



**3-Month Financial  
Report/Report on the First  
Quarter of 2023**

**USU Software AG**

## USU AT A GLANCE

<b>3-Month Report 2023</b>	<b>2023</b>	<b>2022</b>
<i>in EUR thousand, except earnings per share and number of employees</i>	<b>Jan. 1-Mar. 31, 2023</b>	<b>Jan. 1-Mar. 31, 2022</b>
<b>SALES</b>	<b>33,307</b>	<b>29,573</b>
<b>EBITDA</b>	<b>3,820</b>	<b>3,467</b>
<b>EBIT</b>	<b>2,658</b>	<b>2,314</b>
<b>CONSOLIDATED NET PROFIT</b>	<b>1,732</b>	<b>1,651</b>
<b>EARNINGS PER SHARE (EUR)</b>	<b>0.17</b>	<b>0.16</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3,925</b>	<b>6,351</b>
<b>NUMBER OF EMPLOYEES AS AT MAR. 31</b>	<b>797</b>	<b>746</b>
	<b>Mar. 31, 2023</b>	<b>Dec. 31, 2022</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>18,021</b>	<b>15,525</b>
<b>SHAREHOLDERS EQUITY</b>	<b>58,691</b>	<b>56,954</b>
<b>TOTAL ASSETS</b>	<b>124,666</b>	<b>112,979</b>
<b>EQUITY RATIO</b>	<b>47.1%</b>	<b>50.4%</b>

### USU Software AG

Spitalhof

D-71696 Möglingen

Phone +49.7141.4867-0

Fax +49.7141.4867-200

[www.usu.com](http://www.usu.com)

### Investor Relations

Falk Sorge & Dr. Thomas Gerick

Phone +49.7141.4867-351/440

Fax +49.7141.4867-108

[investor@usu.com](mailto:investor@usu.com)

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## LETTER TO SHAREHOLDERS

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Dear Shareholders and Readers,

USU Software AG continued to perform well in the first quarter of 2023 and posted solid growth. Consolidated sales increased by 12.6% year-on-year in the first three months of 2023 to EUR 33.3 million.

Once again, this was driven largely by the higher-than-average upturn in recurring revenue, i.e. maintenance income and our software-as-a-service business, which climbed by 21.5%. In addition, consulting income also increased significantly to 22.7% thanks to the sustained digitalization trend. EBITDA also improved as planned by a good 10% to EUR 3.8 million. Last but not least, the almost 17% upturn in the record level of orders on hand of more than EUR 89 million also provides a good basis for further successes in the fiscal year.

Without a doubt, one of the key factors in our success is our customer proximity. The latest Gartner study “Voice of the Customer of IT Service Management Platforms” also considers USU a “strong performer” with its portfolio of solutions. Current scoring 4.7 out of 5, we are the only German manufacturer to achieve a top position compared with 16 leading global suppliers. This further strengthens our resolve to maintain our customer-focused strategy. We are also proud to have increased our USU team to 800 employees since April 2023.

The AI language model ChatGPT is the topic on everyone’s lips at the moment. Our technology provides the perfect building block to seamlessly integrate ChatGPT to complement our diagnosis and service bots. In doing so, we can combine the advantages of the different technologies to create a flexible and extremely efficient overall customer service solution.

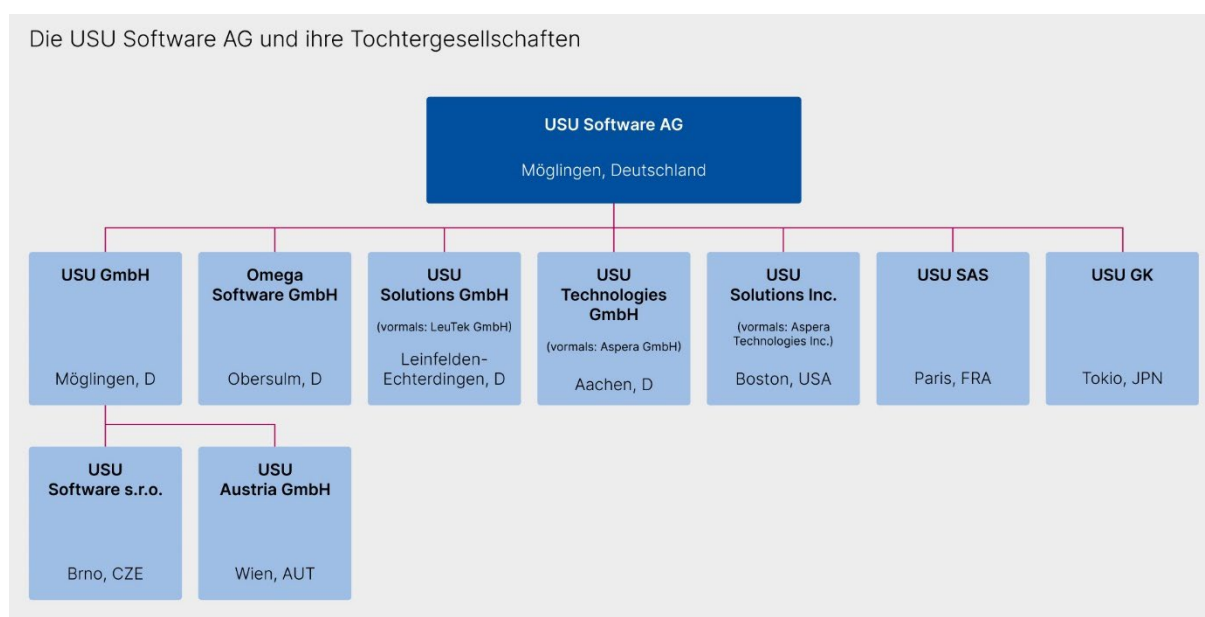
We are delighted that our Annual General Meeting on June 20, 2023, will be held in person again in Ludwigsburg. Detailed information can be found on our website. One of the items on the agenda will be the resolution for a dividend payment of 55 eurocents per share for fiscal 2022. This further increase in the profit distribution serves as a continuation of our shareholder-friendly dividend policy and our way of ensuring that all shareholders of USU Software AG participate significantly in the company’s operating success.

