

**Half-Yearly Financial Report  
and Report on the Second  
Quarter of 2021**

**USU Software AG**

## USU AT A GLANCE

<b>6-Month Report 2021</b>	<b>2021</b>	<b>2020</b>
<i>in EUR thousand, except earnings per share and number of employees</i>	<b>JAN. 1-JUNE 30, 2021</b>	<b>JAN. 1-JUNE 30, 2020</b>
<b>SALES</b>	<b>53,925</b>	<b>52,096</b>
<b>ADJUSTED EBIT</b>	<b>4,580</b>	<b>3,904</b>
<b>ADJUSTED NET RESULT</b>	<b>4,030</b>	<b>3,478</b>
<b>ADJUSTED EARNINGS PER SHARE (EUR)</b>	<b>0.38</b>	<b>0.33</b>
<b>EBITDA</b>	<b>6,659</b>	<b>6,076</b>
<b>EBIT</b>	<b>4,320</b>	<b>3,467</b>
<b>NET RESULT</b>	<b>3,794</b>	<b>3,089</b>
<b>EARNINGS PER SHARE (EUR)</b>	<b>0.36</b>	<b>0.29</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>4,998</b>	<b>11,458</b>
<b>NUMBER OF EMPLOYEES AS AT JUNE 30</b>	<b>739</b>	<b>724</b>
	<b>JUNE 30, 2021</b>	<b>Dec. 31, 2020</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>21,960</b>	<b>18,534</b>
<b>SHAREHOLDERS EQUITY</b>	<b>65,465</b>	<b>61,770</b>
<b>BALANCE SHEET</b>	<b>119,225</b>	<b>115,466</b>
<b>EQUITY RATIO</b>	<b>54.9%</b>	<b>53.5%</b>

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## LETTER TO SHAREHOLDERS

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Dear Shareholders and Readers,

We continued our positive business development in the second quarter despite the persistently difficult macroeconomic environment. We benefited in particular from new domestic digitalization projects, which are enjoying particularly strong demand during the coronavirus pandemic. Overall, the trend away from one-time license business toward software-as-a-service (SaaS) is solidifying. In the first half of the year, we increased sales by 3.5% to EUR 53.9 million and considerably improved profitability on the basis of almost unaltered Group expenses. Consolidated earnings increased by 29% to EUR 4 million in the first half of 2021, and we improved the earnings margin on adjusted EBIT from 7.5% to 8.5%.

In the second quarter, positive impetus also came from the trade and customer event USU World, which was held virtually again this year due to the coronavirus pandemic, with more than 1,100 specialists and managers participating. In addition to artificial intelligence, the central topic was the cloud. Thanks to the rapidly growing amount of cloud services in companies, IT and service teams are facing brand new challenges with regard to compliance, performance, cost control and transparency.

This year's Annual General Meeting of USU Software AG was also held virtually at the beginning of July. Due to positive business development, the shareholders approved the proposal of the Management Board and the Supervisory Board to pay a dividend of EUR 0.40 per share for 2020. The shareholders voted by a large majority to approve the actions of the Management Board and Supervisory Board for fiscal 2020. In addition, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, was elected as auditor of the annual and consolidated financial statements for fiscal 2021 and as auditor for any review of interim financial reports or information. The current members of the Supervisory Board – Gabriele Walker-Rudolf, Erwin Staudt, and Udo Strehl – were re-elected for a new term.

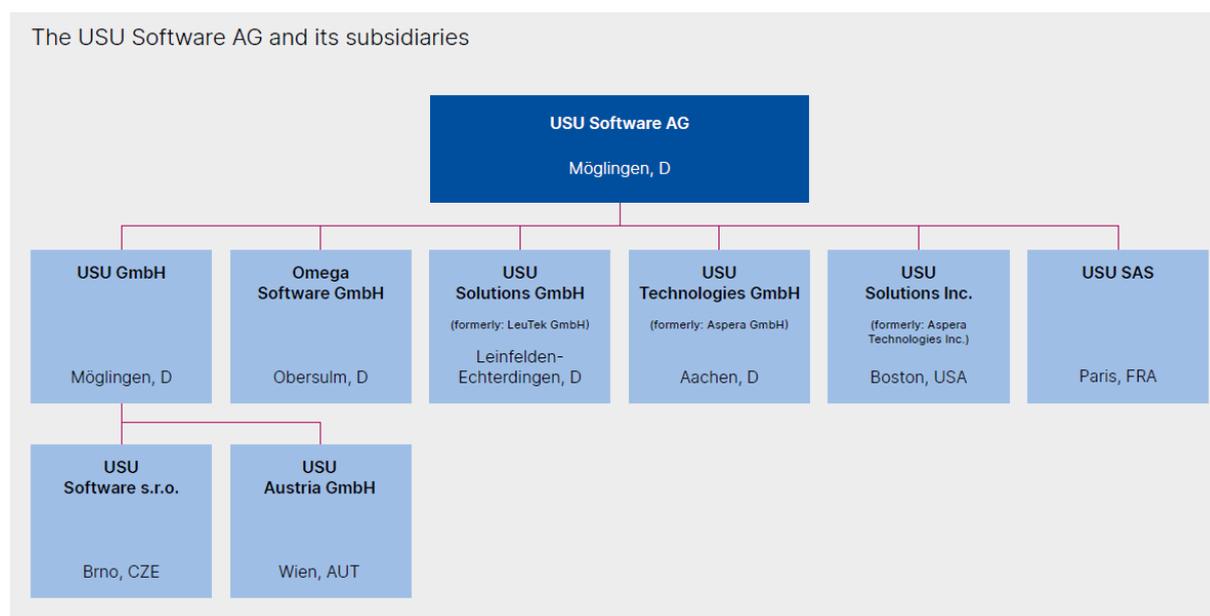
As the year continues, we are very confident of achieving the targeted growth as planned. This will be assisted by the new record in orders on hand (as of June 30, 2021) of EUR 66.2 million as well as the continuing trend toward the digitalization of services.

