousand	Product Business	Service Business	Group
As of January 1, 2019	37,163	4,019	41,183
Impairment on USU SAS in line with impairment test	-791	0	-791
As of December 31, 2019	36,372	4,019	40,392
Change in 2020	0	0	0
As of December 31, 2020	**36,372**	**4,019**	**40,392**

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

Additional goodwill in impairment at	Increase in capitalization rate of 1 percentage point	Increase in capitalization rate of 1.5 percentage point
USU GmbH/Omega (Product Business)	0	0
USU GmbH (Service Business)	0	0
USU Solutions (Product Business)	0	0
USU Technologies (Product Business)	0	0
USU SAS (Product Business)	1	294

With regard to the calculation of the recoverable amounts for the CGUs, an increase in the capitalization rate of 1 or 1.5 percentage points would result in the carrying amounts exceeding the recoverable amounts only at the USU SAS CGU.

A reduction in forecast revenue of 10% p.a. with unchanged EBIT would not result in impairment at any of the CGUs.

10. Property, plant and equipment

Depreciation of property, plant and equipment amounted to EUR 1,128 thousand in fiscal 2020 (2019: EUR 1,190 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.

As of December 31, 2020, the rights of use break down as follows:

	2020 EUR thousand	2019 EUR thousand
Right-of-use assets		
Land and buildings	15,041	7,070
Software	0	297
Other equipment, operating and office equipment	1,239	1,166
	16,280	**8,533**

In the fiscal year, there were additions of rights of use amounting to EUR 11,484 thousand.

Breakdown by class:	2020 EUR thousand	2019 EUR thousand
Addition of rights of use		
Land and buildings	10,642	5,097
Software	0	313
Other equipment, operating and office equipment	842	858
	11,484	**6,268**

The following amounts were recognized for leases in the consolidated statement of profit and loss:

	2020 EUR thousand	2019 EUR thousand
Depreciation on rights of use		
Land and buildings	1,754	1,567
Software	297	278
Other equipment, operating and office equipment	826	515
	2,877	**2,360**

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 780 thousand (2019: EUR 756 thousand).

13. Inventories

Inventories in the amount of EUR 351 thousand (2019: EUR 381 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. Unbilled work in progress (contract assets)

The following table provides an overview of total unbilled services and the associated billings as of December 31, 2020 and December 31, 2019:

	2020 EUR thousand	2019 EUR thousand
Contract costs plus unbilled contract earnings	7,613	5,960
of which from service contracts	5,187	4,617
of which from construction contracts	2,426	1,343
less amounts received from progress billings	-4,056	-3,438
Deferred tax assets (net)	**3,557**	**2,522**
of which: unbilled work in progress	4,606	3,482
of which: liabilities from advance payments	-1,049	-960

No impairment was required on contract assets in the past fiscal year or the previous year. Revenue of EUR 4,395 thousand was recognized from contract liabilities carried as liabilities in the previous year (2019: EUR 4,597 thousand).

15. Trade receivables

Trade receivables are typically non-interest-bearing and short-term in nature. This item is broken down as follows:

	2020 EUR thousand	2019 EUR thousand
Trade receivables	17,172	20,337
Impairment as of January 1	-335	-250
Amounts utilized in the fiscal year	0	55
Charge for the year	0	-140
Reversals	-113	0
Impairment as of December 31	-448	-335
	16,724	**20,001**

As of December 31, 2020, trade receivables with a nominal value of EUR 1,167 thousand were impaired (2019: EUR 938 thousand). Of this figure, EUR 624 thousand was up to 90 days past due, EUR 376 thousand was more than 90 days past due and EUR 167 thousand was more than 360 days past due.

Receivables are classified in past due categories with each receivable being assessed individually. Write-downs on receivables take place in line with the 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.

16. Income tax receivables

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

17. Financial assets

Financial assets include receivables in connection with research funds of EUR 332 thousand and rent deposits of EUR 5 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:

	2020 EUR thousand	2019 EUR thousand
Fixed-term overnight money	8,543	and 5,852
Demand deposits	9,975	4,543
Cash on hand	16	18
	18,534	**10,413**

20. Equity

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

20.1 Share capital and shares

As in the previous year, the fully paid up issued capital of the Company totaled EUR 10,524 thousand as of December 31, 2020. This amount is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

20.2 Authorized capital

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

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' pre-emption rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares does not exceed 10% – either on the date on which this 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 already traded on the stock exchange at the time of the final determination of the issue price within the meaning of section 203(1) and (2) and section 186(3) sentence 4 of the Aktiengesetz (AktG – German Stock Corporation Act). The upper limit of 10% of the share capital is reduced by the pro rata amount of the share capital attributable to new or repurchased shares issued or sold during the term of the Authorized Capital 2017 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG, and by the pro rata amount of the share capital that relates to option and/or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2017 in analogous application of section 186 (3) sentence 4 AktG.

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

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

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

20.3 Contingent capital

By way of resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The sole purpose of the contingent capital increase is to grant options to members of the Management Board and employees of the Company, and to members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2020.

20.4 Capital reserves

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

20.5 Retained earnings

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

20.6 Earnings per share

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

	2020	2019
Consolidated earnings attributable to the shareholders of USU Software AG: in EUR thousand	5,484	5,273
Average number of shares during the year: Number	10,523,770	10,523,770
Basic and diluted earnings per share: in EUR	0.52	0.50

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

	2020 Shares	2019 Shares
Number of shares as of January 1	10,523,770	10,523,770
Number of shares as of December 31	10,523,770	10,523,770

20.7 Appropriation of net profit

The resolution on the utilization of USU Software AG's unappropriated surplus in fiscal 2019 was adopted at the Annual General Meeting on June 26, 2020. The Annual General Meeting approved the proposal of the Management Board and Supervisory Board to distribute a dividend of EUR 0.40 for the 10,523,770 participating shares (EUR 4,209 thousand).

For fiscal 2020, the Management Board is proposing to distribute a dividend of EUR 0.40 per share for a total of 10,523,770 no-par value shares (EUR 4,209 thousand) from the unappropriated surplus of USU Software AG as of December 31, 2020.

21. Pension provisions

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

The pension provisions of USU Solutions have been calculated using the projected unit credit method in accordance with IAS 19. The future obligations were measured using actuarial calculations. The calculations were based on the 2018 G Heubeck mortality tables, assuming a discount rate of 0.75% (2019: 1.05%). In the case of the pension plan, it is also assumed that subsequent contributions will rise by 1.6% (previous year: 2%) after pension payments begin. As pension obligations to employees are one-time payments, a pension trend of 0% is applied. In the case of pension commitments to employees, the same fluctuation probabilities as in the previous year were used for each individual based on their age. In the case of the pension plan, a fluctuation rate of 0% was used (2019: 0%). The average annual return on plan assets is expected to be 0.75% (2019: 1.05%). Management bases its calculations on historical income trends and market forecasts by analysts.

The pension provisions of USU SAS were calculated using the INSEE 2012-2014 mortality tables and an interest rate of 0.34% (2019: 0.79%). A fluctuation rate of 10% (2019: 10%) was assumed.

Actuarial gains and losses are recognized in equity. The measurement date for the pension obligation was December 31, 2020.

As of December 31, 2020, the Company recognized actuarial gains netted against actuarial losses of EUR 235 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:

	2020 EUR thousand	2019 EUR thousand
Present value of benefit obligation at the start of the fiscal year	1,521	4,136
Current service cost	63	49
Interest cost	15	63
Actuarial gains/losses in other comprehensive income from		
- demographic assumptions	0	0
- financial assumptions	33	635
- experience adjustments	3	-7
Transfer of pension obligations	0	-3,352
Present value of benefit obligation at the end of the fiscal year	**1,636**	**1,521**

Development of the plan asset:

	2020 EUR thousand	2019 EUR thousand
Fair value of plan assets at the start of the year under review	312	1,825
Income from plan assets (interest income)	8	30
Payments to/from plan assets	0	-1,729
Amortization of plan assets	0	0
Actuarial gains/losses in other comprehensive income	0	185
Fair value of plan assets at the end of the year under review	**320**	**312**

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

	2020 EUR thousand	2019 EUR thousand
Present value of pension obligation	1,636	1,521
Fair value of plan assets	320	312
Obligation reported in the statement of financial position	**1,316**	**1,210**

There were no significant adjustments to the pension obligation or the plan assets to reflect past experience. Employer contributions to plan assets for fiscal 2021 are estimated at EUR 8 thousand.

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

	2020 EUR thousand	2019 EUR thousand
Current service cost	-63	-49
Interest cost	-15	-63
Income from plan assets (interest income)	8	30
Amortization of plan assets	0	0
	-70	**-82**

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

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

December 31, 2020 Effect in EUR thousand	Increase in defined benefit obligation EUR thousand	Reduction in defined benefi obligation EUR thousand
Discount rate (0.5% change)	59	-55

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 8 years as of December 31, 2020.

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 December 31	Expected payments EUR thousand
2021 – 2025	217
2026 – 2030	677

A pension commitment has been entered into for the Management Board members of the Group subsidiary USU GmbH. This pension commitment is covered by an insurance policy. This defined contribution plan does not result in any liability for the Group beyond the premiums payable to the insurer. Pension expenses under defined contribution plans totaled EUR 28 thousand in the year under review (2019: EUR 42 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 3,261 thousand (2019: EUR 3,023 thousand), EUR 17 thousand of which related to Management Board members (2019: EUR 25 thousand).

22. Lease liabilities

As of the end of the reporting period, there were non-current lease liabilities of EUR 14,036 thousand (2019: EUR 5,510 thousand) and current lease liabilities of EUR 2,396 thousand (2019: EUR 3,083 thousand) with a remaining term of up to one year.

