

**Half-Yearly Financial Report
and Report on the Second
Quarter of 2023**

USU Software AG

USU AT A GLANCE

6-Month Report 2023	2023	2022
<i>in EUR thousand, except earnings per share and number of employees</i>	JAN. 1-JUNE 30, 2023	JAN. 1-JUNE 30, 2022
SALES	64,898	60,295
EBITDA	5,957	7,263
EBIT	3,592	4,938
NET RESULT	2,446	3,534
EARNINGS PER SHARE (EUR)	0.23	0.34
CASH FLOW FROM OPERATING ACTIVITIES	415	3,545
NUMBER OF EMPLOYEES AS AT JUNE 30	801	744
	JUNE 30, 2023	Dec. 31, 2022
CASH AND CASH EQUIVALENTS	8,006	15,525
SHAREHOLDERS EQUITY	53,879	56,954
BALANCE SHEET	113,415	112,979
EQUITY RATIO	47.5%	50.4%

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LETTER TO SHAREHOLDERS

Dear Shareholders and Readers,

Despite the clear shift from one-time licenses to software-as-a-service (SaaS) business, the USU Group is visibly maintaining its growth trajectory in 2023. A higher share of SaaS business among new customers, a reluctance to invest and, in connection with this, order postponements by potential customers in the reporting quarter caused earnings to decline temporarily. This reluctance to invest is essentially due to the weak overall economy, high inflation and related uncertainties over our (potential) customers' own business performance.

On a positive note, demand for USU products and solutions remains high and only longer sales cycles in license business are reflected in consolidated earnings for the reporting period. Based on the success of the SaaS transformation – which is clearly demonstrated by growth of over 23% in SaaS – high orders on hand and the still strong consulting business, the USU Group is continuing to systematically pursue its strategic focus. This chiefly relates to investment projects in artificial intelligence and on the cloud management market. Investment in the new, central product platform is also being deliberately stepped up to support the SaaS transformation.

Although market conditions mean it is not yet possible to accurately predict when potential new customers will place an order and then decide to opt for a one-time license or an SaaS project, we do not expect the earnings effect of the reporting quarter to be fully offset over the rest of the year. Accordingly, we have revised the guidance and now anticipate sales growth to EUR 132 – 139 million in 2023 as a whole (previously : EUR 134 – 139 million), with a targeted further significant expansion in SaaS business and EBITDA of EUR 13 – 15 million (previously: EUR 16.5 – 18.0 million)

The trend away from one-time licenses (on premises) in favor of rental models (SaaS) is also becoming more pronounced. This increased recurring revenue (maintenance income plus SaaS revenue) by 12.3% year on year to EUR 21.2 million in the first half of the year, meaning that the share of total sales attributable to recurring revenue rose to 32.6%. Orders on hand also remained high at over EUR 89 million and provide the foundations for successful business performance in the months ahead.

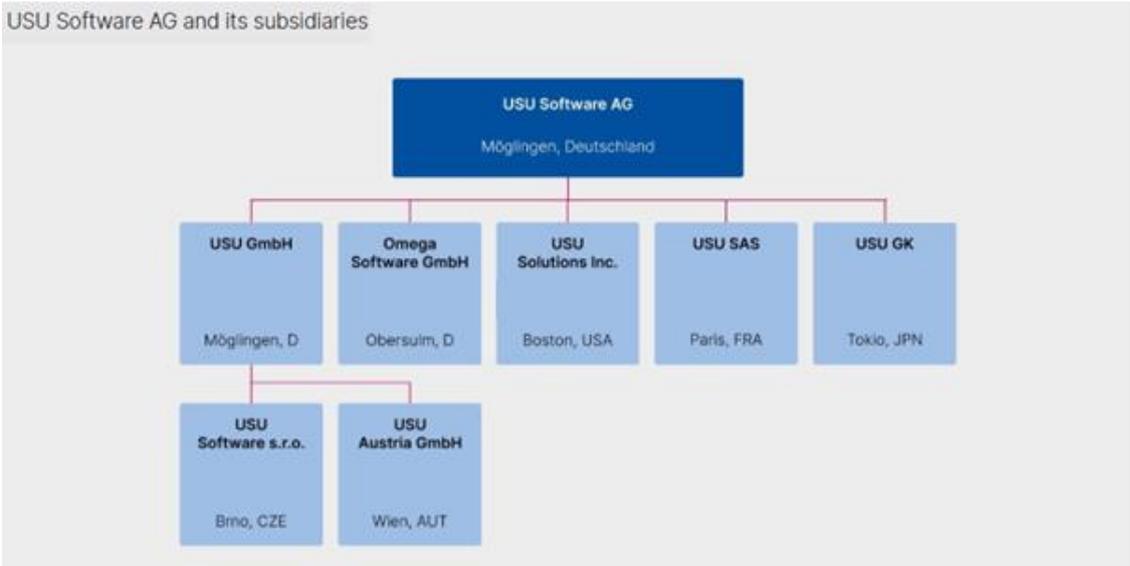
Yours,

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 Inc., Boston, USA; USU SAS, Paris, France and USU GK, Tokio, 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”) sets standards for better service quality. With USU, companies are responding to the changed customer and employee needs in a digital world. Well-known companies use USU solutions to create transparency, become more agile, cut costs, and reduce their risk – by means of smarter services, simpler workflows, and better collaboration. In addition to software asset management, IT service management, and IT service monitoring, the USU service portfolio also covers the areas of knowledge management, self-service management, digital service solutions, and AI services.