Yours,

Bernhard Oberschmidt,  
CEO of USU Software AG

## Basic information on USU Software AG and the Group

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



## Business model, objectives, strategies and controlling system

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

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

USU Software AG has made it its goal to achieve growth in consolidated sales above the average level for the IT market as a whole in the years ahead while also further increasing its profitability. It will focus on organic growth through innovation and by expanding the Group’s

international market presence, though growth through acquisitions and equity investments is also a part of the corporate strategy.

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

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

For fiscal 2021, the Management Board expects the USU Group to record slight growth in sales and an improvement in adjusted EBITDA to at least EUR 9-10 million. This development will be driven in particular by strong SaaS business, as well as positive effects and increased efficiency in connection with the implementation of the "One USU" strategy. The Management Board is also confirming the current medium-term planning, which includes average organic sales growth of 10% in the next few years and, in view of the continued growth in SaaS business, an increase in the operating margin on adjusted EBIT to between 13% and 15% by 2024.

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

### **Research and development**

Independent studies have repeatedly shown that USU Software AG is one of the most innovative companies in its industry in Germany. For example, the recent DEUTSCHLAND TEST study by *Focus* and *Focus Money* credits the company with the highest level of innovation. As well as the enhancement of existing software products, the main focus is on new technologies regarding artificial intelligence and cloud management. These are also developed in major group research projects and form the basis for new modules and products.

Accordingly, the USU Group invested a total of EUR 8,484 thousand (Q1-Q2 2020: EUR 7,817 thousand) or 15.7% (Q1-Q2 2020: 15.0%) of consolidated sales in research and development (R&D) in the first six months of 2021. The total number of employees in this area was 214 as

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of June 30, 2021 (June 30, 2020: 202). The USU Group's R&D expenses do not typically meet the criteria for recognition and hence are not capitalized.

USU Service Management's R&D focused on revising the software architecture. The new shop and the platform were updated and first milestones reached. In a recent study, the US market research company Forrester Research also singled out the highly developed functionalities for enterprise service management and classified USU as a "large vendor" on the international stage.

As part of the R&D activities for IT & service monitoring, the development team completed a new version. The main updates are an improved IT alerting service and the new end-to-end module. New, fully automated threshold analysis is also available. Work is currently under way on the next version, which includes enhancements to the alarm app and encrypted communication. Release is scheduled for the end of Q3/start of Q4 2021.

The R&D team for the area of software license management primarily worked on improvements to user friendliness, e.g. the addition of graphical elements, and the expansion of the reporting functions with a view to enabling quick, simple, and comprehensive analyses. In the future, users will be able to individually configure their screens and create and update their own "customer tables". The integration of USU Knowledge First as a self-service system provides further support for users. Furthermore, 18 new connectors were developed for the USU Discovery module in order to allow license management data to be scanned in from additional sources.

In the USU Knowledge Management division, work continued on the next generation of chatbot technology and the knowledge database. The aim is for both versions to be available in the third quarter. The USU chatbot has a brand new user interface for configuration. The function for the cooperation of different chatbots, Bot Universe, has been significantly expanded. Now, chatbots can be turned on and off dynamically in order to respond to complex situations. With "active documents", the new version of the knowledge database will offer new opportunities in the structuring and re-use of documents. USU HelpCenter is currently being developed as a new product. This application is particularly sought-after in the USA and enables customers to offer self-service solutions on their own websites quickly and easily.

The R&D team from the AI Services division released the next version of AI Industrial Analytics in the period under review. A new addition is support for development on the local computer, while CPU and GPU resources in the cloud can be used for the computing-intensive execution of AI algorithms. For the USU Software Asset Management division, a module was created for the AI-supported recognition of software components, which is already in productive use in the automated maintenance of software catalog data.

The development of the new overarching hybrid cloud management solution is making progress. It is expected to be available for marketing by the end of the third quarter. The focus remained on linking data from cloud resources with business services and the automated allocation to a CMDB structure via defined workflows. A further priority was the recognition of unused cloud resources.

In research, USU is concerned with implementing the Service-Meister, FabOs, DaiKlri, AIAX, MesaTEch, and ProData projects. In the biggest project, Service-Meister, the team is currently creating various use cases. In the case of cathodic corrosion protection for the energy service provider Open Grid Europe, for example, correlations are being investigated between alarm messages and weather data. For KEB, document analysis was created that automatically allocates known error messages to relevant text passages from service reports and assembly and operating instructions. Service technicians no longer have to read entire manuals, but are given the appropriate passages immediately.

## **Economic report**

### **Overall economic development**

According to a release from the German Federal Statistical Office (“destatis”)<sup>1</sup> on August 24, 2021, gross domestic product (GDP) – adjusted for inflation, seasonal and calendar effects – increased by 1.6% in the second quarter of 2021. After the coronavirus crisis led to a further decline in economic output of 2.0% at the start of 2021, the German economy recovered again in the reporting quarter. This was driven primarily by higher private and public-sector consumer spending.

According to destatis, GDP in the second quarter of 2021 was 9.8% higher, or 9.4% higher after adjustment for inflation and calendar effects, than in the second quarter of 2020, which was particularly affected by the first coronavirus lockdown. GDP in the reporting quarter was 3.6% lower than in the fourth quarter of 2019, the last full quarter before the onset of the coronavirus crisis.