EUR thousand	< 1 year	1 year to 5 years	> 5 years	Total
Contractual future lease payments (undiscounted)	2,496	6,275	8,267	17,038

Concluded leases whose inception is after December 31, 2020, and any contract extensions are recognized only

as of the date of contract inception or when the option is exercised. Due to extension options, future cash outflows of EUR 4,061 thousand may arise. From short-term and low-value leases, a cash outflow of EUR 313 thousand is still anticipated for the 2021 fiscal year.

Total lease payments in 2020 amounted to EUR 2,840 thousand.

23. Income tax liabilities

Income tax liabilities of EUR 347 thousand (2019: EUR 287 thousand) result primarily from corporation tax and the solidarity surcharge of EUR 150 thousand (2019: EUR 172 thousand) and from trade tax for USU Software AG of EUR 196 thousand (2019: EUR 107 thousand).

24. Financial liabilities

The current financial liabilities recognized as of December 31, 2020, consist of liabilities to banks owed by USU Solutions Inc., USA, of EUR 733 thousand and by USU SAS of EUR 104 thousand.

25. Personnel-related liabilities

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

	2020 EUR thousand	2019 EUR thousand
Vacation and variable compensation	8,013	6,046
Other personnel-related liabilities	1,525	1,362
	9,538	**7,408**

	As of 01.01.2020 EUR thousand	Utilization EUR thousand	Reversals EUR thousand	Additions EUR thousand	As of 31.12.2020 EUR thousand
Vacation and variable compensation	6,046	4,617	6	6,590	8,013
	6,046	**4,617**	**6**	**6,590**	**8,013**

26. Other provisions and liabilities

Other provisions and liabilities include the following items:

	2020 EUR thousand	2019 EUR thousand
Other liabilities	2,206	2,699
Other provisions	856	827
	3,062	**3,526**

	As of 01.01.2020 EUR thousand	Utilization EUR thousand	Reversals EUR thousand	Additions EUR thousand	As of 31.12.2020 EUR thousand
Other provisions	827	562	9	600	856
	827	**562**	**9**	**600**	**856**

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

27. Liabilities from advances received (contract liabilities)

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

28. Trade payables

All trade payables are due within one year.The figure for the year under review includes liabilities for outstanding invoices received in the amount of EUR 1,076 thousand (2019: EUR 890 thousand).

29. Additional disclosures on financial instruments

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

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

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

in EUR thousand as of December 31, 2020	IFRS 9 category/ IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort. cost [1]	4,171	4,171	0	0	4,171
Liabilities from advance payments	Amort. cost IFRS 15	5,057	5,057	0	0	5,057
Liabilities from leases	Amort. cost IFRS 16	16,432	16,432	0	0	16,432
Aggregated by class/category						
Measured at amortized cost	Amort. cost IFRS 15+16	25,660	25,660	0	0	25,660

1) Amort cost: Amortized cost

in EUR thousand as of December 31, 2019	IFRS 9 category/ IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Work in process	IFRS 15	3,482	3,482	0	0	3,482
Trade receivables	Amort. cost	20,001	20,001	0	0	20,001
Financial assets (current)	Amort. cost	430	430	0	0	430
Cash on hand and bank	Amort. cost	10,413	10,413	0	0	10,413
Aggregated by class/category						
Loans and receivables	Amort. cost	30,844	30,844	0	0	30,844
Work in progress	IFRS 15	3,482	3,482	0	0	3,482

in EUR thousand as of December 31, 2019	IFRS 9 category/ IFRS 7-class	Carrying amount	Measurement in accordance with IFRS 9			Fair value
			Amortized cost	Fair Value through other comprehensive income	Fair Value recognized in profit or loss	
Financial liabilities						
Trade payables	Amort. cost	4,782	4,782	0	0	4,782
Liabilities from advance payments	Amort. cost IFRS 15	4,967	4,967	0	0	4,967
Liabilities from leases	Amort. cost IFRS 16	8,593	8,593	0	0	8,593
Aggregated by class/category						
Measured at amortized cost	Amort. cost IFRS 15+16	18,342	18,342	0	0	18,342

Cash on hand and bank balances, unbilled work in progress, trade receivables and other receivables typically have short remaining terms. Their carrying amounts as of the end of the reporting period therefore approximately match their fair value. The same applies to trade payables and other liabilities.

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

in EUR thousand		from subsequent valuation						net profit/loss	
	from interest	at fair Value	Impairment	reversal of impairment	accumulation	from currancy translation	**from disposals**	2020	2019
Net gains or losses from financial instruments categorized as									
Amortized cost	9	0	0	23	0	-157	1	-124	128
Financial liabilities at amortized cost	86	0	0	0	0	0	0	86	20
Total	**95**	**0**	**0**	**23**	**0**	**-157**	**1**	**-38**	**148**

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:

	2020 EUR thousand	2019 EUR thousand
Impairment recognized in the category		
Amortized cost	102	85

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 2021 to 2025, 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:

	2020 EUR thousand	2019 EUR thousand	Change recognized in profit or loss 2020 EUR thousand	Change taken directly to equity 2020 EUR thousand
Deferred tax assets:				
Liabilities IFRS 16	4,639	2,450	2,188	
Provisions	182	173	0	9
Prepaid expenses	0	0	0	
Intangible assets	207	386	-179	
Property, plant and equipment	0	8	-8	
Other assets	315	76	240	
From loss carryforwards	6,977	8,786	-1,809	
Deferred tax assets (gross)	**12,320**	**11,879**	**433**	**9**
Less netting	-5,343	-3,093		
Deferred tax assets (net)	**6,977**	**8,786**		
Deferred tax liabilities:				
Undistributed profits	337	337	0	
Provisions	0	0	0	
Intangible assets	994	2,720	1,728	
Right-of-use assets IFRS 16	4,593	2,433	-2,160	
Work in progress	647	401	-246	
Other	112	75	-37	
Deferred tax liabilities (gross)	**6,682**	**5,966**	**-716**	**0**
Less netting	-5,343	-3,093		
Deferred tax liabilities (net)	**1,339**	**2,873**	**-282**	
Deferred tax assets (net)	**5,638**	**5,913**	**-282**	**9**
After netting:				
Deferred tax assets	6,977	8,786		
Deferred tax liabilities	1,339	2,873		

As of December 31, 2020, deferred tax assets on tax loss carryforwards in Germany of approximately EUR 1,433 thousand (2019: EUR 1,433 thousand) were not recognized as corresponding taxable income is not expected to be generated in the near future. For the same reason, deferred tax assets were not recognized on foreign tax loss carryforwards totaling approximately EUR 9,128 thousand (2019: approximately EUR 8,945 thousand). Tax loss carryforwards for German income tax can be carried forward indefinitely, although there are restrictions on the amount which can be used to offset taxable income in a given year.

D. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

32. Sales

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

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

	2020 EUR thousand	2019 EUR thousand
Consulting	60,175	49,905
Licenses	12,927	15,005
Maintenance	32,491	28,739
Other	1,734	1,981
	107,327	**95,630**

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

	2020 EUR thousand	2019 EUR thousand
Transfer of goods or services		
At a specific date	66,320	57,033
Over a specific period	41,007	38,597
	107,327	**95,630**

EUR 32,491 thousand (2019: EUR 28,739 thousand) of sales recognized over a specific period is attributable to maintenance and SaaS sales.

33. Cost of sales

The cost of sales includes the following expenses:

	2020 EUR thousand	2019 EUR thousand
Personnel expenses	25,391	23,603
Fees for freelance staff and temporary workers	17,857	13,617
Depreciation and amortization	1,707	1,800
Other expenses	5,862	7,151
	50,817	**46,171**

34. Selling and marketing expenses

Selling and marketing expenses include the following expenses:

	2020 EUR thousand	2019 EUR thousand
Personnel expenses	12,865	12,249
Depreciation and amortization	2,321	1,467
Other expenses	5,212	5,148
	20,398	**18,864**

35. General and administrative expenses

General and administrative expenses include the following expenses:

	2020 EUR thousand	2019 EUR thousand
Personnel expenses	9,266	7,542
Depreciation and amortization	1,322	838
Other expenses	3,711	3,801
	14,299	**12,181**

36. Research and development expenses

Research and development expenses include the following expenses:

	2020 EUR thousand	2019 EUR thousand
Personnel expenses	12,570	12,008
Depreciation and amortization	1,005	1,761
Other expenses	1,852	2,032
	15,427	**15,801**

37. Other operating income

This item essentially includes research funds in the form of government grants of EUR 858 thousand (2019: EUR 659 thousand), income from the reversal of provisions of EUR 30 thousand (2019: EUR 136 thousand) and income from currency translation differences of EUR 143 thousand (2019: EUR 222 thousand).

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. According to the Management Board, there are no unfulfilled conditions or other contingencies.

38. Other operating expenses

This item includes the VAT from non-cash benefits amounting to EUR 158 thousand (2019: EUR 158 thousand). It also includes expenses resulting from exchange rate differences of EUR 244 thousand (2019: EUR 67 thousand).

Other operating expenses include expenses in connection with short-term leases of EUR 207 thousand (2019: EUR 500 thousand) and expenses for leases for low-value assets that are not included in short-term leases of EUR 106 thousand (2019: EUR 18 thousand).

39. Finance income

Financial income includes the following items:

	2020 EUR thousand	2019 EUR thousand
Interest income	22	0
Income from currency differences in bank balances	5	80
Other	23	24
Finance income	**50**	**104**

40. Finance expenses

Financial costs include the following expenses:

	2020 EUR thousand	2019 EUR thousand
Cost of currency differences in bank balances	162	42
Other	110	66
Finance expenses	**272**	**108**

Other finance expenses include interest expenses for lease liabilities of EUR 86 thousand (2019: EUR 20 thousand).