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

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

The key performance indicators for USU Software AG and the Group are sales and EBITDA. Alongside consolidated sales, EBITDA has served as an important planning and control parameter since 2022. According to the updated guidance, the Management Board expects sales growth to EUR 132 - 139 million (previously: EUR 134-139 million) in fiscal 2023 thanks to the targeted further expansion of SaaS business. Taking account of the negative macroeconomic environment and, in connection with this, order postponements and reluctance among potential new customers – especially in the software license business - the Management Board now anticipates EBITDA of EUR 13 - 15 million for 2023 as a whole (previously: EUR 16.5 – 18.0 million).

Thanks to the success of the SaaS transformation, high orders on hand and the still strong consulting business from larger digitalization orders, the Management Board does not believe this poses a risk in the medium or long term and instead expects only a short-term negative impact. Accordingly, the Management Board is 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 EBITDA margin to between 17% and 19% by 2026.

Research and development

Software innovations are a central component of the USU business model. Key technologies such as cloud computing and artificial intelligence are considered drivers of long-term, sustainable success. The USU Group has therefore invested heavily in research and development (R&D) for many years to develop new and attractive products and to expand the existing portfolio.

In the first six months of 2023, expenses for research and development came to a total of EUR 10,520 thousand (H1 2022: EUR 8,817 thousand) or 16.2% (H1 2022: 14.6%) of consolidated sales. The number of employees in this area was 229 as of June 30, 2023 (June 30, 2022: 221). As the company's R&D expenses do not typically meet the criteria for recognition, they are not capitalized.

The Group-wide R&D strategy centers on gradually creating a holistic SaaS-based platform, which in the medium term will integrate the entire IT asset management, service management and IT operations management portfolio. This will provide the individual modular solutions as apps and offer flexible and ergonomic support that can be expanded at any time. Development work began in 2022 as part of the “One USU” strategy and was continued in the first six months of 2023. The USU shop app, the service desk app and the app manager were further developed in this period. Development work for the cloud management app will begin shortly. 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.

In USU Service Management, the R&D team primarily expanded the functions of the self-service portal. This made it possible to configure message display and create tickets using the chatbot. The search function was also included in the new store module, its interface and user-friendliness were improved and further fulfillment processes were added.

Developers published a new release for the USU IT Monitoring solution, which makes it far easier to integrate third-party systems using extensive interfaces. The basic work on improving UX resulted in the development of a server monitoring app that makes it simple to create and manage server monitoring. A UX redesign of the end-to-end monitoring solution is also underway.

Development in USU Software Asset Management (SAM) focused and continues to focus on expanding the topic of “manage SaaS” and the modernization of SAM technology in view of the new USU platform. In addition, there are new functions in the area of AI-assisted processing of input data, in particular automated recognition of usage data and purchase receipts. In Cloud Management, a service package was created that assists customers with transparency and optimization for cloud investments.

As announced, work on the new version of KnowledgeCenter was completed in USU Knowledge Management. One highlight is the new “active editor”, which allowing knowledge to be managed in individual, combinable modules or blocks, as opposed to in documents. According to market analysts at Gartner, this is essential to linking AI and a knowledge database. Self Service saw an increasing number of use cases with generative AI.

AI Services is working on expanding the existing USU portfolio through new, AI-based technology components. For example, the management interface for Service Management was redesigned and expanded. This gives users an instant overview of the quality of AI-generated suggestions in the productive systems. The optional use of GPT models in ticket routing also further improved the quality of predictions.

In Hybrid Cloud Management, USU is expanding its services to include a cloud cost management service that is available immediately. This helps USU customers understand and

better manage their cloud costs. The service provides transparency regarding the resources used in the cloud environments of Azure, AWS and GCP. Through regular reports, a detailed interpretation of the results and support in taking the next steps by USU cloud experts, customers can make the right decisions at an early stage.

In the research department, two long-term research projects were successfully completed in the first half of 2023: For the joint “Service-Meister” project, the USU team and its partner Open Grid Europe presented the use case “cathodic corrosion protection”, which focused on avoiding false alarms in nationwide gas networks. It also presented the GAIA-X connector developed by USU, which makes it easy to log on to GAIA-X infrastructures. As part of the FabOS research project, which has also ended, USU developed the new Data science wizard, a tool to automate the creation of data-driven services. Specialist departments can use this to develop successful AI models without the help of data scientists.

Economic report

Overall economic development

According to a report from the German Federal Statistical Office (“destatis”)¹ on July 28, 2023, German gross domestic product (GDP) stagnated (0.0%) in the second quarter of 2023 – adjusted for inflation, seasonal and calendar effects –, after declining for two consecutive quarters (revised -0.1 % in Q1 2023 and -0.4 % in Q4 2022). destatis also reported that private household consumer spending stabilized in the second quarter of 2023 after the weak winter half-year.

