

The background of the cover is a vibrant blue with a gradient from dark to light. It features several overlapping, flowing, and slightly blurred lines that create a sense of motion and depth, resembling a tunnel or a dynamic abstract pattern.

**9-Month Financial Report and
Report on the Third Quarter
of 2021**

USU Software AG

USU AT A GLANCE

9-Month Report 2021	2021	2020
<i>in EUR thousand, except earnings per share and number of employees</i>	JAN. 1-SEPT. 30, 2021	JAN. 1-SEPT. 30, 2020
SALES	81,858	77,862
ADJUSTED EBIT	7,241	5,198
ADJUSTED NET RESULT	6,460	4,485
ADJUSTED EARNINGS PER SHARE (EUR)	0.61	0.43
EBITDA	10,387	8,272
EBIT	6,851	4,608
NET RESULT	6,142	3,957
EARNINGS PER SHARE (EUR)	0.58	0.38
CASH FLOW FROM OPERATING ACTIVITIES	7,930	12,866
NUMBER OF EMPLOYEES AS AT SEPT. 30	750	735
	SEPT. 30, 2021	Dec. 31, 2020
CASH AND CASH EQUIVALENTS	19,725	18,534
SHAREHOLDERS EQUITY	63,484	61,770
BALANCE SHEET	115,403	115,466
EQUITY RATIO	55.0%	53.5%

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LETTER TO SHAREHOLDERS

Dear Shareholders and Readers,

Thanks to strong license and consulting business including strong SaaS sales, we recorded further substantial growth in profitability in particular in the third quarter. The main driver of this sustained positive business development was the high level of demand for digitalization solutions in Germany. Adjusted EBIT increased by more than 105% year-on-year to EUR 2.7 million, while consolidated sales in the third quarter were up 8.4% at EUR 27.9 million. The figures for the first nine months also serve to illustrate our solid growth path and above-average earnings growth.

With a five percent increase in sales to EUR 81.9 million and adjusted EBIT up 39% to EUR 7.2 million, USU is heading for another record year in 2021 as a whole. As forecast, recurring revenue in the form of maintenance sales and SaaS business generated higher margins and higher continuity than one-time license business.

On the technical side of things, the Chatbot Con arranged by USU has now established itself as the leading conference in the Germany, Austria and Switzerland region. Chatbots have become indispensable virtual service assistants. The digital conference that was held in mid-September met with an extremely positive response from the more than 500 specialists and managers taking part. The Russian USU customer SberBank won the prestigious SAMS Europe Award 2021 for Europe's best project for the group-wide implementation of software license management.

We are proud of a number of awards that recognize our customer orientation and customer satisfaction. For example, a study by the F.A.Z. Institute confirmed that USU is one of the companies with the highest levels of customer satisfaction. We took first place in the software category, followed by Infor and SAP. On the customer review portal Gartner Peer Insights, too, USU's IT service management scores an excellent 4.9 out of a maximum of 5.0 points (as of November 10, 2021) – by far the best rating within the international peer group.

I would also like to mention that USU has received another award for the quality of its annual report. The League of American Communications Professionals (LACP) once again honored USU's annual report with Platinum status – the highest distinction – in the "Software" category. It drew particular attention to USU's clear communication to shareholders, which serves as further motivation for our future reporting.