41. Income taxes

Income taxes are composed as follows:

	2020 EUR thousand	2019 EUR thousand
Income taxes for the fiscal year	-1,054	-1,017
Income taxes for previous years	21	10
Deferred taxes	-282	2,230
Tax expenditure (-)/ tax income (+)	**-1,315**	**1,223**

In fiscal 2020, 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:

	2020 EUR thousand	2019 EUR thousand
Profit before income taxes	6,799	4,050
Theoretical tax expense (28.6%) (2019: 28.6%)	-1,945	-1,158
Changes in the theoretical tax expense due to:		
Use of tax loss carryforwards/use of loss carryforwards not previously capitalized	814	2,738
Allowance/ non-recognition of deferred tax assets	-32	-579
Tax back payments/ refunds for prior periods	22	10
Tax-exempt income/ non-deductible expenses	-117	197
Deviation of tax rates from the Group's tax rate	-57	15
Tax expenditure (-)/ tax income (+)	**-1,315**	**1,223**

42. Other disclosures on the statement of profit or loss

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

	2020	2019
Consulting and services	313	313
Research and development	206	201
Administration and finance	102	97
Sales and marketing	108	94
	729	**705**

Staff costs break down as follows:

	2020 EUR thousand	2019 EUR thousand
Salaries	50,610	46,557
Social security, pensions and other benefit costs	9,482	8,846
	60,092	**55,403**

Depreciation and amortization expense can be broken down as follows:

	2020 EUR thousand	2019 EUR thousand
Amortization of intangible assets	869	1,525
Depreciation of property, plant and equipment	1,126	1,190
Amortization on rights of use IFRS 16	2,876	2,360
Goodwill impairment	0	791
Amortization of trade-marks and brands	1,480	0
	6,351	**5,866**

Amortization of intangible assets includes the amortization of intangible assets recognized in connection with company acquisitions of EUR 742 thousand (2019: EUR 1,381 thousand).

E. NOTES TO THE STATEMENT OF CASH FLOWS

The 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 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 statement of cash flows correspond to the item "Cash on hand and bank balances" in the statement of financial position (see note 46). Investments in securities are made more with a view to generating a profit than for liquidity purposes, and are therefore not included in cash and cash equivalents.

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

43. Net cash from operating activities

The USU Group generated net cash from operating activities of EUR 17,736 thousand in fiscal 2020 (2019: EUR 9,518 thousand).

44. Net cash used in investing activities

Net cash used in investing activities totaled EUR -2,442 thousand in the 2020 reporting year after EUR -1,816 thousand in fiscal 2019.

Investments in property, plant and equipment and intangible assets totaled EUR 2,449 thousand (2019: EUR 1,853 thousand) and essentially relate to cash outflows for new and replacement investments in hardware and software and for investments in operating equipment.

45. Net cash used in financing activities

Negative net cash used in financing activities of EUR 7,049 thousand in the period under review related to the dividend distribution to USU Software AG shareholders in fiscal 2020 of EUR 4,209 thousand (EUR 0.40 per share for a total of 10,523,770 no-par value shares). Lease liabilities of EUR 2,840 thousand were paid.

46. Cash and cash equivalents

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

	2020 EUR thousand	2019 EUR thousand
Fixed-term deposits and overnight money with a term of less than 3 months	8,543	5,852
Demand deposits	9,975	4,543
Cash on hand	16	18
	18,534	**10,413**

F. SEGMENT REPORTING

IFRS 8 requires the disclosure of information on the Group's business segments in accordance with the management approach. It also states that the reporting segments must be the same as those used for internal reporting.

USU operates in two business segments: Product Business and Service Business.

The product range of the **Product Business** segment includes those activities relating to USU's product portfolio in the markets for business service management and knowledge solutions. This includes products and services for areas such as:

- infrastructure management (efficient administration of IT assets, contracts and software licenses);
- service/change management (compliance with and formalization of IT service processes including procurement, support and maintenance);
- finance management (transparency, planning and budgeting in addition to charging of IT costs and services based on their origin);
- process management (monitoring, visualization and controlling of all systems and processes required for IT operation); and
- knowledge management for the optimization of knowledge-intensive business processes.

The **Service Business** segment comprises consulting services for IT projects and individual application development. The service portfolio covers a wide range of technical topics that are implemented using dedicated methods and proven process models. These include selected specialist areas, the 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, amortization of intangible assets capitalized as a result of business combinations, 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	79,775	74,349	27,393	21,075	107,168	95,424	159	206	107,327	95,630
Earnings befor net financial income and income tax (EBIT)	12,223	8,149	3,371	1,083	15,594	9,232	-8,573	-5,179	7,021	4,054
Finance income	27	23	1	0	28	23	22	80	50	104
Finance expenses	-34	-20	-1	0	-35	-20	-237	-87	-272	-108
Income taxes	-305	-300	-49	-47	-354	-347	-961	1,570	-1,315	1,223
Consolidated net earnings	**11,911**	**7,852**	**3,321**	**1,036**	**15,232**	**8,888**	**-9,748**	**-3,616**	**5,484**	**5,273**
Segment assets/ Group assets	78,557	73,110	17,904	13,769	96,461	86,879	19,005	17,581	115,466	104,460
of which goodwill	36,373	36,373	4,019	4,019	40,392	40,392	0	0	40,392	40,392
Segment liabilities/ Group liabilities	40,249	33,195	8,819	4,798	49,068	37,993	4,628	6,268	53,696	44,261
Segment investments	1,540	1,329	550	439	2,090	1,768	360	85	2,450	1,853
Depreciation and amortization	4,267	4,061	1,154	1,296	5,421	5,357	934	509	6,355	5,075
Goodwill impairment	0	791	0	0	0	791	0	0	0	791
Employees at the reporting date (Dec, 31)	520	507	110	105	630	612	102	99	732	711

There was no intersegment revenue in fiscal 2020 or the previous year.

In fiscal 2020, EUR 78,771 thousand (2019: EUR 69,168 thousand) or 73.39% (2019: 72.33%) of consolidated revenue was generated in Germany. Revenue generated outside Germany amounted to EUR 28,557 thousand (2019: EUR 26,462 thousand) or 26.61% of total revenue (2019: 27.67%). International revenue was generated primarily in the USA with EUR 12,465 thousand (2019: EUR 12,021 thousand), Switzerland EUR 4,497 thousand (2019: EUR 5,371 thousand), France EUR 3,240 thousand (2019: EUR 3,285 thousand) and Austria EUR 2,496 thousand (2019: EUR 1,788 thousand). The geographic allocation of revenue is based on the country in which the respective customer is domiciled.

The Group has no transactions with external individual customers accounting for more than 10% of its revenue.

Investments outside Germany account for 8% 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:

	2020 EUR thousand	2019 EUR thousand
Segment assets	**96,461**	**86,879**
Unallocated assets		
Cash on hand and bank	8,928	5,737
Right-of-use assets IFRS 16	1,205	439
Financial assets	455	455
Deferred taxes	6,977	8,786
Income tax receivables	122	878
Other assets	1,318	1,286
	19,005	**17,581**
Group assets	**115,466**	**104,460**

	2020 EUR thousand	2019 EUR thousand
Segment liabilities	49,068	37,993
Unallocated liabilities		
Financial liabilities	1,071	264
Lease liability IFRS 16 Non-current	182	214
Deferred taxes	734	2,873
Other income tax liabilities	287	219
Other liabilities	2,354	2,698
	4,628	6,268
Group liabilities	53,696	44,261

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 2020, 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 for costs of EUR 5 thousand (2019: EUR 16 thousand) in fiscal 2020. In return, in 2020 USU GmbH invoiced AUSUM for pro rata vehicle costs of EUR 8 thousand (2019: EUR 7 thousand).

As of December 31, 2020 there were open items of EUR 4 thousand.

USU Software AG leased the Spitalhof administrative building and, since August 2020, the USU Campus in Möglingen from AUSUM GmbH. The total monthly rent currently amounts to EUR 51 thousand (2019: EUR 21 thousand) plus ancillary costs. In the past fiscal year, USU Software AG was invoiced EUR 462 thousand (2019: EUR 255 thousand) for the rental of the buildings and parking spaces.

As of December 31, 2020, there were open items of EUR -477 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 on a contract-by-contract basis. The expenses for these consulting contracts with Ms. Weiler-Strehl amounted to EUR 32 thousand in fiscal 2020 (2019: EUR 35 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 10 thousand (2019: EUR 10 thousand) was paid for this office.

As of December 31, 2020, 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 63 thousand (2019: EUR 0 thousand) were awarded to Lysant in the year under review. Incoming orders from Lysant amounted to EUR 0 thousand (2019: EUR 43 thousand).

As of December 31, 2020, there were no open items.

47.4 Loans to shareholders

There were no claims under loan agreements as of December 31, 2020.

47.5 Compensation of senior management and the Supervisory Board

The management of the Group's business is the responsibility of the members of the Management Board of USU Software AG and USU GmbH:

Bernhard Oberschmidt (Chief Executive Officer)
Dr. Benjamin Strehl (Executive Vice President)

The compensation paid to the members of the Management Board totaled EUR 834 thousand in fiscal 2020 (2019: EUR 820 thousand).