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, Aachen, Germany; USU Solutions Inc., Boston, USA; USU SAS, Paris, France and USU GK, Tokyo, Japan. In addition, USU Software AG has a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.



At the start of the second quarter of 2023, USU Technologies GmbH and USU Solutions GmbH were merged into USU GmbH as part of the “One USU” strategy. The mergers combined the three legally independent entities USU GmbH, USU Solutions GmbH and USU Technologies GmbH within the USU Group as part of the continuing USU GmbH.

## Business model, objectives, strategies and controlling system

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

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

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

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

The key performance indicators for USU Software AG and the Group are sales and EBITDA. Alongside consolidated sales, EBITDA has served as an important planning and control parameter since 2022.

The Management Board expects sales to increase to EUR 134-139 million in fiscal 2023 as a result of the accelerated shift from one-time license business in favor of software-as-a-service (SaaS) business. This will be accompanied by a significant rise in the proportion of SaaS contracts with new customers and strong growth of over 25% in SaaS sales, whereas license revenue will decline. Accordingly, EBITDA is expected to amount to EUR 16.5-18 million.

The Management Board is also confirming the current medium-term planning, which includes average organic sales growth of 10% in the next few years, with the proportion of sales with new customers attributable to SaaS set to rise to over 75%. The growth in high-margin SaaS sales should also lead to a continuous upturn in EBITDA margins, which are expected to increase to 17-19% by 2026.

## **Research and development**

USU Software AG's business model centers on new software innovations and the enhancement of its existing product portfolio. The Group has thus invested heavily in R&D for a number of years, with a focus on cloud and AI technology.

In the first quarter of 2023, the company invested a total of EUR 5,175 thousand (Q1 2022: EUR 4,377 thousand) or 15.5% (Q1 2022: 14.8%) of consolidated sales in research and development (R&D). The number of employees in this area was 266 as of March 31, 2023 (March 31, 2022: 221). The USU Group's R&D expenses do not typically meet the criteria for recognition and hence are not capitalized.

As part of the One USU strategy, all USU applications will be gradually integrated into a holistic SaaS-based platform in the next few years. Basic development work began in 2022 and continued in the first quarter of 2023. For example, the app manager was further developed and now also checks app compatibility. The R&D team also released the second version of the service desk app, which includes improvements to task lists and expanded priority calculations.



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

Development activities in USU Service Management again focused on the new shop module, for which another version was created. For example, this accounts for dependencies between parameters and improves visibility. Mail templates were expanded for USU Service Management.

For the USU IT Monitoring solution, developers laid the groundwork for seamless integration with other USU products to provide users with end-to-end ergonomic support in the future. They worked on improving the user experience. In addition, the company pushed ahead with further process automation and continuous security improvements.

The R&D team in Software Asset Management (SAM) worked on important enhancements to the USU SaaS optimization framework to improve this based on inactivity thresholds. SaaS management software also includes the internationally recognized “Enterprise SaaS Management Certification” from ITAM Review, the leading analyst in the sector.

In USU Knowledge Management, work continued on the new USU Knowledge Center version, and final tests began. A particular focus of this release is on facilitating collaboration in the document creation process. Another focus area was extensive research into how ChatGPT can be used for knowledge management in the Service Center. Additional functions were tested and integrated into the chatbot.

AI Services focused on the use of AI in problem management and major incident management. When creating a new incident, for example, the new version for service management checks whether an overriding major incident already exists. Based on ticket history, the system can also suggest and create new problem tickets.