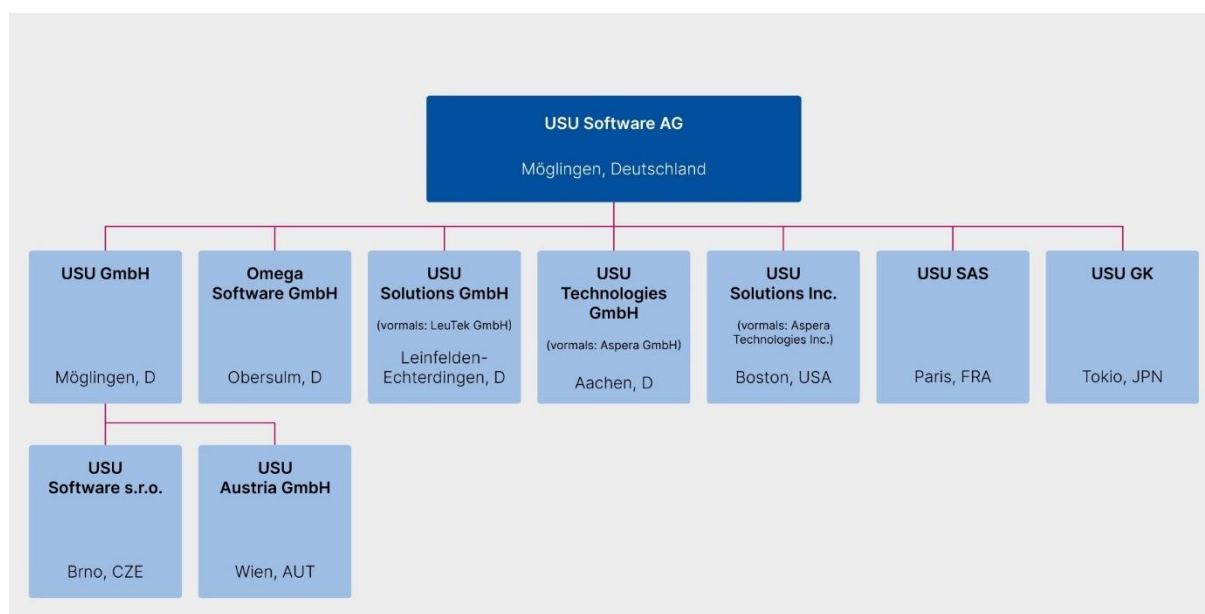
Yours,

Bernhard Oberschmidt,
CEO of USU Software AG

Basic information on USU Software AG and the Group

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

With effect from September 9, 2021, USU Software AG founded USU GK, a Japanese subsidiary domiciled in Tokyo. USU GK will assume responsibility for the sale and implementation of USU software in Japan and the entire Asian market in the future. In terms of the USU portfolio, it will initially focus on software license management and knowledge management. The plan is for this to be expanded to include the entire portfolio in the next phase.



The USU Software AG and its subsidiaries

Business model, objectives, strategies and controlling system

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

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

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

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

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

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

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

Research and development

For many years, the USU Group has geared its R&D expertise toward enhancing its existing product portfolio through innovative functions and modules and researching and realizing new user-oriented solutions. The main focus is on innovative technologies involving artificial

intelligence and cloud management. Accordingly, USU invested a total of EUR 12,860 thousand (Q1-Q3 2020: EUR 11,563 thousand) or 15.7% (Q1-Q3 2020: 14.9%) of consolidated sales in research and development (R&D) in the first nine months of 2021. The total number of employees in this segment was 216 as of September 30, 2021 (September 30, 2020: 209). The USU Group's R&D expenses do not typically meet the criteria for recognition and hence are not capitalized.

R&D activities for USU Service Management focused on the enhancement of the shop module. New parameters were created and integration with the existing request fulfillment processes was realized. The list and view functions for the new service platform were also designed and implemented. These will provide the basis for future service apps. Test automation was another focal point.

USU IT Monitoring R&D team worked on the expansion of the end-to-end module and the alarm app, as well as improvements to encrypted communication. These new functions will be released in the fourth quarter. Work also continued in the areas of predictive analytics, monitoring system operation under Linux, and capacity reporting.

In Software Asset Management (SAM), an additional 28 data sources for comprehensive automated inventory management were connected compared with the second quarter. Following the verification of USU Software Asset Management by Oracle for the Fusion Middleware collection, license charging was also expanded for Oracle Weblogic options and components. In addition, work began on the revision of the UX design of USU's SAM solutions with the aim of making uniform ergonomic user interfaces available on the basis of the USU style guide by the second quarter of 2022.

In Knowledge Management, the new releases of the USU knowledge database and the USU chatbot were created and published during the course of the third quarter. Development work on the successor versions is currently in progress. Among other things, the chatbot will be expanded to include self-healing, enabling it to perform repairs autonomously and hence significantly reduce IT service costs. Work on the knowledge database will focus on the continued implementation of active documents, which customers can use to make content available in a structured and flexible form that allows it to be used extremely simply.

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

In the AI Services division, one milestone in the third quarter was the publication of the new version of the Industrial Analytics platform. This allows cloud-based GPU support to be used for the first time to enable more rapid calculation when developing AI algorithms. In addition,

an IT-based ticket routing module was developed for the USU Service Management product suite that can be used to automatically classify tickets, among other things.

In the period under review, the R&D team for hybrid cloud management (HCM) worked intensively on the stabilization of the new product, which is scheduled for release during the fourth quarter. Focal points included the automation of data provision processes.