Fixed remuneration:
EUR 381 thousand (2019: EUR 501 thousand)

Variable remuneration:
EUR 400 thousand (2019: EUR 228 thousand)

Non-cash benefit from the private use of company cars:
EUR 25 thousand (2019: EUR 49 thousand)

Defined contribution pension costs:
EUR 28 thousand (2019: EUR 42 thousand)

The total compensation paid to the Supervisory Board in fiscal 2020 was EUR 151 thousand (2019: EUR 129 thousand). Details of the compensation paid to the Supervisory Board are described in the management report of the Company and the Group in the "Compensation report."

48. Auditor's fees

a) Audits of financial statements (separate and consolidated financial statements)
EUR 135 thousand (2019: EUR 145 thousand)

b) Other services
EUR 8 thousand (2019: EUR 7 thousand)

In addition to auditing activities, miscellaneous services were provided for the parent company and the subsidiaries that it controls. These entailed attestation services in connection with the preparation of USU Software AG's quarterly financial statements in 2020.

49. Other disclosures

Contingent liabilities

There were no reportable contingent liabilities as of December 31, 2019 or December 31, 2020.

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 litigation, claims for damages, or court proceedings, including product liability issues and commercial disputes. The outcome of currently pending or future litigation cannot be predicted with reasonable assurance, hence future court decisions may result in expenses that are not fully covered by the insurance in place and that could have a material impact on the Company's business, financial position, and operating results. In the opinion of the Company and its legal counsel as of December 31, 2020 and December 31, 2019, no decisions that could have a material impact effect on the net assets and results of operations of the Group are expected from the litigation that is currently pending.

There were no other significant reportable events prior to the approval of the consolidated financial statements by the Management Board.

51. Executive bodies

51.1 Management Board

In fiscal 2020, 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 834 thousand. Details can be found in the "Compensation report" in the management report of the Company and the Group.

51.2 Supervisory Board

In the 2020 fiscal year, 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 Administrative Council of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

Gabriele Walker-Rudolf,
Partner of Drees & Sommer SE, Stuttgart

The total compensation paid to the active members of the Supervisory Board in the past fiscal year was EUR 151 thousand. Details can be found in the "Compensation report" in the management report of the Company and the Group.

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 Credit risk

The Group is exposed to credit risk in conjunction with its cash funds and trade receivables.

Cash funds 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 creditworthiness 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 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.

52.2 Liquidity risk

The cash funds required by the Group in order to meet its financial obligations are largely covered by its ongoing operations. The Group also has credit facilities to cover any liquidity bottlenecks.

Further information in this regard can be found in the disclosures on lease liabilities (note 22).

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, 2020 had been 1% higher (lower), net profit and equity would each have been EUR 156 thousand (December 31, 2019: EUR 108 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.

6. Additional disclosures on capital

USU Software AG is not subject to any minimum capital requirements, either externally or in accordance with its Articles of Association. The company pursues the goal of ensuring a high level of equity financing, using this financial flexibility to achieve its growth targets.

Customers also demand a high equity ratio and extensive liquidity in order to guarantee their investments.

Equity and total assets were as follows as of December 31, 2020 and December 31, 2019:

	2020 EUR thousand	2019 EUR thousand	Change
Non-current liabilities	18,731	10,439	79.4 %
Current liabilities	34,965	33,823	3.4 %
Total liabilities	**53,696**	**44,262**	**21.3 %**
Equity	**61,770**	**60,198**	**2.6 %**
Total liabilities and equity	**115,466**	**104,460**	**10.5 %**
Equity ratio	53.5 %	57.6 %	

As in the previous year, the Company has no net financial liabilities as its cash funds 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 2020:

- USU GmbH, Möglingen
- USU Technologies GmbH (until January 27, 2021: Aspera GmbH), Aachen
- USU Solutions GmbH (until February 4, 2021: LeuTek GmbH), Leinfelden-Echterdingen
- Omega Software GmbH, Obersulm
- Openshop Internet Software GmbH, Möglingen

I. SECURITIES TRANSACTIONS BY MEMBERS OF EXECUTIVE BODIES

The following table should be read in conjunction with the disclosures published in the interim financial statements of USU Software AG on the securities held by members of the Company's executive bodies. As of December 31, 2019, members of the Company's executive bodies held shares in USU Software AG, Möglingen, as follows:

Shareholdings subject to mandatory disclosure	2020 Shares	2019 Shares
Management Board		
Bernhard Oberschmidt	162,518	162,518
Bernhard Böhler (Management Board member until December 31, 2019)	0	167,572
Dr. Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl *)	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	0	0

**) An additional 5,349,578 voting rights in USU Software AG (2019: 5,347,013) are allocated to Mr. Udo Strehl through AUSUM GmbH as the majority shareholder of that company in accordance with section 34(1) sentence 1 no. 1 of the new version of Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).*

A further 32,000 (2019: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 34(1) sentence 1 no. 1 WpHG (new version).

On July 29, 2020, AUSUM GmbH, whose majority shareholder is the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, purchased 2,565 shares in USU Software AG on the Stuttgart Stock Exchange. 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 4,209 thousand (EUR 0.40 per share).

K. DECLARATION OF CONFORMITY

On December 16, 2020, the Management Board and the Supervisory Board of USU Software AG issued the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu.com. Further information on the declaration of conformity can be found in the report on the situation of the Company and the Group in these consolidated financial statements.

Möglingen, March 18, 2021

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 2020

USU Software AG, Möglingen

	Acquisition/production cost				
	As of 1.1.2020 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2020 EUR thousand
Intangible assets					
Purchased software/ orders on hand	10,216	-1	42	61	10,196
Trademarks and brands	2,532	0	0	0	2,532
Maintenance agreements/ beneficial contracts	3,621	0	0	0	3,621
Customer base	9,669	0	0	0	9,669
	26,038	**-1**	**42**	**61**	**26,018**
Goodwill	**64,101**	**0**	**0**	**0**	**64,101**
Property, plant and equipment					
Land and buildings	430	-17	300	2	711
Other equipment, operating and office equipment	6,236	-35	2,107	392	7,916
	6,666	**-52**	**2,407**	**394**	**8,627**
Right-of-use assets					
Software	575	0	0	0	575
Land and buildings	8,637	-27	10,642	1,659	17,593
Other equipment, operating and office equipment	1,681	0	842	331	2,192
	10,893	**-27**	**11,484**	**1,990**	**20,360**
	107,698	**-80**	**13,933**	**2,445**	**119,106**

Annex 3A

	Cumulative depreciation and amortization					Carrying amounts	
	As of 1.1.2020 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2020 EUR thousand	As of 31.12.2020 EUR thousand	As of 31.12.2019 EUR thousand
	7,636	-2	430	61	8,003	2,193	2,580
	521	0	1,480	0	2,001	531	2,011
	3,530	0	91	0	3,621	0	91
	8,400	0	349	0	8,749	920	1,269
	20,087	**-2**	**2,350**	**61**	**22,374**	**3,644**	**5,951**
	23,709	**0**	**0**	**0**	**23,709**	**40,392**	**40,392**
	118	-11	114	2	219	492	312
	4,326	-27	1,014	369	4,944	2,972	1,910
	4,444	**-38**	**1,128**	**371**	**5,163**	**3,464**	**2,222**
	278	0	297	0	575	0	297
	1,567	-19	1,754	750	2,552	15,041	7,070
	515	0	826	388	953	1,239	1,166
	2,360	**-19**	**2,877**	**1,138**	**4,080**	**16,280**	**8,533**
	50,600	**-59**	**6,355**	**1,570**	**55,326**	**63,780**	**57,098**

Consolidated statement of changes in fixed assets for fiscal 2019

USU Software AG, Möglingen

	Acquisition/production cost				
	As of 1.1.2019 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2019 EUR thousand
Intangible assets					
Purchased software/ orders on hand	9,643	0	573	0	10,216
Trademarks and brands	2,532	0	0	0	2,532
Maintenance agreements/ beneficial contracts	3,621	0	0	0	3,621
Customer base	9,669	0	0	0	9,669
	25,465	**0**	**573**	**0**	**26,038**
Goodwill	**64,101**	**0**	**0**	**0**	**64,101**
Property, plant and equipment					
Land and buildings	186	-1	315	70	430
Other equipment, operating and office equipment	5,766	13	965	508	6,236
	5,952	**12**	**1,280**	**578**	**6,666**
Right-of-use assets					
Software	262	0	313	0	575
Land and buildings	3,540	0	5,097	0	8,637
Other equipment, operating and office equipment	823	0	858	0	1,681
	4,625	**0**	**6,268**	**0**	**10,893**
	100,143	**12**	**8,121**	**578**	**107,698**

Annex 3B

	Cumulative depreciation and amortization					Carrying amounts	
	As of 1.1.2019 EUR thousand	Currency adjustment EUR thousand	Additions EUR thousand	Disposals EUR thousand	As of 31.12.2019 EUR thousand	As of 31.12.2019 EUR thousand	As of 31.12.2018 EUR thousand
	7,103	0	533	0	7,636	2,580	2,540
	521	0	0	0	521	2,011	2,011
	3,439	0	91	0	3,530	91	182
	7,499	0	901	0	8,400	1,269	2,170
	18,562	**0**	**1,525**	**0**	**20,087**	**5,951**	**6,903**
	22,918	**0**	**791**	**0**	**23,709**	**40,392**	**41,183**
	67	0	121	70	118	312	119
	3,728	9	1,069	480	4,326	1,910	2,038
	3,795	**9**	**1,190**	**550**	**4,444**	**2,222**	**2,157**
	0	0	278	0	278	297	262
	0	0	1,567	0	1,567	7,070	3,540
	0	0	515	0	515	1,166	823
	0	**0**	**2,360**	**0**	**2,360**	**8,533**	**4,625**
	45,275	**9**	**5,866**	**550**	**50,600**	**57,098**	**54,868**

Independent Auditor's Report

The independent auditor's report reproduced below also includes a "Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB ["Handelsgesetzbuch": German Commercial Code]" (hereinafter referred to as the "ESEF Report"). The audited subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

To USU Software AG, Möglingen

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of **USU Software AG, Möglingen,** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the financial year from 1 January to 31 December 2020. In accordance with German law, we did not audit the content of the non-financial statement (of the Group) contained in Section IX. of the combined management report and the declaration on Corporate Governance contained in Section VIII. of the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. 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 software licenses, consulting services and maintenance services

Re 1: Impairment testing of goodwill

a) The risk for the financial reporting

Goodwill of EUR 40.4 million is carried in the consolidated financial statements of USU Software AG (hereinafter referred to as USU) under the line item "Goodwill". This corresponds to 35% of the Group's total assets. Goodwill is subject to an impairment test as at 30 September of each respective financial year.