In the first quarter, USU gradually improved the first version of an integrated, scalable hybrid cloud management platform completed in summer 2022 to ensure efficient controlling in complex hybrid IT infrastructures. It is now possible, for example, to automatically install a hybrid cloud management customer instance.

In the area of research, the joint “Service-Meister” project investigated GAIA-X compliance for distributed systems. Additionally, the research team developed the first version of an intelligent service chatbot that also recognizes contexts on the basis of structured service and product knowledge. Access to Wikipedia also allows the use of all factual information. The advantages and disadvantages of alternative approaches such as ChatGPT are currently being discussed.

The AutoQML project is currently in the specification phase. An initial feasibility study showed that the planned USU project work to expand/build an AutoML tool appears to be of interest

for all use cases. The tool aims to automate labor-intensive steps in the modeling and optimization of AI procedures, e.g. for data preprocessing and algorithm selection.

## **Economic report**

### **Overall economic development**

According to an initial report from the German Federal Statistical Office (“destatis”)<sup>1</sup> on April 28, 2022, gross domestic product (GDP) – adjusted for inflation, seasonal and calendar effects – in the first quarter of 2023 was unchanged on the fourth quarter of 2022 and is thus stagnant (0.0) after declining at the end of 2022 (revised -0.5% in Q4 2022 on previous quarter; previously: -0.4%). According to destatis, both public and private consumer spending declined at the start of 2023. By contrast, investment and exports delivered positive impetus. GDP in the first quarter of 2023 was 0.2% higher than in the first quarter of 2022 after adjustment for inflation. It was 0.1% lower after adjustment for inflation and calendar effects, as there was one more working day than in the previous year.

According to a preliminary flash estimate by the Statistical Office of the European Union (Eurostat)<sup>2</sup>, the euro area saw quarter-on-quarter growth in GDP of 0.1% in the first quarter of 2023 after no change in the fourth quarter of 2022. Meanwhile, seasonally adjusted euro area GDP was up 1.3% as against the first quarter of the previous year.

### **Sector development**

Studies by the digital industry association Bitkom<sup>3</sup> show that the digital industry was largely stable in the first quarter of 2023 and is mostly optimistic about the future despite the shortage of skilled labor, war in Europe and sustained high inflation. Business expectations of IT and telecommunications companies for the coming months came to 12.2 points in March – the highest they have been since Russia launched its war of aggression in Ukraine in February 2022. The current business situation also improved by 1.5 points compared with the previous month to 38.8 points, the best figure since June 2022. This is reflected in the digital index from Bitkom and the ifo Institute, which uses the current business situation and business expectations for the coming three months to calculate the business climate. Compared with February, this picked up by 8 points to 25.1, returning to the same level as last spring (April 2022: 25.2 points). “Despite current crises, the digital industry is still proving more resilient than many other sectors. This is good news for the 1.35 million people who work at IT and telecommunication companies. Strong IT is the only way to further drive the digital transformation of business and society,” said Bitkom President Achim Berg.

<sup>1</sup>cf. Destatis press release no. 169 dated April 28, 2023, published at <https://www.destatis.de>

<sup>2</sup>cf. Eurostat press release 51/2023 dated April 28, 2023, published at <http://ec.europa.eu/eurostat>

<sup>3</sup>cf. Bitkom press release dated April 5, 2023, published at [www.bitkom.org](http://www.bitkom.org)

## Development of sales and costs

### Consolidated sales

USU Software AG and its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) once again generated considerable growth in the first quarter of 2023. In the first three months of 2023, USU increased its consolidated sales by 12.6% year-on-year to EUR 33,307 thousand (Q1 2022: EUR 29,573 thousand). This was due to a high number of new and follow-up orders that also led to an all-time high in terms of orders on hand. After USU saw international sales decline in previous quarters on account of the pandemic, international business enjoyed an above-average upturn in the reporting quarter and picked up by 13.1% to EUR 7,073 thousand (Q1 2022: EUR 6,253 thousand), while sales in its home market of Germany rose by 12.5% to EUR 26,234 thousand (Q1 2022: EUR 23,320 thousand). As a result, international business accounted for 21.2% of USU’s consolidated sales in the first three months of 2023, once again a slight increase on the 21.1% in the first quarter of the previous year.