In the area of research, USU began integrating AI-based USU solutions with the IoT platform of its industry partner KEB as part of the “Service-Meister” project. This allows machine data and events to be analyzed with a view to new data-driven services. USU also won an additional research project aimed at making socially and economically relevant infrastructures more resilient through the use of intelligent bot systems in order to enable more rapid and targeted responses to future situations such as pandemic scenarios. Complex infrastructures require intelligent assistance systems so that measures can be quickly arranged and orchestrated. These are the systems that USU will research as part of this project.

Economic report

Overall economic development

According to a release from the German Federal Statistical Office (“destatis”)¹ on October 29, 2021, gross domestic product (GDP) – adjusted for inflation, seasonal and calendar effects – increased by 1.8% in the third quarter of 2021. After the coronavirus crisis led to a decline in economic output of 1.9% in the first quarter of 2021 followed by GDP growth of 1.9% in the second quarter, initial preliminary destatis calculations suggest that the recovery in the German economy continued in the reporting quarter. This was driven in particular by higher private consumer spending.

According to destatis, GDP in the third quarter of 2021 was 2.5% higher after adjustment for inflation than in the third quarter of 2020, which was particularly affected by the first coronavirus lockdown. GDP in the reporting quarter was 1.1% lower than in the fourth quarter of 2019, the last full quarter before the onset of the coronavirus crisis.

The euro area also saw a quarter-on-quarter increase in GDP of 2.2% in the third quarter of 2021 according to a flash estimate by the Statistical Office of the European Union (Eurostat)². Meanwhile, seasonally adjusted euro area GDP was up by 3.7% as against the third quarter of the previous year, according to Eurostat.

¹ cf. Destatis press release no. 501 dated October 29, 2021, published at <https://www.destatis.de>

² cf. Eurostat press release 123/2021 dated October 29, 2021, published at <http://ec.europa.eu/eurostat>

Sector development

According to research by the digital industry association Bitkom³, the business climate in the digital sector in the third quarter of 2021 was down slightly on the all-time high recorded in the previous quarter. The Bitkom-ifo Digital Index – which reflects the business situation and business expectations of companies in the digital sector – declined from 40.5 points in June 2021 to 30.3 points in September 2021. “The growth in the core of the digital industry is stronger than it has been for 20 years, and sales are well above the pre-crisis level,” says Bitkom President Achim Berg with regard to recent developments.

Business development in the third quarter of 2021

USU Software and its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) continued the positive growth trend of previous quarters with dynamic performance in the third quarter of the current fiscal year 2021. USU increased its consolidated sales by 8.4% year-on-year to EUR 27,933 thousand in the third quarter of 2021 (Q3 2020: EUR 25,766 thousand). As previously, USU benefited from extremely strong domestic business. Accordingly, sales in its German home market rose by 13.8% to EUR 22,330 thousand in the third quarter of 2021 (Q3 2020: EUR 19,624 thousand), while sales generated abroad were down 8.8% at EUR 5,603 thousand (Q3 2020: EUR 6,142 thousand).

After seeing declining license revenue until the first quarter of the current fiscal year as a result of the shift from one-time license business toward software-as-a-service (SaaS) business, the USU Group benefited from several license deals from existing and new customers in the reporting quarter, as it had done in the previous quarter. As a result, license sales increased sharply in the third quarter of 2021 compared with the relatively weak prior-year quarter, rising by 20.5% to EUR 3,006 (Q3 2020: EUR 2,495). At the same time, however, USU also increased SaaS sales by an above-average 13.5% year-on-year to EUR 2,756 thousand (Q3 2020: EUR 2,428 thousand). USU thus increased its recurring revenue (maintenance sales including SaaS revenue) by 10.0% year-on-year to EUR 8,762 thousand in the reporting quarter (Q3 2020: EUR 7,968 thousand). USU’s consulting sales also increased by 5.2% year-on-year to EUR 15,759 thousand (Q3 2020: EUR 14,983 thousand). Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 406 thousand (Q3 2020: EUR 320 thousand).

As forecast, the cost base of the USU Group increased to a lower extent than sales, rising by just 4.8% year-on-year to EUR 25,755 thousand (Q3 2020: EUR 24,572 thousand). This meant that earnings improved significantly compared with the previous year. Consequently, USU

³ cf. Bitkom press release dated July 15, 2021, published at www.bitkom.org

increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 69.8% year-on-year to EUR 3,728 thousand in the reporting quarter (Q3 2020: EUR 2,196 thousand). Including depreciation and amortization of EUR -1,197 thousand (Q3 2020: EUR -1,055 thousand), earnings before interest and taxes (EBIT) amounted to EUR 2,531 thousand (Q3 2020: EUR 1,141 thousand). This corresponds to a year-on-year increase in EBIT of 121.8%.