The euro area also saw a quarter-on-quarter increase in GDP of 2.0% in the second quarter of 2021 according to a flash estimate by the Statistical Office of the European Union (Eurostat)<sup>2</sup>. Meanwhile, seasonally adjusted euro area GDP was up by 13.6% as against the second quarter of the previous year, according to Eurostat.

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<sup>1</sup> cf. destatis press release no. 398 dated August 24, 2021, published at <https://www.destatis.de>

<sup>2</sup> cf. Eurostat press release 94/2021 dated August 17, 2021, published at <http://ec.europa.eu/eurostat>

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## Sector development

According to research by the digital industry association Bitkom<sup>3</sup>, the business climate in the digital sector developed extremely positively in the second quarter of 2021 and thus reached new peak. After the shock of coronavirus, the German digital industry has grown strongly. The Bitkom-ifo Digital Index – which reflects the business situation and business expectations of companies in the digital sector – climbed to 40.5 points in the period to June 2021, reaching an all-time high. “The growth in the core of the digital industry is stronger than it has been for 20 years, and sales are well above the pre-crisis level,” says Bitkom President Achim Berg with regard to recent developments.

## Business development in the second quarter of 2021

After the positive first quarter, USU Software and its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) continued the positive growth trend of previous quarters into the second quarter of the current fiscal year 2021 thanks to a number of new orders, especially in Germany. In the second quarter of 2021, USU thus increased its consolidated sales by 3.3% year-on-year to EUR 26,745 thousand (Q2 2020: EUR 25,886 thousand). USU benefited in particular from strong domestic business, while international business and above all partner business were still negatively affected by the coronavirus pandemic. Accordingly, sales in the German home market rose by 5.8% to EUR 20,013 thousand in the second quarter of 2021 (Q2 2020: EUR 18,917 thousand), while sales generated abroad were down 3.4% at EUR 6,732 thousand (Q2 2020: EUR 6,969 thousand).

After USU saw declining license revenue in previous quarters as a result of the shift from one-time license business toward software-as-a-service (SaaS) business, the USU Group benefited from several license deals in the reporting quarter, so license sales increased sharply by 7.1% to EUR 2,625 thousand in the second quarter of 2021 (Q2 2020: EUR 2,450 thousand). At the same time, however, USU also increased SaaS sales by an above-average 12.9% year-on-year to EUR 2,660 thousand (Q2 2020: EUR 2,356 thousand). Accordingly, maintenance sales including SaaS revenue increased by 3.8% to EUR 8,398 thousand (Q2 2020: EUR 8,090 thousand). At the same time, USU increased its consulting sales by 4.7% year-on-year to EUR 15,437 thousand (Q2 2020: EUR 14,743 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 285 thousand (Q2 2020: EUR 603 thousand).

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<sup>3</sup> cf. Bitkom press release dated July 15, 2021, published at [www.bitkom.org](http://www.bitkom.org)

As the majority of USU's staff were still able to work from home due to the coronavirus restrictions in the reporting quarter and complete all of their work there, USU was again largely spared negative coronavirus-related operational effects in the reporting quarter.

As forecast, the cost base of the USU Group increased to a lower extent than sales, rising by just 2.6% year-on-year to EUR 24,910 thousand (Q2 2020: EUR 24,284 thousand). This meant that earnings improved considerably compared with the previous year. Accordingly, USU considerably increased its earnings in the second quarter of 2021. The USU Group accordingly increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 15.2% year-on-year to EUR 3,471 thousand in the reporting quarter (Q2 2020: EUR 3,012 thousand). Including depreciation and amortization of EUR -1,190 thousand (Q2 2020: EUR -1,293 thousand), earnings before interest and taxes (EBIT) amounted to EUR 2,281 thousand (Q2 2020: EUR 1,719 thousand). This corresponds to a year-on-year increase in EBIT of 32.7%.

Including the net finance costs of EUR -135 thousand (Q2 2020: EUR -40 thousand), which include interest expenses from leases (IFRS 16), and the income tax expense of EUR -384 thousand (Q2 2020: EUR -160 thousand), there was ultimately a net profit for the period of EUR 1,761 thousand, which was 16.0% higher than in the previous year (Q2 2020: EUR 1,519 thousand). This corresponds to earnings per share of EUR 0.17 (Q2 2020: EUR 0.14).

EBIT adjusted for the extraordinary effects of acquisitions (adjusted EBIT) also improved significantly by 24.5% year-on-year to EUR 2,411 thousand in the second quarter of 2021 (Q2 2020: EUR 1,937 thousand). Accordingly, USU increased the earnings margin on adjusted EBIT from 7.5% in the second quarter of 2020 to 9.0%. At the same time, USU's adjusted consolidated earnings improved by 10.4% from EUR 1,713 thousand in the previous year to EUR 1,892 in the second quarter of 2021. This corresponds to adjusted earnings per share of EUR 0.18 (Q2 2020: EUR 0.16).

## **Business performance in the first six months of fiscal 2021**

### **Development of sales and costs**

#### **Consolidated sales**

The USU Group also recorded positive operating performance in the first half of the year. In the first half of 2021, USU increased its consolidated sales by 3.5% on the previous year, which already saw dynamic growth, to EUR 53,925 thousand (Q1-Q2 2020: EUR 52,096 thousand). This was due in particular to new domestic digitalization projects, which are enjoying particularly strong demand during the coronavirus pandemic. Accordingly, the USU Group

increased its sales in Germany by 8.4% to EUR 40,381 thousand (Q1-Q2 2020: EUR 37,260 thousand), while its international sales declined by 8.7% compared with the extremely positive prior-year period, amounting to EUR 13,544 thousand (Q1-Q2 2020: EUR 14,836 thousand). As a result, international business accounted for 21.5% of USU's consolidated sales in the first six months of 2021 after 28.5% in the first half of 2020.