Broken down by sales type, SaaS sales saw above-average growth of 21.5% year-on-year to EUR 4,003 thousand (Q1 2022: EUR 3,294 thousand). USU benefited from the trend towards cloud solutions, although as expected this did have a negative impact on license revenue. As a result of the general trend toward SaaS projects, fewer customers opted to purchase one-time licenses in early 2022. Accordingly, license revenue halved compared with the previous year to EUR 1,298 thousand (Q1 2022: EUR 2,597 thousand). Thanks to the good number of licenses agreed in previous quarters, however, the USU Group’s maintenance income rose by 5.9% year-on-year to EUR 6,345 thousand (Q1 2022: EUR 5,992 thousand). USU thus increased its recurring revenue (maintenance sales including SaaS revenue) by 11.4% year-on-year to EUR 10,348 thousand in the first quarter of 2023 (Q1 2022: EUR 9,286 thousand). At the same time, USU’s consulting sales also increased by a considerable 22.7% year-on-year to EUR 21,485 thousand thanks to the sustained digitalization trend and, in connection with this, the acquisition of several major projects (Q1 2022: EUR 17,513 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 176 thousand (Q1 2022: EUR 177 thousand).

### Sales by segment

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



In the first quarter of 2023, the Product Business segment increased its sales by 10.1% year-on-year to EUR 22,662 thousand (Q1 2022: EUR 20,589 thousand), while USU enjoyed a disproportionate 18.9% year-on-year increase in its consulting-related sales in the Service Business segment to EUR 10,645 thousand in the same period thanks to acquiring several major projects (Q1 2022: EUR 8,953 thousand). USU's service segment again benefited from the demand trend for digitalization solutions in the first quarter of 2022. Sales not allocated to the segments came to EUR 0 thousand in the first quarter of 2023 (Q1 2022: EUR 31 thousand).

## Operating costs

The USU Group's operating cost base increased by 13.0% year-on-year to EUR 31,056 thousand in the first three months of fiscal 2023 (Q1 2022: EUR 27,481 thousand). This essentially reflects the higher costs resulting from the additional use of employed consultants and freelancers in connection with the business growth.

The cost of sales reflect significant business growth in the first quarter of 2023 and rose by 12.9% year-on-year to EUR 17,194 thousand (Q1 2022: EUR 15,233 thousand) as a result of higher fees paid to the additional freelancers employed and increased staff costs due to expanding the consultant team. The cost of sales as a percentage of consolidated sales was thus on par with the previous year at 51.6% (Q1 2022: 51.5%). At the same time, gross income rose from EUR 14,339 thousand in the first quarter of 2022 to EUR 16,113 thousand, an increase of 12.4%. The gross margin in Q1 2023 was 48.4% (Q1 2022: 48.5%).

Marketing and selling expenses increased by 16.3% year-on-year to EUR 5,803 thousand in the period under review (Q1 2022: EUR 4,988 thousand). This rise essentially reflects higher partner commission in connection with growth in partner business. The significant sales growth meant that marketing and selling expenses as a share of sales remained at a solid 17.4% in the first quarter of 2023 (Q1 2022: 16.9%).

General and administrative expenses came to EUR 2,884 thousand in the reporting period (Q1 2022: EUR 2,882 thousand), almost exactly the same as in the previous year. The ratio of administrative expenses to consolidated sales decreased to 8.7% in the reporting period as a result of higher sales (Q1 2022: 9.7%).

Research and development expenses also rose by 18.2% year-on-year to EUR 5,175 thousand in the quarter (Q1 2022: EUR 4,377 thousand) due to expanding the team of developers to accelerate the development of a central Group product platform as part of the "One USU" strategy and higher staff costs as a result of this. The ratio of research and development expenses to consolidated sales increased from 14.8% in the previous year to 15.5% as a result of the simultaneous increase in sales, putting the figure on par with 2021 levels (Q1 2021: 15.6%). USU is constantly investing in the development of its product portfolio and is 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 407 thousand in the first quarter of 2023 (Q1 2022: EUR 222 thousand).

## **Results of operations**

As a result of the business growth and the above-average increase in high-margin SaaS sales, the USU Group also further improved its operating profitability in the first quarter of 2023 despite reduced license business. USU's EBITDA increased by 10.2% year-on-year to EUR 3,820 thousand in the first quarter of 2023 (Q1 2022: EUR 3,467 thousand). As USU reported a disproportionate increase in sales compared with EBITDA in the first quarter, the EBITDA margin remained slightly down year-on-year at 11.5% (Q1 2022: 11.7%). Including depreciation and amortization totaling EUR 1,162 thousand (Q1 2022: EUR 1,153 thousand), USU generated EBIT of EUR 2,658 thousand in the first quarter of 2023 (Q1 2022: EUR 2,314 thousand). This corresponds to a year-on-year increase in EBIT of 14.9%.

Net finance costs amounted to EUR -277 thousand in the first quarter of 2022 (Q1 2022: EUR -15 thousand). Income taxes came to EUR 649 thousand (Q1 2022: EUR 648 thousand) in Q1 2023, almost exactly the same as in the previous year. As a result, USU's consolidated net profit rose by 5.2% year-on-year to EUR 1,732 thousand in the first quarter of 2023 (Q1 2022: EUR 1,651 thousand). With an average of 10,523,770 shares outstanding, this corresponds to diluted earnings per share of EUR 0.17 (Q1 2022: EUR 0.16), while basic earnings per share also came to EUR 0.17 (Q1 2022: EUR 0.16) with an average of 10,000,000 shares outstanding.