Including the net finance costs of EUR -3 thousand (Q3 2020: EUR -89 thousand), which include interest expenses from leases (IFRS 16), and the income tax expense of EUR -180 thousand (Q3 2020: EUR -184 thousand), there was ultimately a net profit for the period of EUR 2,348 thousand, which was 170.5% higher than in the previous year (Q3 2020: EUR 868 thousand). This corresponds to earnings per share of EUR 0.22 (Q3 2020: EUR 0.08).

EBIT adjusted for the extraordinary effects of acquisitions (adjusted EBIT) also improved significantly, almost doubling year-on-year to EUR 2,661 thousand in the third quarter of 2021 after EUR 1,294 thousand in the same period of the previous year. Accordingly, USU increased the earnings margin on adjusted EBIT from 5.0% in the third quarter of 2020 to 9.5%. At the same time, USU's adjusted consolidated earnings improved by 141.3% from EUR 1,007 thousand in the previous year to EUR 2,430 thousand in the third quarter of 2021. This corresponds to adjusted earnings per share of EUR 0.23 (Q3 2020: EUR 0.10).

Business performance in the first nine months of fiscal 2021

Development of sales and costs

Consolidated sales

The USU Group also recorded positive operating performance. In the first nine months of the year, USU increased its consolidated sales by 5.1% on the previous year, which already saw dynamic growth, to EUR 81,858 thousand (Q1-Q3 2020: EUR 77,862 thousand). This was largely due to new domestic digitalization projects. Accordingly, the USU Group increased its sales in Germany by 10.2% to EUR 62,711 thousand (Q1-Q3 2020: EUR 56,884 thousand), while its international sales declined by 8.7% compared with the extremely positive prior-year period, amounting to EUR 19,147 thousand (Q1-Q3 2020: EUR 20,978 thousand). As a result, international business accounted for 23.4% of USU's consolidated sales in the first nine months of 2021 after 26.9% in the first half of 2020.

Broken down by sales type, USU generated a particularly high year-on-year increase in consulting income of 7.2% to EUR 47,751 thousand thanks to the new orders acquired and the existing orders on hand (Q1-Q3 2020: EUR 44,556 thousand). At the same time, it benefited from the sustained growth in cloud and maintenance business. Maintenance sales

including sales from SaaS business increased by 6.5% year-on-year to EUR 25,362 thousand (Q1-Q3 2020: EUR 23,825 thousand), of which EUR 7,860 thousand (Q1-Q3 2020: EUR 6,966 thousand) was attributable to SaaS sales alone. This represents an increase in SaaS sales of 12.8% as against the previous year. As a result of the comparatively high share of new contracts attributable to SaaS business, license sales in the first nine months of 2021 were down 6.3% on the strong prior-year figure at EUR 7,808 thousand (Q1-Q3 2020: EUR 8,334 thousand). At present, around 40% of new customers are opting for an SaaS model, with just 60% of new customers still preferring a one-time license. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 937 thousand (Q1-Q3 2020: EUR 1,147 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 nine months of fiscal 2021, the Product Business segment increased its sales by 2.9% year-on-year to EUR 59,035 thousand (Q1-Q3 2020: EUR 57,367 thousand), while USU increased its consulting-related sales in the Service Business segment by 11.6% year-on-year to EUR 22,740 thousand in the same period (Q1-Q3 2020: EUR 20,372 thousand). USU benefited in particular from the sustained demand trend for digitalization solutions, while the shift from one-time license business toward SaaS solutions continued to curb growth in product business in the year under review. Sales not allocated to the segments amounted to EUR 83 thousand in the first nine months of fiscal 2021 (Q1-Q3 2020: EUR 123 thousand).

Operating costs

The USU Group's operating cost base increased by just 3.2% year-on-year to EUR 76,064 thousand in the first nine months of fiscal 2021 (Q1-Q3 2020: EUR 73,699 thousand). In addition, central Group expenses were reallocated according to cause to the respective operating segments in the period under review as part of the reorganization of the USU Group's units within the "One USU" strategy project.