Broken down by sales type, USU generated a particularly high year-on-year increase in consulting income of 8.2% to EUR 31,992 thousand thanks to the new orders acquired and the existing orders on hand (Q1-Q2 2020: EUR 29,573 thousand). At the same time, it benefited from the sustained growth in cloud and maintenance business. Maintenance sales including sales from SaaS business increased by 4.7% year-on-year to EUR 16,600 thousand (Q1-Q2 2020: EUR 15,857 thousand), of which EUR 5,104 thousand (Q1-Q2 2020: EUR 4,538 thousand) was attributable to SaaS sales alone. This represents an increase in SaaS sales of 12.5% as against the previous year. As a result of the comparatively high share of new contracts attributable to SaaS business, license sales in the Q1-Q2 2021 reporting period were down 17.8% on the very strong prior-year figure at EUR 4,802 thousand (Q1-Q2 2020: EUR 5,839 thousand) despite the increase in the second quarter of 2021. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 531 thousand (Q1-Q2 2020: EUR 827 thousand).

## Sales by segment

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

The Product Business segment contributed sales of EUR 38,632 thousand in the first six months of 2021 (Q1-Q2 2020: EUR 38,641 thousand), which was on a par with the previous year, while USU increased consulting-related sales in the Service Business segment by 14.0% year-on-year to EUR 15,234 thousand in the same period (Q1-Q2 2020: EUR 13,361 thousand). USU benefited in particular from the sustained demand trend for digitalization solutions.

Sales not allocated to the segments totaled EUR 59 thousand in the first six months of fiscal 2021 (Q1-Q2 2020: EUR 94 thousand).

## Operating costs

The USU Group's operating cost base increased by just 2.4% year-on-year to EUR 50,309 thousand in the first six months of fiscal 2021 (Q1-Q2 2020: EUR 49,127 thousand). In addition, central Group expenses were reallocated to the respective operating segments in the period under review as part of the reorganization of the USU Group's units within the "One USU" strategy project.

The cost of sales rose by 6.3% as against the previous year to EUR 26,901 thousand in the first half of 2021 (Q1-Q2 2020: EUR 25,317 thousand); this was due in particular to the higher fees paid to the additional freelancers employed in connection with business growth. The cost of sales as a percentage of consolidated sales thus increased slightly year-on-year to 49.9% (Q1-Q2 2020: 48.6%). At the same time, gross income rose from EUR 26,779 thousand in the first half of 2020 to EUR 27,024 thousand in the first half of 2021. However, the gross margin still declined slightly to 50.1% (Q1-Q2 2020: 51.4%).

Marketing and selling expenses increased by 8.8% year-on-year to EUR 9,889 thousand in the period under review (Q1-Q2 2020: EUR 9,092 thousand). In particular, this reflects the workforce expansion in this area to 118 employees (Q1-Q2 2020: 107) and the resulting growth in staff costs as well as costs in connection with the implementation of the "One USU" strategy. Marketing and selling expenses as a share of sales thus rose slightly, from 17.5% in the first half of 2020 to 18.3% in the first half of 2021.

General and administrative expenses fell by 27.0% year-on-year to EUR 5,035 thousand in the period under review (Q1-Q2 2020: EUR 6,901 thousand), mainly as a result of the reallocation of central costs to the operating segments as part of the reorganization as well as the lower level of non-staff operating costs. Accordingly, the ratio of administrative expenses to consolidated sales decreased to 9.3% in the reporting period (Q1-Q2 2020: 13.2%).

Due to higher staff costs and increased expenditure in connection with the reorganization, research and development expenses rose by 8.5% year-on-year to EUR 8,484 thousand (Q1-Q2 2020: EUR 7,817 thousand). Accordingly, the ratio of research and development expenses to consolidated sales increased to 15.7% (Q1-Q2 2020: 15.0%). USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. In the medium term, USU is planning to increase its R&D expenditure in absolute terms while reducing the ratio of research and development expenses to consolidated sales on account of strong sales growth.

Net other operating income and expenses totaled EUR 704 thousand in the first half of 2021 (Q1-Q2 2020: EUR 498 thousand).

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## **Results of operations**

As a result of the business growth and the below-average increase in Group expenses by comparison, the USU Group recorded a further year-on-year improvement in profitability in the Q1-Q2 2021 reporting period. Thus, USU's EBITDA increased by 9.6% as against the previous year to EUR 6,659 thousand (Q1-Q2 2020: EUR 6,076 thousand). Adjusted for total depreciation and amortization of EUR -2,339 thousand (Q1-Q2 2020: EUR -2,609 thousand), USU generated EBIT of EUR 4,320 thousand in the first half of 2021, up 24.6% on the previous year (Q1-Q2 2020: EUR 3,467 thousand).

Net finance result amounted to EUR 38 thousand in the first six months of 2021 (Q1-Q2 2020: EUR -56 thousand), while income taxes increased to EUR -564 thousand in the same period (Q1-Q2 2020: EUR -322 thousand).

All in all, USU improved its consolidated earnings by 22.8% year-on-year to EUR 3,794 thousand in the first half of 2021 (Q1-Q2 2020: EUR 3,089 thousand). With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.36 (Q1-Q2 2020: EUR 0.29).