GDP in the second quarter of 2023 was 0.6% lower than in the second quarter of 2022 after adjustment for inflation. The decline was 0.2% lower after adjustment for inflation and calendar effects, as there was one less working day than in the previous year.

According to a flash estimate by the Statistical Office of the European Union (Eurostat)², the euro area saw quarter-on-quarter growth in seasonally adjusted GDP of 0.3% in the second quarter of 2023 after no change in the first quarter of 2023 according to revised Eurostat figures. According to Eurostat information, seasonally adjusted euro area GDP increased by 0.6% year-on-year in the second quarter of 2023.

¹cf. Destatis press release no. 299 dated July 28, 2023, published at <https://www.destatis.de>

² cf. Eurostat press release 91/2023 dated August 16, 2023, published at <http://ec.europa.eu/eurostat>

Sector development

The digital industry association Bitkom³ found that the business climate in the digital sector developed positively in June. Surveys by Bitkom and the ifo Institute show that ICT companies generally considered their current business situation to be very good in June 2022. The digital index, which reflects the business climate in the digital sector on the basis of a monthly ifo business survey and is calculated as the geometric mean of the current business situation and business expectations, climbed by 2.3 points to 22.8 points in June compared with the previous month. According to Bitkom, this is the same level as before the coronavirus pandemic.

Business development in the second quarter of 2023

Thanks to record orders on hand and, in connection with this, the high number of existing SaaS agreements, USU Software AG and its subsidiaries (hereinafter also referred to as the "USU Group" or (USU")) saw consolidated sales increase further in the second quarter of 2023 despite orders being postponed in the reporting quarter on account of the economy. USU increased its consolidated sales slightly by 2.8% year-on-year to EUR 31,591 thousand in the second quarter of 2023 (Q2 2022: EUR 30,722 thousand). This upturn was driven chiefly by the USU Group's domestic business, which picked up by 7.8% to EUR 25,405 thousand (Q2 2022: EUR 23,563 thousand). After foreign business performed well in previous quarters, markets outside Germany in particular saw a longer sales cycle with potential customers last quarter and so international sales declined by 13.6% year on year to EUR 6,186 thousand (Q2 2022: EUR 7,159 thousand).

This decline can be seen primarily in the USU Group's license business, which decreased by about three quarters in the reporting quarter to EUR 830 thousand (Q2 2022: EUR 3,226 thousand) after enjoying significant growth in the previous year. At the same time, however, USU expanded its SaaS sales by 25.1% year on year to EUR 4,211 thousand (Q2 2022: EUR 3,367 thousand) thanks to the strategic shift from one-time license business to SaaS business. Maintenance sales also increased by 6.6% year-on-year to EUR 6,627 thousand in the second quarter of 2023 (Q2 2022: EUR 6,215 thousand), meaning that total recurring revenue (maintenance sales including SaaS revenue) rose by 13.1% to EUR 10,838 thousand (Q2 2022: EUR 9,582 thousand). At the same time, USU's consulting sales increased by 13.8% year-on-year to EUR 19,707 thousand (Q2 2022: EUR 17,320 thousand) in connection with high orders on hand and several follow-up orders. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 216 thousand (Q2 2022: EUR

³ cf. Bitkom-ifo digital index: June 2022 and Bitkom press release dated July 5, 2022, published at www.bitkom.org

594 thousand). Broken down by segment, the consulting-related Service Business increased by 20.2% to EUR 10,206 thousand (Q2 2022: EUR 8,494 thousand), while Product Business declined by 3.6% to EUR 21,385 thousand (Q2 2022: EUR 22,193 thousand).

The USU Group's cost base increased by a total of 9.5% year-on-year to EUR 30,825 thousand (Q2 2022: EUR 28,152 thousand) as a result of the business growth and the related expansion of the consultant team and the use of additional freelancers and partners and higher R&D investment in artificial intelligence, the market for cloud management and in the new central product platform, as well as higher staff costs as a result of inflation. As a result of the substantial decline in high-margin license revenue and a simultaneous rise in costs, earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 43.7% year-on-year to EUR 2,137 thousand in the reporting quarter (Q2 2022: EUR 3,796 thousand). Taking into account depreciation and amortization expense of EUR 1,203 thousand (Q2 2022: EUR 1,172 thousand), earnings before interest and taxes (EBIT) amounted to EUR 934 thousand (Q2 2022: EUR 2,624 thousand). This corresponds to a year-on-year decline in EBIT of 64.4%. Net finance income amounted to EUR 204 thousand in the second quarter of 2022 (Q2 2021: EUR 86 thousand). The lower earnings caused income taxes to contract from EUR 828 thousand in the second quarter of 2022 to EUR 424 thousand in Q2 2023. Overall, USU's consolidated earnings in the second quarter of 2023 came to EUR 714 thousand (Q2 2022: EUR 1,883 thousand), 62.1% lower than in the previous year. With an average of 10,523,770 (Q2 2022: 10,523,770) shares outstanding, this corresponds to diluted earnings per share of EUR 0.07 (Q1 2022: EUR 0.18), while basic earnings per share also came to EUR 0.07 (Q1 2022: EUR 0.18) with an average of 10,000,000 (Q2 2022: 10,523,770) shares outstanding.