The cost of sales rose by 7.1% as against the previous year to EUR 40,659 thousand in the first nine months of 2021 (Q1-Q3 2020: EUR 37,962 thousand); this was due in particular to the higher fees paid to the additional freelancers employed in connection with business growth. The cost of sales as a percentage of consolidated sales thus increased slightly year-on-year

to 49.7% (Q1-Q3 2020: 48.8%). At the same time, gross income rose from EUR 39,900 thousand in the first nine months of 2020 to EUR 41,199 thousand in the first nine months of 2021. However, the gross margin still declined slightly to 50.3% (Q1-Q3 2020: 51.2%).

Marketing and selling expenses increased by 8.8% year-on-year to EUR 14,971 thousand in the period under review (Q1-Q3 2020: EUR 13,758 thousand). In particular, this reflects the workforce expansion in this area to 116 employees (Q1-Q3 2020: 110) and the resulting growth in staff costs as well as costs in connection with the implementation of the “One USU” strategy. Marketing and selling expenses as a share of sales thus rose slightly, from 17.7% in the first three quarters of 2020 to 18.3% in the first nine months of 2021.

General and administrative expenses fell by 27.3% year-on-year to EUR 7,574 thousand in the period under review (Q1-Q3 2020: EUR 10,416 thousand), mainly as a result of the reallocation of central costs to the operating segments in a way that is more appropriate to their cause as part of the reorganization as well as the lower level of non-staff operating costs. Accordingly, the ratio of administrative expenses to consolidated sales decreased to 9.3% in the reporting period (Q1-Q3 2020: 13.4%). Due to higher staff costs, additional R&D activities in connection with the “One USU” strategy and increased expenditure in connection with the reorganization, research and development expenses rose by 11.2% year-on-year to EUR 12,860 thousand (Q1-Q3 2020: EUR 11,563 thousand). Accordingly, the ratio of research and development expenses to consolidated sales increased to 15.7% (Q1-Q3 2020: 14.9%). USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. In the medium term, USU is planning to increase its R&D expenditure in absolute terms while reducing the ratio of research and development expenses to consolidated sales on account of strong sales growth. Net other operating income and expenses totaled EUR 1,058 thousand in the first nine months of 2021 (Q1-Q3 2020: EUR 445 thousand).

Results of operations

As a result of the significant expansion in high-margin recurring revenue and the below-average increase in Group expenses by comparison, the reporting period saw the USU Group substantially improve its profitability compared with the previous year. Accordingly, USU’s EBITDA increased by 25.6% year-on-year to EUR 10,387 thousand (Q1-Q3 2020: EUR 8,272 thousand). Adjusted for total depreciation and amortization of EUR -3,536 thousand (Q1-Q3 2020: EUR -3,664 thousand), USU generated EBIT of EUR 6,851 thousand in the first nine months of 2021, up 48.7% on the previous year (Q1-Q3 2020: EUR 4,608 thousand).

The net finance result amounted to EUR 35 thousand in the first nine months of 2021 (Q1-Q3 2020: EUR -144 thousand), largely as a result of exchange rate gains, while income taxes increased to EUR -744 thousand in the same period on the back of the higher level of income (Q1-Q3 2020: EUR -506 thousand).

All in all, USU significantly improved its consolidated earnings by 55.2% year-on-year to EUR 6,142 thousand in the first nine months of 2021 (Q1-Q3 2020: EUR 3,957 thousand). With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.58 (Q1-Q3 2020: EUR 0.38).

Adjusted consolidated net profit

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

Adjusted consolidated net profit <i>EUR thousand</i>	Jan. 1, 2021 - Sept. 30, 2021	Jan. 1, 2020 - Sept. 30, 2020
Profit from ordinary activities (EBIT)	6,851	4,608
Amortization of intangible assets recognized in connection with company acquisitions	390	590
Adjusted EBIT	7,241	5,198
Finance income (as per consolidated income statement)	122	15
Finance expenses (as per consolidated income statement)	-87	-160
Income taxes (as per consolidated income statement)	-744	-506
Tax effects relating to adjustments	-72	-72
- from amortization	-72	-72
Adjusted consolidated net profit	6,460	4,485
Adjusted earnings per share (in EUR):	0.61	0.43
Number of underlying shares		
Basic and diluted	10,523,770	10,523,770

As a result of its business growth, USU increased its adjusted EBIT by 39.3% year-on-year to EUR 7,241 thousand in the first nine months of 2021 (Q1-Q3 2020: EUR 5,198 thousand). Consequently, USU improved its earnings margin based on adjusted EBIT from 6.7% in the first nine months of 2020 to 8.8% in the first three quarters of 2021. Adjusted consolidated earnings increased by 44.0% to EUR 6,460 thousand in the same period (Q1-Q3 2020: EUR 4,485 thousand). Adjusted earnings per share thus improved from EUR 0.43 in the previous year to EUR 0.61.