## **Adjusted consolidated net profit**

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

<b>Adjusted consolidated net profit</b> <i>EUR thousand</i>	<b>Jan. 1, 2021 - June 30, 2021</b>	<b>Jan. 1, 2020 - June 30, 2020</b>
<b>Profit from ordinary activities (EBIT)</b>	<b>4,320</b>	<b>3,467</b>
Amortization of intangible assets recognized in connection with company acquisitions	260	437
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	0	0
<b>Adjusted EBIT</b>	<b>4,580</b>	<b>3,904</b>
Finance income (as per consolidated income statement)	204	0
Finance expenses (as per consolidated income statement)	-166	-56
Income taxes (as per consolidated income statement)	-564	-322
Tax effects relating to adjustments	-24	-48
- from amortization	-24	-48
- from deferred taxes on tax loss carryforwards	0	0
<b>Adjusted consolidated net profit</b>	<b>4,030</b>	<b>3,478</b>
<b>Adjusted earnings per share (in EUR):</b>	<b>0.38</b>	<b>0.33</b>
Number of underlying shares		
Basic and diluted	10,523,770	10,523,770

As a result of its business growth, USU increased its adjusted EBIT by 17.3% year-on-year to EUR 4,580 thousand in the first six months of 2021 (Q1-Q2 2020: EUR 3,904 thousand). As a result, USU improved its earnings margin based on Adjusted EBIT from 7.5% in the first half of 2020 to 8.5% in the six-month period of 2021. Adjusted consolidated earnings increased by 15.9% to EUR 4,030 thousand in the same period (Q1-Q2 2020: EUR 3,478 thousand). Adjusted earnings per share thus improved from EUR 0.33 in the previous year to EUR 0.38.

## **Net assets and financial position**

On the assets side of the balance sheet, the USU Group's non-current assets decreased slightly to EUR 71,708 thousand as of June 30, 2021 (December 31, 2020: EUR 71,923 thousand). This decline primarily reflects the amortization of intangible assets.

Over the same period, current assets increased from EUR 43,543 thousand as of December 31, 2020, to currently EUR 47,517 thousand, primarily as a result of the rise in Group liquidity (cash on hand and bank balances including securities) to EUR 21,960 thousand as of June 30, 2021 (December 31, 2020: EUR 18,534 thousand).

On the equity and liabilities side of the balance sheet, the USU Group's equity increased from EUR 61,770 thousand as of December 31, 2020, to EUR 65,465 thousand as of June 30, 2021, as a result of the positive consolidated earnings. At the same time, debt in the form of the USU Group's current and non-current liabilities rose slightly to EUR 53,760 thousand as of June 30, 2021 (December 31, 2020: EUR 53,696 thousand).

Based on total assets of EUR 119,225 thousand (December 31, 2020: EUR 115,466 thousand), the equity ratio improved to 54.9% as of June 30, 2021 (December 31, 2020: 53.5%). With this equity ratio, increased Group liquidity, and no liabilities to banks, the USU Group still has extremely sound and secure financing.

## **Cash flows and capital expenditure**

The USU Group had cash and cash equivalents (excluding securities) of EUR 21,960 thousand as of June 30, 2021 (June 30, 2020: EUR 19,191 thousand). This represents an increase of EUR 2,769 thousand or 14.4% as compared to the previous year. Accordingly, USU increased its Group liquidity compared to December 31, 2020, when USU had liquidity of EUR 18,534 thousand, by 18.5%.

USU's cash flow from operating activities was again clearly positive in the reporting period Q1-Q2 2021 at EUR 4,998 thousand (Q1-Q2 2020: EUR 11,458 thousand), which was mainly due to the quarterly profit generated by USU, while the previous year's figure was mainly influenced by working capital effects as of the reporting date.

Net cash used in investing activities of EUR -337 thousand (Q1-Q2 2020: EUR -1,281 thousand) primarily includes investments in property, plant and equipment.

As in the previous year, the net cash used in financing activities of EUR -1,388 thousand (Q1-Q2 2020: EUR -1,345 thousand) resulted from repayments of lease liabilities.

## **Orders on hand**

As of the end of the second quarter of 2021, the USU Group's total orders on hand increased by EUR 6,685 thousand or 11.2% year-on-year to EUR 66,233 thousand (June 30, 2020: EUR 59,548 thousand), once again reaching a new high. The increase primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders. USU increased its orders on hand by 7.0% as against the end of the previous year (December 31, 2020: EUR 61,891 thousand). USU also increased its orders on hand by a further 2.6% as against the previous quarter (March 31, 2021: EUR 64,547 thousand).

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

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## Employees

The USU Group expanded its workforce by 2.1% or 15 employees year-on-year to 739 employees as of June 30, 2021 (June 30, 2020: 724). Broken down by functional unit, USU employed a total of 303 people in consulting and services as of the end of the second quarter of 2021 (June 30, 2020: 312), 214 in research and development (June 30, 2020: 202), 118 in sales and marketing (June 30, 2020: 107) and 104 in administration (June 30, 2020: 103). Broken down by segment, USU employed 521 (June 30, 2020: 514) people in the Product Business segment, 114 (June 30, 2020: 107) in the Service Business segment and 104 (June 30, 2020: 103) in USU Group central functions. USU therefore continued to expand the Group workforce as planned in accordance with its medium-term planning in the first half of 2021 despite the shortage of qualified staff in the IT sector and the sustained coronavirus crisis.