Business performance in the first six months of fiscal 2023

Development of sales and costs

Consolidated sales

Postponed orders also had an impact on business performance in the first six months of the year, although USU generated sales growth of 7.6% to EUR 64,898 thousand (H1 2022: EUR 60,295 thousand) thanks to existing orders on hand and the strong first quarter of 2023. The USU Group increased its sales in Germany by a substantial 10.1% to EUR 51,639 thousand (H1 2022: EUR 46,883 thousand). International business remained 1.1% lower than the same figure for the previous year in the first half of the year at EUR 13,259 thousand (H1 2022: EUR 13,412 thousand). As a result, international business accounted for 20.4% of USU's consolidated sales in the first six months of 2023 after 22.2% in the same period of the previous year.

Broken down by sales type, USU recorded a particularly high year-on-year increase in SaaS sales of 23.3% to EUR 8,214 thousand thanks to existing SaaS agreements from previous years and several new orders (H1 2022: EUR 6,661 thousand). USU built up high recurring SaaS orders on hand in past years as a result of the shift from one-time license business to SaaS business and these will continue to grow significantly in the future as SaaS makes up an increasing share of new business. At the same time, USU benefited from license business in previous quarters and related maintenance business. Maintenance sales rose by 6.3% year-on-year to EUR 12,972 thousand (H1 2022: EUR 12,207 thousand). USU thus increased its recurring revenue by 12.3% year-on-year to EUR 21,186 thousand in the first six months of the year (H1 2022: EUR 18,868 thousand), meaning that the share of total sales attributable to recurring revenue rose to 32.7% (H1 2022: 31.3%). At the same time, however, license revenue was down 63.5% on the previous year at EUR 2,128 thousand (H1 2022: EUR 5,823 thousand) as a result of the move to SaaS and order postponements by potential new customers in the reporting quarter. USU's consulting sales also increased by 18.3% year-on-year to EUR 41,192 thousand in the same period thanks to the sustained digitization trend (H1 2022: EUR 34,833 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 392 thousand (H1 2022: EUR 771 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 44,047 thousand in the first six months of 2022 (H1 2022: EUR 42,782 thousand), up 2.9% on the previous year. In the same period, USU increased its consulting sales in the Service Business segment by 19.5% year-on-year to EUR 20,851 thousand (H1 2022: EUR 17,447 thousand). The sales not assigned to the segments amounted to EUR 0 thousand in the first six months of 2023 (H1 2022: EUR 66 thousand).

Operating costs

The USU Group's operating cost base increased by 11.2% year-on-year to EUR 61,882 thousand in the first six months of fiscal 2023 (H1 2021: EUR 55,632 thousand). This firstly reflects the higher costs resulting from the increased use of employed consultants, freelancers and partners in connection with the business growth. Secondly, wage and salary increases for staff on account of inflation and USU's increased return to trade fairs and conferences after the pandemic also had an impact.

In particular, the cost of sales reflect business growth in consulting in the first half of 2023 and rose by 10.2% year-on-year to EUR 33,920 thousand (H1 2022: EUR 30,788 thousand) as a result of higher fees paid to the additional freelancers employed and increased staff costs due to expanding the consultant team. Accordingly, the cost of sales as a percentage of consolidated sales increased from 51.1% in the previous year to 52.3% at the reporting date. At the same time, gross income rose from EUR 29,507 thousand in the first half of 2022 to EUR 30,978 thousand, an increase of 5.0%. The gross margin in the H1 2023 reporting period was 47.7% (H1 2022: 48.9%).

Marketing and selling expenses increased by 12.2% year-on-year to EUR 11,652 thousand in the first half of the year (H2 2022: EUR 10,388 thousand). Among other things, this reflects the USU Group's increased return to trade fairs, conferences and other sales events after the pandemic and wage and salary increases for staff on account of inflation. The sales growth meant that marketing and selling expenses as a share of sales rose only slightly from 17.2% in the first two quarters of 2022 to 18.0%.

General and administrative expenses came to EUR 5,789 thousand in the reporting period (H1 2022: EUR 5,639 thousand), 2.7% higher than in the previous year - chiefly due to wage and salary increases for staff on account of inflation. The ratio of administrative expenses to consolidated sales decreased to 8.9% in the reporting period as a result of disproportionately high sales growth (H1 2022: 9.4%).

Research and development expenses also rose by 19.3% year-on-year to EUR 10,520 thousand in the first half of 2023 (H1 2022: EUR 8,817 thousand) due to expanding the team

of developers to accelerate the application development relating to artificial intelligence, cloud management and a central Group product platform as part of the “One USU” strategy and higher staff costs as a result of this, as well as wage and salary increases required for R&D staff on account of inflation. The ratio of research and development expenses to consolidated revenue therefore increased from 14.6% in the previous year to currently 16.2%. 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 575 thousand in the first half of 2023 (H1 2022: EUR 276 thousand).