The valuation was performed using the discounted cash flow method. The findings of the impairment test are highly dependent on the estimates made by the executive directors of future cash flows, the operating margins and the discount rate applied and are therefore subject to substantial uncertainty. A valuation report was commissioned from an independent expert for this purpose. In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

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

We verified that the future cash flows used in the valuations are appropriate by comparing them to the latest budgets derived from the four-year planning drawn up by the executive directors and approved by the Supervisory Board and reconciling them with the general market expectations.

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 financial year 2020. Where any significant deviations were identified we discussed these with the executive directors in terms of their relevance for the financial statements of the reporting year.

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 also placed a focus of our audit on the parameters used to determine the discount rate and 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 out the sphere of influence of the Company, we also performed sensitivity analyses of the cash generating units with low or no coverage (carrying amount compared to net present value) and found that the goodwill carried in the books is suitably covered by discounted future cash surpluses and has been suitably discounted.

Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

Re 2: Revenue recognition from software licenses, consulting services and maintenance services

a) The risk for the financial reporting

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. The revenue from consulting services is realized upon the service

being rendered. The revenue attributable to maintenance services is spread over the term of the service contract on a straight-line basis.

The Group offers combinations of its services to its customers, either within the framework of one single contract (combination contract, license and maintenance) or in a number of separate contracts (a bundle of license, maintenance and consulting).

To the extent that the bundle of contracts or the combination contract does not constitute a combination of contracts for the purpose of IFRS 15, the Group recognizes the revenue arising from the bundle or the combination contracts at the fair value of the individual components of the contract. The individual prices are determined on the basis of the price that would be asked for if the good or service was sold separately.

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

In 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. Expenses for subsequent modifications by the customer are considered in cost in excess of billings provided their realization is more likely than not and their amount can be reliably estimated.

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

The disclosures of the Company regarding revenue recognition are contained in Sections 7.17 and 32 of the notes to the consolidated financial statements.

Due to the various types of revenue recognition for software licenses, consulting services and maintenance services, special focus was placed on revenue recognition within the framework of our audit.

b) Auditor's response and conclusions

We assessed the accounting policies applied by USU for the recognition of revenue against the requirements of the IFRS Framework and the relevant IFRSs. To test the revenue generated in the financial year, we obtained an understanding of the transactions from the underlying contractual agreements and other associated documents and from explanations provided by the employees in the accounting department and/or sales department of USU. In addition, we obtained confirmations of the balances from the respective customers to verify the receivables carried by USU on the reporting date and assessed whether USU had properly identified all the separate units of account and measured the transaction price for such units of account on the basis of their relative fair values. Likewise, we assessed whether the accounting principles applying to each separate unit of account for the recognition of revenue were properly applied 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 sales of software licenses, consulting services and maintenance were suitable in financial year 2020 to allow proper presentation in the consolidated financial statements. It was possible to unambiguously determine which

accounting policies should be applied to the recognition of revenue arising from the software agreements entered into in financial year 2020 that we reviewed.

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

- The non-financial statement (of the Group) included in Section IX. of the combined management report
- The declaration on corporate governance included in Section VIII. of the combined management report
- The report of the Supervisory Board
- The remaining parts of the annual report, with the exception of the consolidated financial statements, the audited components of the combined management report and our auditor's report
- The confirmation pursuant to Sec. 297 (2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Sec. 315 (1) sentence 5 HGB regarding the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors a nd 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 Section VIII. of the combined management report. In all other respects, the executive directors are responsible for the other information.

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

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

- is materially inconsistent with the consolidated financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

The executive directors are responsible for the preparation of the consolidated, financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German 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.

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

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report 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.

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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

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

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of

the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and Combined management Report Prepared for Disclosure Purposes in Accordance with Sec. 317 (3b) HGB

Audit Opinion

In accordance with Sec. 317 (3b) HGB, we have performed a reasonable assurance review to determine whether the reproductions of the consolidated financial statements and the combined management report contained in the attached file „usu_187525.zip" (hereinafter also referred to as "ESEF documents") and prepared for disclosure purposes comply in all material respects with the electronic reporting format requirements of Sec. 328 (1) HGB ("ESEF format"). In accordance with German legal requirements, this audit 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 not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Sec. 328 (1) HGB. Other than this opinion and our opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 included in the "Independent Auditor's Report on the Audit of the Consolidated Financial Statements and Combined Management Report" above, we do not express any opinion on the information included in these reproductions or on any of the other information included in the above mentioned file.

Basis for the Audit Opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned attached file in accordance with Sec. 317 (3b) HGB and in compliance with the exposure draft of IDW EPS 410. Our responsibility is described in more detail in the section "Auditor's Responsibility for the Audit of ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of IDW QS 1.

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

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB and for tagging the consolidated financial statements in accordance with Sec. 328 (1) sentence 4 No. 2 HGB.

Furthermore, the executive directors of the Company are responsible for such internal control as they determine necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Sec. 328 (1) HGB.

The executive directors of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents within the framework of the accounting process.

Auditor's Responsibilities for the Audit of the ESEF documents

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

- Identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of Sec. 328 (1) HGB, 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 opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 this system of controls.

- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applying on the reporting date regarding the technical specification for this file.

- Assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited consolidated financial statements and the audited combined management report.

- Assess whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 26 June 2020. We were engaged by the Supervisory Board on 14 October 2020. We have been the group auditor of USU Software AG, Möglingen, without interruption since 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).

German Public Auditor Responsible for the Engagement

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

Stuttgart, 18 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs	Katrin Wolfrum
German Public Auditor	German Public Auditor

Statement of Financial Position as of December 31, 2020

USU Software AG, Möglingen

A S S E T S	As of 31.12.2020 EUR	As of 31.12.2019 EUR
A. Fixed assets		
I. Intangible assets Internally generated industrial and similar rights	124,993.62	95,694.95
II. Property, plant and equipment		
1, Land and buildings, including buildings on third-party land	281,889.88	0.00
2. Other equipment, operating and office equipment	811,363.99	25,010.94
	1,093,253.87	**25,010.94**
III. Financial assets		
Shares in affiliated companies	48,105,035.61	48,649,994.58
B. Current assets		
I. Inventories		
Work in progress	28.13	1,107.48
II. Receivables and other assets		
1. Trade receivables	124,782.56	211,820.68
2. Receivables from affiliated companies	18,445,103.54	16,736,666.46
3. Other assets	733,852.19	964,677.94
	19,303,738.29	**17,913,165.08**
III. Cash and cash equivalents	3,953,546.48	452,096.96
C. Deferred income	**609,327.03**	**183,487.09**
	73,189,923.03	**67,320,557.08**

EQUITY AND LIABILITIES	As of 31.12.2020 EUR	As of 31.12.2019 EUR
A. Equity		
I. Issued capital (Contingent capital EUR 378 thousand; previous year: EUR 378 thousand)	10,523,770.00	10,523,770.00
II. Capital reserves	13,644,662.64	13,644,662.64
III. Unappropriated surplus	11,293,187.11	8,139,749.51
	35,461,619.75	**32,308,182.15**
B. Provisions		
1. Tax provisions	286,620.00	218,000.00
2. Other provisions	1,489,455.55	978,326.73
	1,776,075.55	**1,196,326.73**
C. Liabilities		
1. Trade payables	755,179.48	223,752.97
2. Liabilities to affiliated companies	34,994,703.61	33,470,353.42
3. Other liabilities	89,523.24	68,726.86
	35,839,406.33	**33,762,833.25**
D. Deferred income	**112,821.40**	**53,214.95**
	73,189,923.03	**67,320,557.08**

Statement of Profit and Loss for the Period from January 1 to December 31, 2020

USU Software AG, Möglingen

	2020 EUR	2019 EUR
1. Sales	4,925,671.96	4,890,702.95
2. Decrease (previous year: increase) in work in progress	-1,079.35	1,107.48
3. Other operating income	2,678,868.85	2,736,361.88
	7,603,461.46	**7,628,172.31**
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	175,756.35	250,906.58
b) Cost of purchased services	36,787.63	146,886.58
	212,543.98	**397,793.16**
5. Personnel expenses		
a) Wages and salaries	4,049,654.41	3,675,883.61
b) Social security, post-employment and other employee benefit costs (of which in respect of old age pensions: EUR 3 thousand; previous year: EUR 2 thousand)	591,008.78	489,698.27
	4,640,663.19	**4,165,581.88**
6. Depreciation and amortization		
a) of intangible assets	94,964.37	16,931.34
b) of property, plant and equipment	0.00	1,000,000.00
7. Other operating expenses	7,264,671.48	6,582,910.75
	-4,609,381.56	**-4,535,044.82**
8. Income from profit transfer agreements	14,050,536.64	12,645,946.72
9. Income from loans from financial assets	0,00	25,567.44
10. Other interest and similar income	89,523.17	63,398.45
11. Depreciation on financial assets	544,958.97	750,000.00
12. Expenses from loss assumption	167,087.38	503.78
13. Interest and similar expenses	484,042.90	443,876.19
14. Income taxes	972,283.70	941,348.55
	11,971,686.86	**10,599,184.09**
15. Earnings after taxes	**7,362,305.30**	**6,064,139.27**
16. Other refunded taxes	-640.30	-1,364.85
17. Net profit	**7,362,945.60**	**6,065,504.12**
18. Profit carried forward from the previous year	3,930,241.51	2,074,245.39
19. Unappropriated surplus	**11,293,187.11**	**8,139,749.51**

Notes to the Annual Financial Statements for Fiscal 2020

USU Software AG, Möglingen

A. GENERAL NOTES

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 systematic depreciation and impairments.