## Forecast, report on risks and opportunities

### Forecast

#### *General economy*

After the weak first quarter with lower macroeconomic activity, a significantly slower coronavirus infection rate in Germany over the course of the second quarter of 2021 resulted in an easing of infection control measures in many areas, which had a particularly positive impact on consumption. In the ifo Economic Forecast Summer 2021<sup>4</sup> of June 16, 2021, the economic researchers assume that the existing economic restrictions resulting from infection control measures will be lifted by the end of the third quarter of 2021. According to the ifo, therefore, there should be no further obstacles to a full economic recovery in trade and contact-intensive services by the end of the year. Accordingly, the normalization of spending behavior alone will make private consumption the mainstay of the upswing. The ifo Institute therefore forecasts that gross domestic product (GDP) will expand at strong rates from the second quarter onward, already reaching pre-crisis levels in the third quarter of the current year. For 2021 as a whole, the ifo Institute expects GDP to increase by 3.3% (2020: -4.8%) year-on-year.

According to calculations by the leading economic research institutes<sup>5</sup>, the world economy remains on course for growth despite the impact of the coronavirus pandemic. Although some parts of the European economy have been paralyzed again, the economy outside Europe is enjoying an upturn. In East Asia, for example, the pandemic has been largely under control for some time now. The institutes expect to see rapid economic growth as soon as the pandemic has been conclusively warded off around the world, although the timing of this development

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<sup>4</sup> cf. ifo Economic Forecast Summer 2021 dated June 16, 2021, published at [www.ifo.de](http://www.ifo.de)

<sup>5</sup> cf. Joint Economic Forecast #1-2021, April 14, 2021, published at <https://www.gemeinschaftsdiagnose.de>

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

## Sector

According to the latest information from the digital industry association Bitkom<sup>6</sup>, the German digital sector continues to enjoy an upswing and is developing much more dynamically than the wider economy in 2021. According to Bitkom, the growth in the core of the digital industry is stronger than it has been for 20 years, and sales are well above the pre-crisis level. Therefore, says Bitkom, expenditure for information technology, telecommunications and consumer electronics is expected to increase by 4.0% in 2021 compared with 2020 to a total volume of EUR 178.2 billion (2020: EUR 171.4 billion). Following a minimal increase of 0.2% in 2020, Bitkom's calculations show that the German IT market is set to grow by 6.6% to EUR 101.8 billion in 2021 (2020: EUR 95.5 billion). Within this, the software market segment is expected to see growth of 6.0% (2020: -1.0%) to EUR 27.5 billion (2020: EUR 25.9 billion), while expenditure for IT services is forecast to rise by 3.7% (2020: -3.2%) to EUR 41.1 billion (2020: EUR 39.6 billion).

In its latest "IT Spending Forecast" published on July 14, 2021, the market research company Gartner<sup>7</sup> is also forecasting growth in global IT expenditure of 8.6% in 2021 (2020: 0.9%) to USD 4,206 billion (2020: USD 3,872 billion). According to Gartner, digital transformation can no longer be purchased overnight, and global IT spending projections reflect that. "As the world continues to open back up, enterprises will invest in tools that support innovation, anywhere operations and employee productivity and trust," said John-David Lovelock, Vice President at Gartner.

Gartner expects the market segments of software and IT services to enjoy above-average growth of 13.2% in 2021 (2020: 9.1%) to USD 599 billion (2020: USD 529 billion) and 9.8% (2020: 1.7%) to USD 1,177 billion (2020: USD 1,071 billion) respectively.

## Outlook

For fiscal 2021, the Management Board expects the USU Group to record slight growth in sales and an improvement in adjusted EBITDA to at least EUR 9-10 million. The main contributing factor will be strong SaaS business. In addition, the Management Board anticipates positive effects and increased efficiency in connection with the implementation of the "One USU" strategy.

<sup>6</sup> cf. BITKOM-ITK market figures (as of July 2021), published at [www.bitkom.org](http://www.bitkom.org)

<sup>7</sup> cf. Gartner press release dated July 14, 2021, published at [www.gartner.com](http://www.gartner.com)

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.

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.

## **Report on risks and opportunities**

There were no changes to the opportunities and risks of USU Software AG or of the Group as a whole as against the balance sheet date December 31, 2020. For more information please see the report on risks and opportunities in the 2020 annual report.

## **USU shares (ISIN DE000A0BVU28).**

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

After the clearly positive first quarter, the stock markets trended slightly positive to sideways in the second quarter in the wake of the waning coronavirus pandemic and the associated expectation of an economic recovery. As of June 30, 2021, the German share index (DAX) on the XETRA electronic trading platform was up 3.5% on the previous quarter to 15,531.04 points (March 31, 2021: 15,008.34 points). The Technology All Share index also recorded a price gain of 5.5% to 5,025.34 points on XETRA compared with the same reporting date in the previous quarter (March 31, 2021: 4,762.54 points). In contrast, USU's shares did not continue the positive trend of previous quarters with quarterly performance of -10.7% to EUR 25.00 in the reporting quarter (March 31, 2021: EUR 28.00).

Compared to the end of the previous year (December 31, 2020: 13,718.78 points), the DAX grew by 13.2%, while the Technology All Share index (December 31, 2020: 4,479.20 points) rose by 12.2% in the same period. As a result of the price weakness in the reporting quarter, however, USU's shares (December 31, 2020: EUR 27.20) dropped -8.1% in the first half of the year.

Compared to June 30, 2020, the stock markets veritably boomed over the 12 months. The DAX (June 30, 2020: 12,310.93 points) rose by 26.3% year-on-year, while the Technology All Share index (June 30, 2020: 4,037.09 points) grew almost as strongly by 24.5%. Despite the price decline in the second quarter of 2021, USU's shares (June 30, 2020: EUR 20.20) also recorded a similarly positive price performance of +23.8% in the wake of the successful operating performance.