Results of operations

Regardless of the above-average rise in SaaS sales, operating profitability declined as several potential customers postponed investments in the first half of 2023. USU's EBITDA was down 18.0% year-on-year at EUR 5,957 thousand in the first half of 2023 (H1 2022: EUR 7,263 thousand). The EBITDA margin declined accordingly from 12.0% in the previous year to 9.2%. Including depreciation and amortization totaling EUR 2,365 thousand (H1 2021: EUR 2,325 thousand), USU generated EBIT of EUR 3,592 thousand in the first half of 2023 (H1 2022: EUR 4,938 thousand). This corresponds to a year-on-year decline in EBIT of 27.3%. Net finance costs amounted to EUR -73 thousand in the first six months of 2023 (H1 2022: EUR 71 thousand), while income taxes decreased to EUR 1,073 thousand (H1 2022: EUR 1,476 thousand) as a result of the year-on-year decline in earnings. All in all, USU's consolidated earnings fell by a notional 30.8% year-on-year to EUR 2,446 thousand in the first half of 2023 (H1 2022: EUR 3,534 thousand). With an average of 10,523,770 (H2 2022: 10,523,770) shares outstanding, this corresponds to diluted earnings per share of EUR 0.23 (H1 2022: EUR 0.34), while basic earnings per share came to EUR 0.24 (H1 2022: EUR 0.34) with an average of 10,000,000 (H2 2022: 10,523,770) 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 June 30, 2023, were down slightly on the figure as of December 31, 2022, at EUR 64,698 thousand (December 31, 2022: EUR 64,791 thousand), while current assets increased from EUR 48,188 thousand as of December 31, 2022, to EUR 48,717 thousand. This rise was the result predominantly of the temporary increase in unbilled work in progress from EUR 6,013 thousand as at December 31, 2022 to EUR 13,180 at present and higher trade receivables, which rose to EUR 22,881 thousand as at June 30, 2023 (December 31, 2022: EUR 22,274 thousand), which were offset by a dividend-related decline in Group liquidity to EUR 8,006

thousand as at June 30, 2023 (December 31, 2022: EUR 15,525 thousand). On June 20, 2023, the Annual General Meeting resolved to distribute a dividend of EUR 0.55 per dividend-bearing share (total of EUR 5,500 thousand), which is reflected in the lower cash and cash equivalents as at June 30, 2023.

On the equity and liabilities side of the statement of financial position, the USU Group's equity declined from EUR 56,954 thousand as at December 31, 2022 to EUR 53,879 thousand as at June 30, 2023 as a result of the EUR 5,500 thousand total dividend payment to USU shareholders in the reporting quarter. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 59,537 thousand as at June 30, 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 18,000 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 5,800 thousand as of June 30, 2023.

With total assets of EUR 113,415 thousand (December 31, 2022: EUR 112,979 thousand), the equity ratio was 47.5% as at June 30, 2023 (December 31, 2022: 50.4%). With this equity ratio, extensive 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 8,006 thousand as at June 30, 2023 (June 30, 2022: EUR 26,265 thousand). This represents a year-on-year decrease of EUR 18,259 thousand or 69.5%, due mainly to the share buyback at the end of 2022 and the dividend payment to USU shareholders in the reporting quarter.

USU's cash flow from operating activities decreased by EUR 3,130 thousand or 88.3% year-on-year to EUR 415 thousand in the first half of 2023 (H1 2022: EUR 3,545 thousand), essentially due to changes in working capital as of the reporting date.

Net cash used in investing activities of EUR -952 thousand (H1 2022: EUR -329 thousand) primarily includes investments in property, plant and equipment.

The net cash used in financing activities of EUR -6,994 thousand (H1 2022: EUR -1,455 thousand) resulted from payments for the profit distribution to USU shareholders and repayments of lease liabilities.

Orders on hand

Regardless of the orders postponed in the reporting quarter, the USU Group expanded its Group-wide orders on hand by EUR 10,760 thousand to EUR 89,066 thousand as at June 30, 2023 (June 30, 2021: EUR 78,306 thousand). This corresponds to a year-on-year increase of 13.7%. This development primarily resulted from the USU Group's higher SaaS, maintenance and consulting orders. USU increased its orders on hand by 7.3% as against the end of the previous year (December 31, 2022: EUR 82,991 thousand). In contrast, postponed investments by potential new customers compared to the end of the first quarter of 2023 (March 31, 2023: EUR 89,468 thousand) had an impact, resulting in a slight decrease in orders on hand of 0.4% or EUR 402 thousand compared to the previous quarter.

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 7.7% or 57 employees year-on-year to 801 employees as at June 30, 2023 (June 30, 2022: 744), exceeding the 800 target for the first time. Broken down by functional unit, USU employed a total of 362 people in consulting and services at the end of the second quarter of 2022 (June 30, 2022: 303), 229 in research and development (June 30, 2022: 221), 116 in sales and marketing (June 30, 2022: 118) and 94 in administration (June 30, 2022: 104). Broken down by segment, USU had 576 employees in the Product Business segment (June 30, 2022: 521), 131 in the Service Business segment (June 30, 2022: 114), and 94 in USU Group central functions (June 30, 2022: 104). USU therefore expanded its Group workforce in line with its medium-term planning.