## **Net assets and financial position**

On the assets side of the statement of financial position, the USU Group's non-current assets as of March 31, 2023, were down slightly on the figure as of December 31, 2022, at EUR 64,786 thousand (December 31, 2022: EUR 67,577 thousand), while current assets increased significantly from EUR 48,188 thousand as of December 31, 2022, to EUR 59,880 thousand. This was primarily due to the increase in trade receivables EUR 27,502 thousand at the end of the first quarter of 2023 (December 31, 2022: EUR 22,274 thousand), the increase in unbilled work in progress from EUR 6,013 thousand as of December 31, 2022, to EUR 9,879 thousand, and the higher level of Group liquidity, which amounted to EUR 18,021 thousand as of March 31, 2023 (December 31, 2022: EUR 15,525 thousand).

On the equity and liabilities side of the statement of financial position, the USU Group's equity increased from EUR 56,954 thousand as of December 31, 2022, to EUR 58,691 thousand as of March 31, 2023, as a result of the rise in profits. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 65,975 thousand as of March 31,

2023 (December 31, 2022: EUR 56,025 thousand). This increase primarily resulted from higher deferred income from maintenance and SaaS agreements invoiced at the start of the year for which services will be rendered and sales recognized later in the year, which increased to EUR 22,479 thousand (December 31, 2022: EUR 10,597 thousand), and from higher liabilities from advances received, which rose from EUR 3,941 thousand as of December 31, 2022, to EUR 6,998 thousand as of March 31, 2023.

With total assets of EUR 124,666 thousand (December 31, 2022: EUR 112,979 thousand), the equity ratio was 47.1% as at March 31, 2023 (December 31, 2022: 50.4%). 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 of EUR 18,021 thousand as of March 31, 2023 (Q1 2021: EUR 29,963 thousand). This represents a year-on-year decrease of EUR 11,942 thousand or 31.7%, due mainly to the share buyback in the previous year.

USU's cash flow from operating activities was well into positive territory again in Q1 2023 at EUR 3,925 thousand (Q1 2022: EUR 6,351 thousand), although it was lower than in the previous year due to certain changes in working capital as of the reporting date.

Net cash used in investing activities of EUR -732 thousand (Q1 2022: EUR -76 thousand) primarily includes investments in property, plant and equipment and intangible assets.

As in the previous year, the net cash used in financing activities of EUR -728 thousand (Q1 2022: EUR -725 thousand) resulted from repayments of lease liabilities.

## **Orders on hand**

Thanks to acquiring several major orders and many medium-sized orders in the first quarter of 2023, the USU Group expanded its Group-wide orders on hand by a significant 16.7% or EUR 12.776 thousand year-on-year to EUR 89.468 thousand as of March 31, 2023 (March 31, 2022: EUR 76,692 thousand). This meant that USU reached another all-time high in terms of orders on hand. The increase primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders. USU increased its orders on hand by 7.8% or EUR 6,477 thousand as against the end of the previous year (December 31, 2022: EUR 82,991 thousand).

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

## Employees

The USU Group expanded its workforce by 6.8% or 51 employees year-on-year to 797 employees as of March 31, 2023 (March 31, 2022: 746). Broken down by functional unit, USU employed a total of 321 people in consulting and services as of the end of the first quarter of 2023 (March 31, 2022: 313), 266 in research and development (March 31, 2022: 221), 82 in sales and marketing (March 31, 2022: 107) and 128 in administration (March 31, 2022: 105). Broken down by segment, USU had 536 (March 31, 2022: 526) employees in the Product Business segment, 133 (March 31, 2022: 115) in the Service Business segment and 128 (March 31, 2022: 105) in central USU Group functions. USU therefore continued to expand the Group workforce as planned at the start of 2023 in line with its medium-term planning and now has almost 800 employees in the Group as a whole.

## Forecast, report on risks and opportunities

### Forecast

#### *General economy*

According to the Joint Economic Forecast #1-2023<sup>4</sup> of April 3, 2023, issued by the leading economic research institutes, supply-side complications that had considerably hampered economic performance in Germany have eased off in the last few months. Wholesale gas and electricity prices, for example, declined significantly, mitigating high levels of inflation. The institutes expect the manufacturing industry to play a major role in shoring up the economy in the next few quarters, as it benefits directly from improved supply chain bottlenecks and cheaper energy. Although it seems that inflation has now peaked, the pace of consumer price rises is not expected to slow considerably yet as current demand is unlikely to ease for the time being. As well as government assistance such as limits on electricity and gas prices, the expected sharp rise in agreed earnings will also play a role here. The institutes expect real salaries to pick up again over the year, with private consumer spending again boosting overall economic growth as a result. All in all, the economic research institutes reckon that gross domestic product (GDP) adjusted for inflation will increase by 0.3% in 2023 and 1.5% in 2024.