Möglingen, August 31, 2021

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management

Dr. Benjamin Strehl  
Management Board

<b>ASSETS</b> <i>EUR thousand</i>	<b>6-month report</b> <b>JUNE. 30, 2021</b>	<b>Annual report</b> <b>DEC. 31, 2020</b>
<b>Non-current assets</b>		
Intangible assets	3,336	3,644
Goodwill	40,392	40,392
Property, plant and equipment	3,206	3,464
Right-of-use assets IFRS 16	16,713	16,280
Financial assets	833	846
Prepaid expenses	251	320
Deferred taxes	6,977	6,977
<b>Non-current assets</b>	<b>71,708</b>	<b>71,923</b>
<b>Current assets</b>		
Inventories	439	351
Unbilled work in progress	6,472	4,606
Trade receivables	16,246	16,725
Income tax receivables	34	179
Financial assets	500	570
Other assets	266	694
Prepaid expenses	1,600	1,884
Cash on hand and bank	21,960	18,534
<b>Current assets</b>	<b>47,517</b>	<b>43,543</b>
<b>Total assets</b>	<b>119,225</b>	<b>115,466</b>

<b>EQUITY AND LIABILITIES</b> <i>EUR thousand</i>	<b>6-month report</b> <b>JUNE. 30, 2021</b>	<b>Annual report</b> <b>DEC. 31, 2020</b>
<b>Equity</b>		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Other retained earnings	2,075	-1,719
Other comprehensive income	74	173
<b>Equity</b>	<b>65,465</b>	<b>61,770</b>
<b>Non-current liabilities</b>		
Pension provisions	1,351	1,316
Lease liabilities IFRS 16	14,403	14,036
Deferred income	1,647	2,040
Deferred taxes	1,291	1,339
<b>Non-current liabilities</b>	<b>18,692</b>	<b>18,731</b>
<b>Current liabilities</b>		
Income tax liabilities	398	347
Financial liabilities	825	837
Lease liabilities IFRS 16	2,500	2,396
Personnel-related liabilities	7,433	9,538
Other provisions and liabilities	1,603	3,062
Liabilities from advance	3,397	5,057
Trade payables	4,119	4,171
Deferred income	14,793	9,557
<b>Current liabilities</b>	<b>35,068</b>	<b>34,965</b>
<b>Total equity and liabilities</b>	<b>119,225</b>	<b>115,466</b>

STATEMENT OF COMPREHENSIVE INCOME	Quarterly report	Quarterly report	6-month report	6-month report
<i>EUR thousand</i>	Q2 2021	Q2 2020		
	April 1, 2021	April 1, 2020	Jan. 1, 2021	Jan. 1, 2020
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Sales	26,745	25,886	53,925	52,096
Cost of sales	-13,295	-12,637	-26,901	-25,317
Gross profit	13,450	13,249	27,024	26,779
Selling and marketing expenses	-5,025	-4,461	-9,889	-9,092
General and administrative exp.	-2,348	-3,353	-5,035	-6,901
Research and development exp.	-4,242	-3,833	-8,484	-7,817
Other operating income	453	206	1,017	679
Other operating expenses	-8	-89	-313	-181
Profit from ordinary activities (EBIT)	2,280	1,719	4,320	3,467
Finance income	0	0	204	5
Finance expenses	-135	-40	-166	-61
Earnings before taxes (EBT)	2,145	1,679	4,358	3,411
Income taxes	-384	-160	-564	-322
<b>Consolidated net earnings</b>	<b>1,761</b>	<b>1,519</b>	<b>3,794</b>	<b>3,089</b>
<i>Items that can be reclassified to profit or loss in future periods:</i>				
Currency translation difference	83	109	-98	-60
<b>Other comprehensive income</b>	<b>83</b>	<b>109</b>	<b>-98</b>	<b>-60</b>
<b>Total comprehensive income</b>	<b>1,844</b>	<b>1,628</b>	<b>3,696</b>	<b>3,029</b>
Earnings per share (in EUR) Basic and diluted	0,17	0,15	0,35	0,29
Number of underlying shares	10,523,770	10,523,770	10,523,770	10,523,770

Consolidated statement of cash flows <i>EUR thousand</i>	6-month report Jan. 1, 2021 - June 30, 2021	6-month report Jan. 1, 2020- June 30, 2020
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
Consolidated net profit	3,794	3,089
+/- depreciation, amortization and write-downs of non-current assets and reversals of	912	1,250
+/- depreciation, amortization and write-downs of right-of-use assets under IFRS 16	1,428	1,359
+/- other non-cash expenses/income	-149	-16
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-611	4,000
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	-410	1,852
-/+ interest expenses/income	-38	56
+/- income taxes received/paid	-441	-428
-/+ interest paid/received	-51	-26
-/+ income tax expenses/income	564	322
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>4,998</b>	<b>11,458</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
- purchase of intangible assets	-7	-9
+ proceeds from disposals of property, plant and equipment	18	7
- purchase of property, plant and equipment	-349	-1,279
<b>NET CASH USED IN INVESTING ACTIVITIES:</b>	<b>-337</b>	<b>-1,281</b>
<b>NET CASH USED IN FINANCING ACTIVITIES:</b>		
- dividends paid to shareholders of the parent company	0	0
- repayments of lease liabilities	-1,388	-1,345
<b>NET CASH USED IN FINANCING ACTIVITIES:</b>	<b>-1,388</b>	<b>-1,345</b>
<b>Change in cash and cash equivalents</b>	<b>3,273</b>	<b>8,832</b>
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	153	-54
<b>+ cash and cash equivalents at the start of the period</b>	<b>18,534</b>	<b>10,413</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>21,960</b>	<b>19,191</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	21,960	19,191
	<b>21,960</b>	<b>19,191</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** (UNAUDITED)