Forecast, report on risks and opportunities

Forecast

General economy

According to the latest Kiel Economic Report⁴ of the Kiel Institute for the World Economy (IfW Kiel) from June 15, 2023, there are many indications that the German economy could return to a moderate expansionary course during the year and thus feel its way out of the crisis despite the headwind created by the aftermath of the energy crisis and monetary policy tightening. Ifw Kiel reckons that industry can draw on its still high orders on hand and that consumer-related service providers will likely benefit from considerable wage hikes. Given the

⁴ cf. Kiel Economic Reports, No. 104 (2023 | Q2) dated June 15, 2023, published at <https://www.ifw-kiel.de>

weak first half of the year, however, GDP looks set to decline by 0.3% overall, with Ifw Kiel expecting GDP to pick up by 1.8% in 2024.

Ifw Kiel⁵ thinks that the eurozone economy will gradually pick up again after its latest weak phase. While high inflation, rising financing costs and uncertainty about the economic environment have brought the post-pandemic recovery in Europe to an end and caused economic activity to contract slightly as private consumer spending in particular was weak in the first half of the year, the economy will gradually pick up again throughout the rest of 2023 and in 2024 as the pressures ease. Accordingly, Ifw Kiel puts predicted eurozone GDP growth at 0.6% for 2023 as a whole and 1.7% in the following year.

Sector

According to the latest Bitkom⁶ information, the digital industry is stable and set to enjoy further growth. According to a new outlook, the digital industry association Bitkom thus expects companies in the IT and telecommunications industries to record year-on-year sales growth of 2.1% in 2023 (2022: 6.3%) to EUR 213.2 billion (2022: EUR 208.8 billion). “Companies in the Bitkom industry are proving stable in a challenging environment and are optimistic about the future,” said Bitkom President Dr. Ralf Wintergerst.

According to Bitkom, the IT market will again enjoy the highest growth in 2023, with sales set to increase to EUR 143.6 billion (2022: EUR 139.4 billion). This represents a year-on-year upturn of 3.0% (2022: 8.4%). Bitkom expects software sales to see the most pronounced rise of 9.6% (2022: 15.0%) to EUR 41.5 billion (2022: EUR 37.9 billion), with artificial intelligence playing an increasingly vital role within this segment with extremely dynamic growth of 40.8% to EUR 1 billion. Business with IT services, including IT consulting, also saw further growth of 5.3% (2022: 8.5%) to EUR 49.4 billion (2022: EUR 47.0 billion), according to the revised Bitkom figures.

In terms of the global IT market, the IT Spending Forecast published by the market research company Gartner⁷ on July 19, 2023, anticipates a year-on-year increase in IT expenditure of 4.3% (2022: 2.7%) to USD 4,712 billion in 2023 (2022: USD 4,519 billion). According to Gartner, the market segments of software and IT services are expected to record above-average global growth rates of 13.5% (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. “Digital company transformations are starting to change,” said John-David Lovelock, Vice

⁵ cf. Kiel Economic Reports, No. 103 (2023 | Q2) dated June 15, 2023, published at <https://www.ifw-kiel.de>

⁶cf. Bitkom press release dated July 5, 2023, published at www.bitkom.org

⁷cf. Gartner press release, July 19, 2023, published at www.gartner.com

President at Gartner. "IT projects are shifting from a focus on outward-facing outcomes like sales and customer experience to more inward-facing efforts focused on optimization." Although generative artificial intelligence (AI) is high on the agenda of many business and IT managers, it has yet to have a significant impact on IT spending levels, believes Gartner. In the longer-term, generative AI will primarily be integrated into companies through existing spending. "The best way to market generative AI is using the software, hardware and services that companies already use," said Lovelock. "New features are added as add-ons or upgrades to technical products and services every year. Most companies will introduce generative AI in a slow and controlled way by upgrading tools that are already in their IT budgets."

Outlook

Due to the poor macroeconomic environment at present and the postponement of orders from potential new customers as a result, the Management Board also expects corresponding effects on 2023 as a whole, although these are subject to a high degree of uncertainty.

As demand for USU products and solutions remains high and longer sales cycles, primarily in high-margin license business, are temporarily having a major impact on consolidated earnings, the Management Board has reassessed its guidance.

Thanks to the success of the SaaS transformation, high orders on hand and the still strong consulting business from larger digitalization orders, the Management Board does not believe this poses a risk in the medium or long term and instead expects only a short-term negative impact. This means that investment in research and development, including for the central product platform and in-house artificial intelligence applications, can be maintained at a high level.

Although it is not yet possible to reliably plan the timing of investment decisions by potential new customers and the related decision to choose a one-time license or an SaaS project, the Management Board does not expect the earnings effect of the Q2 2023 reporting quarter to be fully offset over the rest of the year, which is taken into account in the revised guidance as follows: USU now expects sales growth to EUR 132 - 139 million in 2023 as a whole (previously : EUR 134-139 million), with targeted further growth in SaaS business and EBITDA of EUR 13 - 15 million (previously : EUR 16.5 – 18.0 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 and, in view of the continued growth in SaaS business, an increase in the EBITDA margin to between 17% and 19% by 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.