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 three and fifteen years.

With regard to financial assets, shares in affiliated companies are carried at the lower of cost or market. Write-downs are recognized for permanent impairment.

If the value of items of fixed assets calculated in accordance with the above principles exceeds the fair value of these assets at the reporting date, corresponding write-downs are recognized. If the reasons for a write-down no longer apply in a subsequent fiscal year, the write-down is reversed in the amount of the increase in value, taking into account the amortization and depreciation that would have been recognized in the meantime.

Work in progress is recognized at production cost taking into account the principle of loss-free valuation. Production cost comprises the working hours accrued and individually documented, which are measured as direct costs plus proportionate overheads. The option of including administration overheads was not exercised. Interest for borrowings is not taken into account when calculating production cost. Purchased services are measured at acquisition cost.

Receivables and other assets are carried at their nominal value. Identifiable individual risks are taken into account by recognizing appropriate valuation allowances.

Other provisions take into account all uncertain liabilities and expected losses from onerous contracts. They are recognized in the amount dictated by prudent business judgment. Provisions with remaining terms of more than a year are measured at present value and discounted at an interest rate in line with the terms of the provisions. Cost increases which are expected to have a future impact until the obligation has been fulfilled are taken into account if there is sufficient objective evidence of their occurrence.

Provisions for variable components of remuneration for employees, including the USU Software AG Management Board, are based on the Management Board's individual opinion regarding the respective level of target achievement, taking into account the contractually agreed targets.

Liabilities are carried at their settlement amount.

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 12/31/2020: approximately 30.2%).

Deferred tax assets are offset against deferred tax liabilities. USU Software AG has a remaining surplus of deferred tax assets after offsetting. The Company has not exercised the option of utilizing deferred tax assets (Section 274 (1) sentence 2 HGB).

C. NOTES ON 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.

Impairment losses of EUR 545 thousand were recognized for the interest in Omega Software GmbH reported under financial assets. In the previous year, impairment losses of EUR 750 thousand were recognized for the interest in USU SAS reported under financial assets.

2. Receivables and other assets

Receivables from affiliated companies are attributable to profit transfers from subsidiaries of EUR 14,051 thousand (2019: EUR 12,646 thousand) and a short-term loan of EUR 5,379 thousand (2019: EUR 4,005 thousand); the remaining amount relates to services.

As in the previous year, all receivables and other assets have a remaining term of less than one year.

Other assets include input tax receivables of EUR 11 thousand (2019: EUR 9 thousand) that are deductible in the following year.

3. Issued capital

The share capital of the Company reported as issued capital is divided into 10,523,770 no-par value bearer shares each with a notional interest in the share capital of EUR 1.00.

Authorized capital

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

The Management Board is also authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights if the capital increase is made against cash contributions and the total amount of the share capital attributable to the new shares with shareholders' subscription rights 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 2017 with shareholders' pre-emption rights disapplied pursuant to or in line with section 186 (3) sentence 4 AktG, and by the pro rata amount of the share capital that relates to option and/or conversion rights/obligations from bonds that were issued during the term of the Authorized Capital 2017 in analogous application of section 186 (3) sentence 4 AktG.

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

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

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

Contingent capital

By way of resolution of the Annual General Meetings in 2000 and 2004, the Company's share capital was contingently increased to EUR 378 thousand through the issue of no-par value bearer shares. The contingent capital increase may be used only for granting options to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies. There were no outstanding options as of December 31, 2020.

4. Other provisions

Other provisions primarily comprise provisions for bonus payments (EUR 766 thousand), for outstanding invoices (EUR 177 thousand), for the annual financial statements (EUR 97 thousand), for vacation not yet taken (EUR 125 thousand) and for Supervisory Board compensation (EUR 150 thousand).

5. Liabilities

	Total		Due within 1 year		Due within 1 – 5 years	
Type of liabilities	Dec. 31, 2020 EUR thousand	Dec. 31, 2019 EUR thousand	Dec. 31, 2020 EUR thousand	Dec. 31, 2019 EUR thousand	Dec. 31, 2020 EUR thousand	Dec. 31, 2019 EUR thousand
Trade payable	755	224	755	224	0	0
Liabilties to affiliated companys	34,995	33,470	5,064	7,278	29,931	26,192
Other liabilities	90	69	90	69	0	0
(of which from taxes)	(90)	(69)	(90)	(69)	(0)	(0)
	35,840	**33,763**	**5,909**	**7,571**	**29,931**	**26,192**

Liabilities to affiliated companies primarily relate to loan liabilities (EUR 34,261 thousand, 2019: EUR 32,234 thousand) and are secured in the amount of EUR 34,261 thousand (2019: EUR 32,234 thousand) by a global assignment of receivables. An amount of EUR 568 thousand (2019: EUR 1,235 thousand) relates to trade payables and EUR 166 thousand (2019: EUR 0 thousand) to loss assumption. As of the reporting date there were no liabilities with a remaining term exceeding five years.

D. NOTES ON THE INCOME STATEMENT

1. Sales

	2020 EUR thousand	2019 EUR thousand
Consulting	144	219
Licenses	420	441
Maintenance	31	31
Other	4,331	4,200
	4,926	**4,891**

In the year under review, sales of EUR 4,832 thousand (2019: EUR 4,781 thousand) were generated in Germany and sales of EUR 94 thousand (2019: EUR 110 thousand) were generated abroad.

2. Other operating income

Other operating income of EUR 2,679 thousand (2019: EUR 2,736 thousand) primarily relates to services for Group companies of EUR 1,924 thousand (2019: EUR 2,039 thousand) and research funds of EUR 661 thousand (2019: EUR 457 thousand).

Other operating income includes prior-period income of EUR 5 thousand (2019: EUR 126 thousand).

3. Other operating expenses

This item includes expenses from currency translation of EUR 1 thousand (2019: EUR 1 thousand).

4. Income from profit transfer agreements/expenses from loss absorption

The Company entered into a profit transfer agreement with Openshop Internet Software GmbH on March 2, 2000. Profit transfer agreements were entered into with Omega Software GmbH on May 19, 2005, with LeuTek GmbH on December 29, 2006 and with Aspera GmbH on May 31, 2012. They were adjusted slightly in 2014 in view of tax-related requirements. Under these agreements, the participating companies are required to transfer all of their profits to USU Software AG during the contractual term. Transfers to distributable reserves are permitted only with the approval of USU Software AG. In exchange, USU Software AG undertakes to offset every net loss incurred during the contractual term that cannot be offset by way of withdrawals from distributable reserves recognized during the same period.

There is a profit and loss transfer agreement dated May 6, 2019 with USU GmbH.

Accordingly, the profit generated by USU GmbH, LeuTek GmbH, and Aspera GmbH in the 2020 fiscal year was transferred to USU Software AG in line with the profit and loss transfer agreement concluded. The loss reported by Omega Software GmbH and Openshop Internet Software GmbH in 2020 was offset by USU Software AG.

EUR 14,051 thousand (2019: EUR 12,646 thousand) of income from profit transfer agreements relates to affiliated companies.

Expenses from loss assumption of EUR 167 thousand (2019: EUR 1 thousand) relate to affiliated companies.

5. Net finance

EUR 79 thousand (2019: EUR 62 thousand) of other interest and similar income relates to affiliated companies.

EUR 483 thousand (2019: EUR 442 thousand) of interest and similar expenses relates to affiliated companies.

6. Income taxes

Income taxes included prior-period expenses of EUR 16 thousand (2019: EUR 35 thousand) and prior-period income of EUR 38 thousand (2019: EUR 44 thousand).

7. Other taxes

Other taxes include prior-period income of EUR 1 thousand (2019: EUR 2 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, 2020 EUR thousand	Net profit 2020 EUR thousand
USU GmbH, Möglingen [1]	30,368	8,972
LeuTek GmbH, Leinfelden-Echterdingen [1)2)]	1,380	2,447
Omega Software GmbH, Obersulm [1]	970	-166
Openshop Internet Software GmbH, Möglingen [1]	-667	-1
Aspera GmbH, Aachen [1)2)]	300	2.632
Aspera Technologies Inc., Boston, USA [2]	-3,864	-197
USU SAS, Paris, France	-2,161	-114

[1] Net profit before/equity after profit transfer to USU Software AG.
[2] LeuTek GmbH: Renamed USU Solutions GmbH on January 27, 2021
Aspera GmbH: Renamed USU Technologies GmbH on February 4, 2021
Aspera Technologies Inc.: Renamed USU Solutions Inc. on January 19, 2021

USU Consulting GmbH i.L., Sursee, Switzerland, was liquidated in full. The company has not yet been removed from the commercial register for the canton of Lucerne.