After growing by 3.2% last year, the institutes expect global trade to start this year on a weak note and pick up only slowly. They put average annual growth at 0.4% this year and 2.8% next year. While inflation in advanced economies looks set to fall to 4.8% in 2023 and 2.4% in 2024, this is still far higher than the long-term average.

<sup>4</sup>cf. Joint Economic Forecast #1-2023, April 3, 2023, published at [www.gemeinschaftsdiagnose.de](http://www.gemeinschaftsdiagnose.de)

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## Sector

According to the latest Bitkom<sup>5</sup> information, the digital industry is extremely stable even in an environment characterized by war, supply chain disruption and inflation, and is set to enjoy further growth. The digital industry association Bitkom expects companies in the IT, telecommunications and consumer electronics industry to record year-on-year sales growth of 3.8% in 2023 (2022: 4.0%), with total sales forecast to break the EUR 200 billion barrier for the first time at EUR 203.4 billion (2022: EUR 196.1 billion). “Digitalization is the answer to the various crises of our time. Digitalization makes an economy more resilient, helps with global challenges like climate protection, and makes people’s lives easier in areas such as healthcare, education and mobility,” commented Bitkom President Achim Berg. “We need to strengthen the digital transformation in business, administration and society. This means more than just stepping up our game – it requires a true digital policy transformation.”

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

In terms of the global IT market, the IT Spending Forecast published by the market research company Gartner<sup>6</sup> on April 6, 2023, anticipates a year-on-year increase in IT expenditure of 5.5% (2022: 0.5%) to USD 4,644 billion in 2023 (2022: USD 4,402 billion). According to Gartner, the market segments of software and IT services are expected to record above-average global growth rates of 12.3% (2022: 8.8%) to USD 891.4 billion (2022: USD 793.8 billion) and 9.1% (2022: 3.5%) to USD 1,364.1 billion (2022: USD 1,250.2 billion), respectively.

## Outlook

Following the positive start to fiscal 2023 and in light of the new all-time high in terms of orders on hand, the Management Board is confirming the full-year forecast for 2023. This provides for sales growth to EUR 134-139 million with a significant rise in the proportion of SaaS contracts with new customers and growth of over 25% in SaaS sales. In line with this, the Management Board is also reiterating its earnings target for 2023, with EBITDA to rise to EUR 16.5-18.0 million. The Management Board is also confirming the current medium-term planning, which includes average organic sales growth of around 10% p.a., with the proportion

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<sup>5</sup>cf. BITKOM press release dated January 10, 2023, published at [www.bitkom.org](http://www.bitkom.org)

<sup>6</sup>cf. Gartner press release dated April 6, 2023, published at [www.gartner.com](http://www.gartner.com)



of sales with new customers attributable to SaaS set to rise to over 75%. The growth in high-margin SaaS sales will lead to a continuous upturn in EBITDA margins, which are expected to increase to 17-19% by the end of 2026.

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

## **Report on risks and opportunities**

There were no changes to the opportunities and risks of USU Software AG or of the Group as a whole as against the reporting date December 31, 2022. For more information please see the report on risks and opportunities in the 2022 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.

Regardless of the ongoing war in Ukraine, high inflation and rather modest macroeconomic prospects, stock market indices were largely very positive in the first quarter thanks to the idea that interest rates might be reduced. On March 31, 2023, the German share index (DAX) therefore closed up 12.2% on the previous quarter on the XETRA electronic trading platform at 15,628.84 points (December 31, 2022: 13,923.59 points). The Technology All Share index also saw a significant upturn of 10.1% to 4,070.81 points on XETRA compared with the same reporting date in the previous quarter (December 31, 2022: 3,696.97 points). USU shares picked up considerably, posting quarterly performance of +10.8% and ending trading on XETRA on March 31, 2023, at EUR 22.60 (December 31, 2022: EUR 20.4).

Compared with the previous year's reporting date of March 31, 2022, the DAX rose by 8.4% (March 31, 2022: 14,414.75 points), while the Technology All Share Index performed very poorly over the year as a whole with a downturn of -11.3% (March 31, 2021: 4,762.54 points). Irrespective of the company's positive business development, USU's share price remained unchanged on the previous year's figure (March 31, 2022: EUR 22.60).