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 2023, 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 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.

After the good first quarter, stock markets continued to perform well overall in Q2 despite the ongoing war in Ukraine, high inflation and the generally poor economic outlook, thanks primarily to new ideas that interest rates might be reduced. The large liquid blue chips on the German share index (DAX) saw a particular upturn, whereas the more illiquid technology stocks were weaker. On June 30, 2023, the DAX therefore closed up 3.3% on the previous quarter on the XETRA electronic trading platform at 16,147.90 points (March 31, 2023: 15,628.84 points), while the Technology All Share index fell by 4.4% to 3,891.71 points on XETRA compared to the previous quarter (March 31, 2023: 4,070.81 points). At the same time, USU shares picked up slightly, posting quarterly performance of 1.8% and ending trading on XETRA on June 30, 2023, at EUR 23.00 (March 31, 2023: EUR 22.6).

The DAX picked up by a substantial 16.0% compared with the end of the previous year (December 31, 2022: 13,923.59 points), while the Technology All Share index gained 5.3% over the same period (December 31, 2022: 3,696.97 points). USU's share price also rose by 12.7% in the first six months of the year (December 31, 2022: EUR 20.4).

The trend on the stock market has been very positive in recent months, especially compared to June 30, 2022. For example, the DAX (June 30, 2022: 12,783.77 points) climbed by a significant 26.3% year on year, while the Technology All Share index (June 30, 2022: 3,868.60

points) increased slightly by 0.6%. Thanks to USU Software AG's positive business performance in connection with rising recurring revenue, USU's share price (June 30, 2022: EUR 17.85) even outperformed the benchmark indices over the year as a whole, rising by 28.9%. Even if the current year does not yield the expected success, the Management Board believes that the enormous price potential from the USU Group's recurring revenue is not sufficiently reflected in the current valuation of the USU share price.

Möglingen, August 31, 2023

USU Software AG

Bernhard Oberschmidt

Chairman of the Management Board

Dr. Benjamin Strehl

Management Board

ASSETS <i>EUR thousand</i>	6-month report June 30, 2023	Annual report Dec. 31, 2022
Non-current assets		
Intangible assets	2,602	2,598
Goodwill	40,092	40,092
Tangible assets	3,163	3,045
Right-of-use assets	15,749	15,697
Financial assets	779	775
Prepaid expenses	612	168
Deferred tax assets	1,701	2,416
Non-current assets	64,698	64,791
Current assets		
Inventories	504	478
Contract assets	13,180	6,013
Trade receivables	22,881	22,274
Income tax receivables	34	1
Financial assets	557	669
Other assets	762	890
Prepaid expenses	2,793	2,338
Cash on hand and bank	8,006	15,252
Current assets	48,717	48,188
Total assets	113,415	112,979
EQUITY AND LIABILITIES <i>EUR thousand</i>	6-month report June 30, 2023	Annual report Dec. 31, 2022
Equity		
Issued capital	10,524	10,524
Treasury shares	-524	-524
Capital reserves	43,465	43,465
Other retained earnings	94	3,149
Other comprehensive income	320	340
Equity	53,879	56,954
Non-current liabilities		
Pension provisions	1,013	991
Lease liabilities	13,192	13,287
Deferred income	1,690	1,325
Deferred taxes	1,149	1,197
Non-current liabilities	17,044	16,800
Current liabilities		
Income tax liabilities	397	1,084
Financial liabilities	0	132
Lease liabilities	2,868	2,696
Personnel-related liabilities	5,367	10,070
Other provisions and liabilities	2,616	3,708
Liabilities from advance payments	5,800	3,941
Trade payables	7,444	6,997
Deferred income	18,000	10,597
Current liabilities	42,492	39,225
Total equity and liabilities	113,415	112,979

STATEMENT OF COMPREHENSIVE INCOME <i>EUR thousand</i>	Quarterly report	Quarterly report	6-month report	6-month report
	Q2 2023	Q2 2022		
	April 1, 2023	April 1, 2022	Jan. 1, 2022	Jan. 1, 2022
	June 30, 2023	June 30, 2022	June 30, 2022	June 30, 2022
Sales	31,591	30,722	64,898	60,295
Cost of sales	-16,726	-15,554	-33,920	-30,788
Gross profit	14,865	15,168	30,978	29,507
Selling and marketing expenses	-5,850	-5,400	-11,652	-10,388
General and administrative exp.	-2,905	-2,757	-5,789	-5,639
Research and development exp.	-5,345	-4,440	-10,520	-8,817
Other operating income	269	269	828	657
Other operating expenses	-101	-215	-253	-381
Profit from ordinary activities (EBIT)	933	2,625	3,592	4,939
Finance income	24	128	31	159
Finance expenses	180	-42	-104	-88
Earnings before taxes (EBT)	1,137	2,711	3,519	5,010
Income taxes	-424	-828	-1,073	-1,476
Consolidated net earnings	713	1,883	2,446	3,534
<i>Items that can be reclassified to profit or loss in future periods:</i>				
Currency translation difference	-25	-73	-20	-76
Other comprehensive income	-25	-73	-20	-76
Total comprehensive income	688	1,810	2,426	3,458
Earnings per share (in EUR) diluted	0,07	0,17	0,23	0,33
Earnings per share (in EUR) indiluted	0,07	0,17	0,24	0,33
Number of underlying shares:				
diluted	10,523,770	10,523,770	10,523,770	10,523,770
undiluted	10,000,000	10,523,770	10,000,000	10,523,770