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

	Equity Dec. 31, 2020 EUR thousand	Net profit 2020 EUR thousand
USU Software s. r. o., Brno, Czech Republic	1,124	221
USU Austria GmbH, Vienna, Austria	-792	-65

2. Employees

An average of 47 people were employed by the Company during the 2020 fiscal year (2019: 43). Of these, 9 were assigned to sales functions, 18 to development functions and 20 to administration functions.

3. Contingent liabilities

Based on USU GmbH's current liquidity situation and sustained earnings power, the Management Board has reason to believe that there is no risk of the above contingent liabilities being utilized.

Moreover, USU Consulting GmbH has issued a letter of comfort in favor of Openshop Internet Software GmbH, Möglingen, and USU Consulting GmbH i.L., Sursee, Switzerland (affiliated companies). Under these letters of comfort, USU Software AG, Möglingen, undertakes to manage these companies and to supply them with financial resources such that they are able to settle their liabilities in 2020 and in 2021. In addition, USU Software AG has issued a declaration of subordination with respect to all receivables of EUR 674 thousand (2019: 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 March 2, 2020 and on February 2, 2021. Under this, 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 the duration of one year from the date of the letter of comfort.

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.

3. Other financial commitments

As of the reporting date, other financial commitments amounted to EUR 9,239 thousand. They were broken down as follows:

	Due 2021 EUR thousand	Due 2022 EUR thousand	Due from 2023 EUR thousand	Dec. 31, 2020 Total EUR thousand	Dec. 31, 2019 Total EUR thousand
Operate leases					
Buildings	693	684	7,682	9,059	9,476
Office equipment	19	17	22	58	89
Cars	63	39	20	122	102
Total (nominal amount)	**775**	**740**	**7,724**	**9,239**	**9,667**

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 the 2020 fiscal year, 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 Council of Interstuhl Büromöbel GmbH & Co. KG, Meßstetten

Gabriele Walker-Rudolf
Partner of Drees & Sommer SE, Stuttgart

Total compensation of the Supervisory Board

The total compensation paid to the Supervisory Board in the 2020 fiscal year was EUR 151 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 the 2020 fiscal year was EUR 834 thousand. Details can be found in the compensation report contained in the Management Report on the Company and the Group for the 2020 fiscal year.

7. Auditor's fees

The auditor's fees came to EUR 143 thousand in 2020. Of these, auditing services accounted for EUR 135 thousand, other services for EUR 8 thousand and tax consulting for EUR 0 thousand.

In addition to auditing activities, miscellaneous services were provided for the parent company and the subsidiaries that it controls. These entailed attestation services in connection with the preparation of USU Software AG's quarterly financial statements in 2020.

8. Events after the reporting date

After the end of the fiscal year as of December 31, 2020, there were no events of particular significance 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 and the Management Report on the Company and the Group are published in the electronic Bundesanzeiger (German Federal Gazette). In addition, the consolidated financial statements and the Management Report on the Company and the Group are available on request from USU Software AG in Möglingen. They are also available on USU Software AG's website at http://www.usu.com.

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

On December 16, 2020, the Management Board and Supervisory Board of USU Software AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 AktG and made it permanently available to shareholders on USU Software AG's website at http://www.usu.com. Further information on the declaration of conformity can be found in the Management Report on the Company and the Group in these single-entity financial statements.

11. Disclosures by USU Software AG in accordance with section 160 (1) no. 8 AktG

USU Software AG has received the following voting right notifications from shareholders holding at least 3% of the voting rights:

Notifier	Date on which threshold reached	Share in voting rights	
		In %	Absolute
Peter Scheufler	Nov. 9, 2020	4.97	523,289
Main First SICAV	Feb. 19, 2020	5.05	531,661
AUSUM GmbH	Sept. 21, 2017	50.72	5,338,044

12. Appropriation of net profit

The Management Board proposes using net retained profits as of December 31, 2020 of EUR 11,293 thousand as follows:

- to pay a dividend of EUR 0.40 per share for 10,523,770 shares, amounting to a total of EUR 4,209 thousand; and
- to carry forward the remaining unappropriated surplus of EUR 7,084 thousand to new account.

Möglingen, March 18, 2021

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

Statement of Changes in Fixed Assets in the 2020 Fiscal Year

USU Software AG, Möglingen

	Acquisition/production cost			
	As of 1.1.2020 EUR	Additions EUR	Disposals EUR	As of 31.12.2020 EUR
I. Intangible assets				
Internally generated industrial and similar rights	340,308.99	37,610.36	0.00	377,919.35
II. Property, plant and equipment				
1. Land and buildings including buildings on third-party land	0.00	289,616.32	0.00	289,616.32
2. Other equipment, operating and office equipment	331,490.78	865,279.29	9,173.37	1,187,596.70
	331,490.78	**1,154,895.61**	**9,173.37**	**1,477,213.02**
III. Financial assets				
Shares in affiliated companies	50,959,824.72	0.00	0.00	50,959,824.72
	51,631,624.49	**1,192,505.97**	**9,173.37**	**52,814,957.09**

	Cumulative depreciation and amortization				Carrying amounts	
	As of 1.1.2020 EUR	Additions EUR	Disposals EUR	As of 31.12.2020 EUR	As of 31.12.2020 EUR	As of 31.12.2019 EUR
	244,614.04	8,311.69	0.00	252,925.73	124,993.62	95,694.95
	0.00	7,726.44	0.00	7,726.44	281,889.88	0.00
	306,479.84	78,926.24	9,173.37	376,232.71	811,363.99	25,010.94
	306,479.84	**86,652.68**	**9,173.37**	**383,959.15**	**1,093,253.87**	**25,010.94**
	2,309,830.14	544,958.97	0.00	2,854,789.11	48,105,035.61	48,649,994.58
	2,860,924.02	**639,923.34**	**9,173.37**	**3,491,673.99**	**49,323,283.10**	**48,770,700.47**

Independent Auditor's Report

The independent auditor's report reproduced below also includes a "Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB ["Handelsgesetzbuch": German Commercial Code]" (hereinafter referred to as the "ESEF Report"). The audited subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

To USU Software AG, Möglingen

Report on the Audit of the Financial Statements and the Combined Management Report

Audit Opinions

We have audited the financial statements of **USU Software AG, Möglingen,** which comprise the balance sheet as at 31 December 2020 and the statement of profit or loss for the financial year from 1 January to 31 December 2020 as well as the notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group (hereinafter: "combined management report") of USU Software AG, Möglingen, for the financial year from 1 January to 31 December 2020. In accordance with German law, we did not audit the content of the non-financial statement (of the Group) contained in Section IX. of the combined management report and the declaration on Corporate Governance contained in Section VIII. of the combined management report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2020. 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:

· Valuation of shares in affiliated companies

a) The risk for the financial reporting

Shares in affiliated companies are carried under "financial assets" at a value of EUR 48,105k (66% of total assets) in the financial statements of USU Software AG, Möglingen. In the financial year, an impairment of EUR 545k was recorded on the shares in Omega. The shares in affiliated companies are measured at the lower of cost or net realizable value. Sections B. and C.1. of the notes to the financial statements contain explanations of the accounting of financial assets.

When measuring fair value, the perspective of the entity holding the shares in the affiliated company should be taken. The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. These also consider expectations of future market developments. The net present values are determined using the discounted cash flow method. As a discount rate the weighted average cost of capital is used. A valuation report from an external expert as well as the business valuations and equity valuations carried out by the Company were used to determine the fair values. The conclusion of these valuations are highly dependent on the estimates of future cash flows made by the executive directors and the discount rates used. The valuation is therefore subject to substantial uncertainty. In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

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 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. In addition, we are satisfied 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. During our assessment of the conclusions of the valuations as at 31 December 2020 we relied, among other things, on a comparison of the general market expectations and the expectations for the industry as well as the explanations of the executive directors on the key value drivers underlying the expected cash flows. Moreover, we assessed the expert reports from independent valuers commissioned by the Company.

Based on the information available, the valuation parameters and assumptions applied by the executive directors 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 non-financial statement included in Section IX. of the combined management report

· The declaration on corporate governance included in Section VIII. of the combined management report

· the report of the Supervisory Board,

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

· the confirmation pursuant to Sec. 264 (2) sentence 3 HGB regarding the financial statements and the confirmation pursuant to Sec. 289 (1) sentence 5 HGB in conjunction with Sec. 315 (1) sentence 5 HGB regarding 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 Section VIII. of the combined management report. In all other respects, the executive directors are responsible for the other information.

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

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

- is materially inconsistent with the financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

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

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

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

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

Other Legal and Regulatory Requirements

Report on the Audit of the Electronic Reproductions of the Financial Statements and Combined Management Report Prepared for Disclosure Purposes in Accordance with Sec. 317 (3b) HGB

Audit Opinion

In accordance with Sec. 317 (3b) HGB, we have performed a reasonable assurance review to determine whether the reproductions of the annual financial statements and the combined management report contained in the attached file „usu_187572.zip" (hereinafter also referred to as "ESEF documents") and prepared for disclosure purposes comply in all

material respects with the electronic reporting format requirements of Sec. 328 (1) HGB("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the financial statements and the combined management report contained in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Sec. 328 (1) HGB. Other than this opinion and our opinions on the accompanying financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 included in the "Independent Auditor's Report on the Audit of the Financial Statements and Combined Management Report" above, we do not express any opinion on the information included in these reproductions or on any of the other information included in the above mentioned file.

Basis for the Audit Opinion

We conducted our audit of the reproductions of the annual financial statements and the combined management report contained in the above-mentioned attached file in accordance with Sec. 317 (3b) HGB and in compliance with the exposure draft of IDW EPS 410. Our responsibility is described in more detail in the section "Auditor's Responsibility for the Audit of ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of IDW QS 1.