Möglingen, May 25, 2023

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management Board

Dr. Benjamin Strehl  
Management Board

<b>ASSETS</b> <i>EUR thousand</i>	<b>3-month report</b> <b>Mar. 31, 2023</b>	<b>Annual report</b> <b>Dec. 31, 2022</b>
<b>Non-current assets</b>		
Intangible assets	2,686	2,598
Goodwill	40,092	40,092
Tangible assets	3,268	3,045
Right-of-use assets	15,288	15,697
Financial assets	783	775
Prepaid expenses	668	168
Deferred tax assets	2,001	2,416
<b>Non-current assets</b>	<b>64,786</b>	<b>64,791</b>
<b>Current assets</b>		
Inventories	563	478
Contract assets	9,879	6,013
Trade receivables	27,502	22,274
Income tax receivables	1	1
Financial assets	637	669
Other assets	363	890
Prepaid expenses	2,914	2,338
Cash on hand and bank	18,021	15,252
<b>Current assets</b>	<b>59,880</b>	<b>48,188</b>
<b>Total assets</b>	<b>124,666</b>	<b>112,979</b>

<b>EQUITY AND LIABILITIES</b> <i>EUR thousand</i>	<b>3-month report</b> <b>Mar. 31, 2023</b>	<b>Annual report</b> <b>Dec. 31, 2022</b>
<b>Equity</b>		
Issued capital	10,524	10,524
Treasury shares	-524	-524
Capital reserves	43,465	43,465
Other retained earnings	4,881	3,149
Other comprehensive income	345	340
<b>Equity</b>	<b>58,691</b>	<b>56,954</b>
<b>Non-current liabilities</b>		
Pension provisions	1,002	991
Lease liabilities	12,884	13,287
Deferred income	1,256	1,325
Deferred taxes	1,173	1,197
<b>Non-current liabilities</b>	<b>16,315</b>	<b>16,800</b>
<b>Current liabilities</b>		
Income tax liabilities	728	1,084
Financial liabilities	0	132
Lease liabilities	2,689	2,696
Personnel-related liabilities	6,682	10,070
Other provisions and liabilities	2,715	3,708
Liabilities from advance payments	6,998	3,941
Trade payables	7,369	6,997
Deferred income	22,479	10,597
<b>Current liabilities</b>	<b>49,660</b>	<b>39,225</b>
<b>Total equity and liabilities</b>	<b>124,666</b>	<b>112,979</b>

<b>STATEMENT OF COMPREHENSIVE INCOME</b> <i>EUR thousand</i>	Quarterly report	Quarterly report	3-month report	3-month report
	Q1 2023	Q1 2022		
	Jan. 1, 2023	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2022
	Mar. 31, 2023	Mar. 31, 2022	Mar. 31, 2023	Mar. 31, 2022
Sales	33,307	29,573	33,307	29,573
Cost of sales	-17,194	-15,234	-17,194	-15,234
Gross profit	16,113	14,339	16,113	14,339
Selling and marketing expenses	-5,803	-4,988	-5,803	-4,988
General and administrative expenses	-2,884	-2,882	-2,884	-2,882
Research and development expenses	-5,175	-4,377	-5,175	-4,377
Other operating income	559	388	559	388
Other operating expenses	-152	-166	-152	-166
Profit from ordinary activities (EBIT)	2,658	2,314	2,658	2,314
Finance income	7	31	7	31
Finance expenses	-284	-46	-284	-46
Earnings before taxes (EBT)	2,381	2,299	2,381	2,299
Income taxes	-649	-648	-649	-648
Consolidated net earnings	1,732	1,651	1,732	1,651
<i>Items that can be reclassified to profit or loss in future:</i>				
Currency translation difference	5	-3	5	-3
<b>Other earnings</b>	<b>5</b>	<b>-3</b>	<b>5</b>	<b>-3</b>
<b>Total comprehensive income</b>	<b>1,737</b>	<b>1,648</b>	<b>1,737</b>	<b>1,648</b>
<b>Earnings per share (in EUR), diluted</b>	<b>0.17</b>	<b>0.16</b>	<b>0.17</b>	<b>0.16</b>
<b>Earnings per share (in EUR), basic</b>	<b>0.17</b>	<b>0.16</b>	<b>0.17</b>	<b>0.16</b>
Number of underlying shares:				
Diluted	10,523,770	10,523,770	10,523,770	10,523,770
Basic	10,000,000	10,523,770	10,000,000	10,523,770