Consolidated statement of cash flows <i>EUR thousand</i>	6-month report Jan. 1, 2023 - June 30, 2023	6-month report Jan. 1, 2022 - June 30, 2022
NET CASH FROM OPERATING ACTIVITIES		
Consolidated net profit	2,446	3,534
+/- depreciation, amortization and write-downs of non-current assets and reversals of	858	867
+/- 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	1,508	1,458
+/- other non-cash expenses/income	-70	-149
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	-8,463	-6,502
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	4,169	3,700
-/+ interest expenses/income	73	-71
+/- income taxes received/paid	-696	-696
-/+ interest paid/received	-72	-72
-/+ income tax expenses/income	-1,125	1,476
NET CASH FROM OPERATING ACTIVITIES	415	3,545
CASH FLOWS FROM INVESTING ACTIVITIES:		
- purchase of intangible assets	-263	-3
+ proceeds from disposals of property, plant and equipment	25	0
- purchase of property, plant and equipment	-714	-326
NET CASH USED IN INVESTING ACTIVITIES:	-952	-329
NET CASH USED IN FINANCING ACTIVITIES:		
- dividends paid to shareholders of the parent company	-5,500	0
- repayments of lease liabilities	-1,494	-1,455
NET CASH USED IN FINANCING ACTIVITIES:	-6,994	-1,455
Change in cash and cash equivalents	-7,531	1,762
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	12	217
+ cash and cash equivalents at the start of the period	15,525	24,286
Cash and cash equivalents at the end of the period	8,006	26,265
Cash and cash equivalents		
Cash and cash equivalents	8,006	26,265
	8,006	26,265

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					3,534			3,534			
Other comprehensive income after taxes							-76	-76			
Total	0	0	0	0	3,534	0	-76	3,458			
Dividend payment					0			0			
Consolidated equity as of June 30, 2022	10,523,770	10,524	0	52,792	4,363	-116	338	67,901			
Consolidated equity as of January 1, 2023	10,523,770	10,524	-524	43,465	3,149	56	284	56,954			
Consolidated net profit					2,446			2,446			
Other comprehensive income after taxes							-20	-20			
Total	0	0	0	0	2,446	0	-20	2,426			
Dividend payment					-5,500			-5,500			
Consolidated equity as of June 30, 2023	10,523,770	10,524	-524	43,465	95	56	264	53,880			

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 six-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 - June 30, 2023 EUR thousand	Jan. 1 - June 30, 2022 EUR thousand
Consulting	41,192	34,833
Licenses/products	2,128	5,823
Maintenance	12,972	12,207
Software-as-a-Service / SaaS	8,214	6,661
Other	392	771
	64,898	60,295

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, 2023	Jan. 1-June 30, 2022	Jan. 1-June 30, 2023	Jan. 1-June 30, 2022	Jan. 1-June 30, 2023	Jan. 1-June 30, 2022	Jan. 1-June 30, 2023	Jan. 1-June 30, 2022	Jan. 1-June 30, 2023	Jan. 1-June 30, 2022
	EUR thousand									
Sales	44,047	42,782	20,851	17,447	64,898	60,229	0	66	64,898	60,295
EBITDA	2,749	5,566	3,755	2,888	6,504	8,454	-547	-1,191	5,957	7,263
EBIT	985	3,909	3,198	2,308	4,183	6,217	-591	-1,279	3,592	4,938
Net finance	-56	-	-20	-	-	-	3	72	-73	72
Taxes	-283	-1,358	-969	-118	-1,252	-1,476	179	-	-1,073	-1,476
Consolidated net	702	2,551	2,190	2,190	2,855	4,741	-409	-1,207	2,446	3,534
No. of employees	576	526	131	115	707	641	94	103	801	744

The USU Group generated a total of 20.4% (Q1-Q2 2022: 22.2%) or EUR 13,259 thousand (Q1-Q2 2022: EUR 13,412 thousand) of its consolidated sales outside Germany in the first six 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 June 30, 2023:

Stock declarations by members of	Shares June 30, 2022	Shares June 30, 2022
Management Board		
Bernhard Oberschmidt	162,518	162,518
Dr. Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl*	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	1,000	1,000
<p>* An additional 5,366,888 (2021: 5,359,888) 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 (2022: 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, 2023

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Management Board

September 4-5

Equity Forum - German Fall Conference, Frankfurt am Main

September 8-9

IR Tour - Rüttnauer Research, Minden

November 22

Publication of nine-month report 2023

November 27-29

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