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

The executive directors of the Company are responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB. Furthermore, the executive directors of the Company are responsible for such internal control as they determine necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Sec. 328 (1) HGB.

The executive directors of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited combined management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents within the framework of the accounting process.

Auditor's Responsibilities for the Audit of the ESEF documents

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

- Identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of Sec. 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 this system of controls.
- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applying on the reporting date regarding the technical specification for this file.
- Assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited combined management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as the independent auditor by the annual general meeting on 26 June 2020. We were engaged by the Supervisory Board on 14 October 2020. We have been the group auditor of USU Software AG, Möglingen, without interruption since this date.

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).

German Public Auditor Responsible for the Engagement

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

Stuttgart, 18 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Christian Fuchs	Katrin Wolfrum
German Public Auditor	German Public Auditor

Management Board and Supervisory Board of USU Softare AG

Bernhard Oberschmidt *(l.)*
Chairman of the Management Board

Dr. Benjamin Strehl *(r.)*
Member of the Management Board

Udo Strehl *(l.)*
Chairman of the Supervisory Board

Gabriele Walker-Rudolf *(m.)*
Member of the Supervisory Board

Erwin Staudt *(r.)*
Member of the Supervisory Board

Financial Calender of 2021*

March 25	Publication Financial Figures 2020
May 14	Publication three months' statement 2021
May 17 -19	Equity Forum - German Spring Conference
July 6	Annual General Meeting
August 31	Publication six months' statement 2021
September 10-11	17th IR-Tour Rüttnauer Research
November 18	Publication nine months' statement 2021
November 22-24	German Equity Forum

* These are preliminary dates for the 2021 fiscal year.
Any changes will be published on the Company's website at ***www.usu.com***

Glossary

AI
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.

Aspera GmbH
Former name of ➔ *USU Techologies GmbH*

Aspera Technologies Inc.
Former name of ➔ *USU Solutions Inc.*

Adjusted EBIT
Adjusted EBIT describes the earnings before interest and taxes of USU Software AG not relating to ➔ *IFRS* and adjusted for non-recurring acquisition-related effects.

Big Data
Big data describes the use of large volumes of data from various sources with high processing speed in order to generate economic benefit. Big data is defined on the basis of four characteristics: data volume, the variety of data sources, the speed of data production and the rising number of users that wish to exploit the potential of big data using analysis.

Bot
from the word "robot". Bot is a computer program which works off repetitive tasks on a largely automated basis.

Capacity Management
Ensures that the capacity of ➔ *IT services* and ➔ *IT infrastructure* is sufficient to economically provide the agreed capacity and performance targets.

Chatbots
are software systems (➔ *bot*) that responds automatically to text prompts by human users.They acts as virtual assistants, responding to user search requests for flights, prices, hotels and rental cars.

Cloud
See: Cloud computing.

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

CMDB
Abbreviation for configuration management database. Information about all ➔ *IT* equipment and resources is managed in this database, such as PCs and their software and hardware components, contracts, etc. Unlike conventional IT asset management databases, the mutual dependencies of the managed objects are also shown.

Compliance
Commitment by a company and its managers to observe the rules prescribed by the law, shareholders or the Supervisory Board, including various ethical aspects of the corporate philosophy. The aim is to avoid a negative image and prevent cases of liability or actions for damages.

Configuration Management
Configuration management provides the necessary information about the IT infrastructure and services for ➔ *IT service management.* Constantly updated and historical information about configuration items (CIs) is available in the configuration management database ➔ *CMDB*).

Corporate Governance
Describes the responsible management and controlling of a company with a view to long-term value creation. Key standards are compiled by the Government Commission for the German Corporate Governance Code and consolidated in the German Corporate Governance Code.

DAX
Abbreviation for Deutscher Aktienindex (German Stock Index). As the most important stock index in Germany, the DAX reflects the development of the 30 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.

Enterprise Service Management
See: IT Service Management

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).

IFRS
International Financial Reporting Standards are designed in particular to ensure that accounting methods and disclosures in financial statements are internationally comparable and to improve confidence in the financial markets and investor protection.

Impairment Test
An impairment test is used to examine non-current assets in order to identify whether the recognition of an impairment loss is necessary. Instead of amortization, impairment testing is performed at least once a year for the ➔ *goodwill* reported in the consolidated statement of financial position in accordance with ➔ *IFRS* 3. Impairment testing can result in either the confirmation of the reported goodwill or in an impairment loss that serves to reduce net profit for the period.

Industrial Big Data
Industrial big data describes an extremely large volume of unstructured and semi-structured machine data generated in the manufacturing industry as a result of intelligent networking along the entire production chain.

IPO
Abbreviation for Initial Public Offering and describes the start of public trading of company shares on the stock exchange, the actual launch of a company on the exchange.

ISIN
Abbreviation for International Securities Identification Number. The ISIN is a twelve-digit international identification number for securities that allows a security traded on the stock market to be clearly identified.

IT
Abbreviation for information technology.

IT 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.*

Katana
Former name of the ➔ *USU AI Services* division.

Knowledge database
are special databases for knowledge management. They provide the basis for gathering information. Organizations use them to make their ideas,

solutions, articles, processes, user guides and other content available to all authorized parties. Knowledge databases require carefully structured classifications, formatted content and user-friendly search functions.

Knowledge Management
A summary term for all strategic and operational activities and management tasks aimed at handling knowledge as effectively as possible.

Loss carryforward
The transfer of tax losses to future fiscal years in order to offset them against future profits.

Monitoring
Describes the monitoring of operations on individual computers, servers or entire data centers.

OMEGA
Abbreviation for Omega Software GmbH. OMEGA is a subsidiary of USU Software AG. It primarily performs services and distributes products

Prime Standard
Admission and market segment of the Frankfurt Stock Exchange for companies wishing to position themselves internationally. Prime Standard companies are required to meet strict international transparency requirements that go far beyond the minimum statutory requirements for the regulated market.

SaaS
Abbreviation for ➔ *Software-as-a-Service.*

SAM
Abbreviation for ➔ *Software Asset Management.*

SmartTrack
Software license management/ ➔ *SAM* solution of Group subsidiary ➔ *Aspera* ensuring audit-proof adherence to ➔ *compliance* guidelines concerning the use of software licenses and the realization of extensive cost savings through license optimization. Customers who use SmartTrack save a large proportion of their expenditure on software licenses and can demonstrate compliance at all times.

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 of control of software licenses.

Unymira
Former name of the two divisions ➔ *USU Digital Services & Solutions* und ➔ *USU Knowledge Management*.

USU
Abbreviation for the whole USU Group, i.e. the parent company USU Software AG and its subsidiaries, which include USU GmbH ➔ *OMEGA,* USU GmbH, ➔ *USU SAS,* ➔ *USU Solutions GmbH,* ➔ *USU Solutions Inc.,* and ➔ *USU Technologies GmbH.* The USU Group has strategically positioned itself in the market for ➔ *IT service*/enterprise service and ➔ *knowledge management* software.

USU AI Services
is the newest ➔ *USU* division that emerged from USU's research department and that focuses on ➔ *big data* analytics applications and data-driven services.

USU Digital Services & Solutions
is a ➔ *USU* division for so-called "customer-first solutions". Service organizations are supported in successfully establishing digital customer services and business models. USU Industrial Services Flow is a new graphical development environment for data science in mechanical and plant engineering. The powerful, user-friendly web application supports engineers in analyzing and processing industrial data.

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USU Knowledge Center
The modular web-based product suite of the ➔ *USU* division ➔ *USU Knowledge Management* for the provision of information in knowledgeintensive business processes. KnowledgeCenter's patented technology has received numerous awards.

USU Knowledge Management
is a ➔ *USU* division. The portfolio ranges from standard software such as ➔ knowledge databases, intelligent ➔ *chatbots* and self-service solutions to diverse consulting services. The goal is to automate service processes and actively make knowledge available for all communication channels and customer contact points in sales, marketing and customer service.

USU SAS
is a a subsidiary of ➔ *USU* Software AG. USU SAS is a highly specialized software provider in the area of software license management of Oracle products.

USU Service Management
The ➔ *USU* product suite USU Service Management supports organizations in operational ➔ *IT service management* and ➔ *enterprise service management* with comprehensive modular solutions.

USU Solutions GmbH
is a subsidiary of ➔ *USU* Software AG. USU Solutions GmbH is a software company that develops and distributes standard software in the field of systems management, such as the internally developed ➔ *ZIS-System* software.

USU Solutions Inc.
ist eine Tochtergesellschaft der ➔ *USU* Software AG und wurde im Jahr 2012 in Boston, USA, gegründet. Ziel der Gesellschaft ist der Vertrieb, die Wartung und Implementierung von USU-Lösungen wie beispielsweise ➔ *SmartTrack* in den USA.

USU Techologies GmbH
ist eine Tochtergesellschaft der ➔ *USU* Software AG. Als hoch spezialisierter Lösungsanbieter für das Software-Lizenzmanagement agiert Die USU Technologies GmbH in einem stark wachsenden Marktsegment. Zum Produktportfolio gehört unter anderem das auf den Premiummarkt ausgerichtete Produkt ➔ *SmartTrack.*

USU – U Step Up
Karriere- und Laufbahnmodell von ➔ *USU* zur kontinuierlichen Entwicklung und Weiterbildung der Belegschaft.

Valuemation
Former name of ➔ *USU* product suite ➔ *USU Service Management.*

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.

ZIS/ZIS-System
Software product of the Group subsidiary ➔ *USU Solutions GmbH* for monitoring, visualization, automation and controlling of all systems and processes required for IT operations.

Legal Notice

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