<b>Consolidated statement of cash flows</b> <i>EUR thousand</i>	<b>3-month report</b> <b>Jan. 1, 2023 -</b> <b>Mar. 31, 2023</b>	<b>3-month report</b> <b>Jan. 1, 2022 -</b> <b>Mar. 31, 2022</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
Consolidated net profit	1,732	1,651
+/- depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	438	429
+/- depreciation, amortization and write-downs of right-of-use assets under IFRS 16 Leases and reversals of write-downs of right-of-use assets under IFRS 16 Leases	724	724
+/- other non-cash expenses/income	-291	86
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-9,704	-5,043
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	10,740	8,344
-/+ interest expenses/income	277	15
+/- income taxes received/paid	-613	-460
-/+ interest paid/received	-27	-43
-/+ income tax expenses/income	649	648
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,925</b>	<b>6,351</b>
<b>NET CASH USED IN INVESTING ACTIVITIES:</b>		
- purchase of intangible assets	-215	-2
+ proceeds from disposals of property, plant and equipment	12	0
- purchase of property, plant and equipment	-529	-74
<b>NET CASH USED IN INVESTING ACTIVITIES:</b>	<b>-732</b>	<b>-76</b>
<b>NET CASH USED IN FINANCING ACTIVITIES:</b>		
- repayments of lease liabilities	-728	-725
<b>NET CASH USED IN FINANCING ACTIVITIES:</b>	<b>-728</b>	<b>-725</b>
<b>Change in cash and cash equivalents</b>	<b>2,465</b>	<b>5,550</b>
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	31	127
<b>+ cash and cash equivalents at the start of the period</b>	<b>15,525</b>	<b>24,286</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>18,021</b>	<b>29,963</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	18,021	29,963



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)



Changes in consolidated equity	Issued capital		Treasury shares	Capital reserves	Retained earnings	Other comprehensive income		Equity			
	Number	EUR thousand				EUR thousand	EUR thousand		Pension plans	Currency translation	EUR thousand
Consolidated equity as of January 1, 2022	10,523,770	10,524	0	52,792	829	-116	414	64,443			
Consolidated net profit					1,651			1,651			
Other comprehensive income after taxes							-3	-3			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,651</b>	<b>0</b>	<b>-3</b>	<b>1,648</b>			
Dividend payment								0			
Consolidated equity as of March 31, 2022	10,523,770	10,524	0	52,792	2,480	-116	411	66,091			
Consolidated equity as of January 1, 2023	10,523,770	10,524	-524	43,465	3,149	56	284	56,954			
Consolidated net					1,732			1,732			
Other comprehensive							5	5			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,732</b>	<b>0</b>	<b>5</b>	<b>1,737</b>			
Dividend payment								0			
Consolidated equity as of March 31, 2023	10,523,770	10,524	-524	43,465	4,881	56	289	58,691			

## **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, 2022. This unaudited three-month report for 2023 should therefore be read in conjunction with the audited consolidated financial statements for 2022.

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

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

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

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

## Sales

Sales break down as follows:

	Jan. 1-Mar. 31, 2023 EUR thousand	Jan. 1 - Mar. 31, 2022 EUR thousand
Consulting	21,485	17,513
Licenses/products	1,298	2,597
Maintenance	6,345	5,992
Software as a service (SaaS)	4,003	3,294
Other	176	177
	33,307	29,573

## Segment reporting

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

	Product Business		Service Business		Total segments		Unallocated		Group	
	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,	Jan. 1 - Mar. 31,
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Sales	22,662	20,589	10,645	8,953	33,307	29,542	0	31	33,307	29,573
EBITDA	2,348	2,227	2,039	1,802	4,387	4,029	-567	-562	3,820	3,467
EBIT	1,483	1,438	1,764	1,479	3,247	2,917	-589	-603	2,658	2,314
Net finance	-28	-	-9	-	-37	-	-240	-15	-277	-15
Taxes	-397	-586	-478	-62	-875	-648	226	0	-649	-648
Consolidated net	1,086	852	1,277	1,417	2,335	2,269	-603	-618	1,732	1,651
No. of employees	536	526	133	115	669	641	128	105	797	746

The USU Group generated a total of 21.2% (Q1 2022: 21.1%) or EUR 7,073 thousand (Q1 2022: EUR 6,253 thousand) of its consolidated sales outside Germany in the first three months of the 2023 fiscal year. These figures are based on customers’ registered offices. For reasons of materiality, further details of the geographical data have not been provided.

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

The following shares in USU Software AG were held by members of the company's executive bodies as of March 31, 2023:

Stock declarations by members of	Shares Mar. 31, 2023	Shares Mar. 31, 2022
<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	1,000	1,000

\* An additional 5,366,888 (2022: 5,355,578) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 34(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).

A further 32,000 (2021: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 34(1) sentence 1 no. 1 WpHG.

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

Möglingen, May 25, 2023

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management Board

Dr. Benjamin Strehl  
Management Board

**June 20**

Annual General Meeting, Ludwigsburg

**August 31**

Publication of six-month report 2023

**September 4-5**

Equity Forum - German Fall Conference, Frankfurt am Main

**September 8-9**

IR Tour - Rüttnauer Research, Minden

**September 13**

GBC - Zurich Capital Market Conference, Zurich

**November 22**

Publication of nine-month report 2023

**November 27-29**

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