Development of Group equity	Issued capital		Capital reserves	Other retained earnings	Other comprehensive income		Equity		
	Number	EUR thousand			EUR thousand	EUR thousand		EUR thousand	EUR thousand
Consolidated equity as of January 1, 2020	10,523,770	10,524	52,792	-3,003	-116	1	60,198		
Consolidated net Other comprehensive after taxes				3,089		-60	3,089		
<b>Total comprehensive</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,089</b>	<b>0</b>	<b>-60</b>	<b>3,029</b>		
Dividend payment							0		
Consolidated equity as of June 30, 2020	10,523,770	10,524	52,792	86	-116	-59	63,227		
Consolidated equity as of January 1, 2021	10,523,770	10,524	52,792	-1,719	-150	322	61,769		
Consolidated net Other comprehensive after taxes				3,794		-98	3,794		
<b>Total comprehensive</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,794</b>	<b>0</b>	<b>-98</b>	<b>3,696</b>		
Dividend payment							0		
Consolidated equity as of June 30, 2021	10,523,770	10,524	52,792	2,075	-150	224	65,465		

## **Accounting principles**

USU Software AG is a stock corporation under the law of the Federal Republic of Germany. The company is domiciled at Spitalhof, 71696 Möglingen, Germany, and is entered in the commercial register of the Stuttgart Local Court, Dept. B., under No. 206442.

These interim financial statements of USU Software AG are consistent with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The interim financial statements were prepared in accordance with IAS 34 (Interim Financial Reporting).

The same accounting policies were applied as in the preparation of the consolidated financial statements for the fiscal year ended December 31, 2020. This unaudited six-month report for 2021 should therefore be read in conjunction with the audited consolidated financial statements for 2020.

This consolidated interim report contains all the necessary deferrals and, in the opinion of the management, provides a true and fair view of the financial position and financial performance. All deferrals performed are in line with the standard accrual concept.

In preparing interim financial statements in line with IFRS, estimates and opinions relating to the assets and liabilities recognized at the reporting date and the income and expenses for the reporting period are required to a certain extent. Actual results may differ from those estimates.

Income taxes are recognized in the interim period based on the best estimate of the weighted average annual income tax rate expected for the year as a whole. This tax rate is applied to the pre-tax profit of the consolidated companies.

It is not necessarily possible to deduce the annual net profit from the profit of the interim periods.

## Sales

Sales break down as follows:

	Jan. 1 - June 30, 2021 EUR thousand	Jan. 1 - June 30, 2020 EUR thousand
Consulting	31,992	29,573
Licenses/products	4,802	5,839
Maintenance/SaaS	16,600	15,857
Other	531	827
	53,925	52,096

## Segment reporting

For the purpose of segment reporting in accordance with IFRS 8, USU operates in the "Product Business" and "Service Business" segments, both of which significantly influence the Group's risks and return on equity. The breakdown of various key performance indicators by segment in line with IFRS 8 is shown in the table below:

	Product Business		Service Business		Total Segments		Unallocated		Group	
	Jan. 1-June 30, 2021	Jan. 1-June 30, 2020	Jan. 1-June 30, 2021	Jan. 1-June 30, 2020	Jan. 1-June 30, 2021	Jan. 1-June 30, 2020	Jan. 1-June 30, 2021	Jan. 1-June 30, 2020	Jan. 1-June 30, 2021	Jan. 1-June 30, 2020
	EUR thousand									
Sales	38,632	38,641	15,234	13,361	53,866	52,002	59	94	53,925	52,096
EBITDA	4,949	7,406	2,936	2,128	7,885	9,534	-1,226	-3,458	6,659	6,076
EBIT	3,362	5,729	2,251	1,482	5,613	7,211	-1,293	-3,744	4,320	3,467
Net finance	-	-	-	-	-	-	38	-56	38	-56
Taxes	-432	-234	-132	-88	-564	-322	-	-	-564	-322
Consolidated net	2,930	2,875	2,119	1,394	5,049	6,889	-1,255	-3,800	3,794	3,089
No. of employees	521	514	114	107	635	621	104	103	739	724

The USU Group generated a total of 21.5% (Q1-Q2 2020: 28.5%) or EUR 13,544 thousand (Q1-Q2 2020: EUR 14,836 thousand) of its consolidated sales outside Germany in the first six months of the 2021 fiscal year. These figures are based on customers' registered offices. For reasons of materiality, further details of the geographical data have not been provided.

## Shares held by members of executive bodies at USU Software AG

The following shares in USU Software AG were held by members of the company's executive bodies as of June 30, 2021:

Stock declarations by members of	Shares June 30, 2021	Shares June 30, 2020
<b>Management Board</b>		
Bernhard Oberschmidt	162,518	162,518
Dr. Benjamin Strehl	0	0
<b>Supervisory Board</b>		
Udo Strehl*	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	0	0
<p>* An additional 5,349,578 (2020: 5,347,013) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 34(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).</p> <p>A further 32,000 (2020: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 34(1) sentence 1 no. 1 WpHG.</p>		

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

## Responsibility statement

To the best of our knowledge and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Möglingen, August 31, 2021

USU Software AG

Bernhard Oberschmidt

Dr. Benjamin Strehl

Chairman of the Management Board

Management Board

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**September 09-10, 2021**

Berenberg Pan-European Discovery Conference 2021, Mallorca/Spain

**September 10-11, 2021**

17th IR Tour 2021, Rüttnauer Research, Potsdam/Germany

**October 27, 2021**

Virtual Montega Roadshow, virtual

**November 18, 2021**

Publication of nine-month report 2021

**November 22-24, 2021**

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