Net assets and financial position

On the assets side of the balance sheet, the USU Group's non-current assets decreased slightly to EUR 71,698 thousand as of September 30, 2021 (December 31, 2020: EUR 71,923 thousand). This decline primarily reflects the amortization of intangible assets.

Over the same period, current assets increased slightly from EUR 43,543 thousand as of December 31, 2020, to EUR 43,705 thousand at the reporting date. Among other things, this was due to the rise in Group liquidity (cash on hand and bank balances including securities) to EUR 19,725 thousand as of September 30, 2021 (December 31, 2020: EUR 18,534 thousand) despite the dividend distribution to USU's shareholders in early July 2021.

On the equity and liabilities side of the balance sheet, the USU Group's equity increased from EUR 61,770 thousand as of December 31, 2020, to EUR 63,484 thousand as of September 30, 2021, as a result of the positive consolidated earnings and in spite of the dividend distribution of EUR 4,209 thousand in the meantime. At the same time, debt in the form of USU's current and non-current liabilities fell to EUR 51,919 thousand as of September 30, 2021 (December 31, 2020: EUR 53,696 thousand).

Based on total assets of EUR 115,403 thousand (December 31, 2020: EUR 115,466 thousand), the equity ratio improved to 55.0% as of September 30, 2021 (December 31, 2020: 53.5%). With this equity ratio, increased Group liquidity, and no liabilities to banks, the USU Group still has extremely sound and secure financing.

Cash flows and capital expenditure

The USU Group had cash and cash equivalents (excluding securities) of EUR 19,725 thousand as of September 30, 2021 (September 30, 2020: EUR 15,252 thousand). This represents an increase of EUR 4,473 thousand or 29.3% as compared to the previous year. Accordingly, USU increased its Group liquidity by 6.4% compared with December 31, 2020, when it had liquidity of EUR 18,534 thousand, despite the dividend distribution in the meantime.

USU's cash flow from operating activities was again clearly positive in the reporting period Q1-Q3 2021 at EUR 7,930 thousand (Q1-Q3 2020: EUR 12,866 thousand), which was largely due to the quarterly profit generated by USU, while the previous year's figure was mainly influenced by working capital effects as of the reporting date.

Net cash used in investing activities of EUR -735 thousand (Q1-Q3 2020: EUR -1,611 thousand) essentially includes investments in property, plant and equipment.

As in the previous year, the cash flow from financing activities of EUR -6,298 thousand (Q1-Q3 2020: EUR -6,305 thousand) results from the dividend distribution to USU's shareholders of EUR -4,209 thousand (Q1-Q3 2020: EUR -4,209 thousand) and payments for lease liabilities of EUR -2,089 thousand (Q1-Q3 2020: EUR -2,096 thousand).

Orders on hand

As of the end of the third quarter of 2021, the USU Group's total orders on hand were EUR 4,181 thousand or 6.9% higher than in the previous year at EUR 64,580 thousand (September 30, 2020: EUR 60,399 thousand). This increase was due to the USU Group's higher SaaS, maintenance and consulting orders. Although orders on hand in the period under review declined by 2.5% compared with the new all-time high recorded in the previous quarter (June 30, 2021: EUR 66,233 thousand), they were up 4.3% on the end of the previous year (December 31, 2020: EUR 61,891 thousand).

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

Employees

The USU Group expanded its workforce by 2.0% or 15 employees year-on-year to 750 employees as of September 30, 2021 (September 30, 2020: 735). Broken down by functional unit, USU employed a total of 310 people in consulting and services as of the end of the third quarter of 2021 (September 30, 2020: 316), 216 in research and development (September 30, 2020: 209), 116 in sales and marketing (September 30, 2020: 110) and 108 in administration (September 30, 2020: 100). Broken down by segment, USU employed 527 (September 30, 2020: 526) people in the Product Business segment, 115 (September 30, 2020: 109) in the Service Business segment and 108 (September 30, 2020: 100) in USU Group central functions. USU has therefore continued to expand the Group workforce as planned in the current year in accordance with its medium-term planning despite the shortage of qualified staff in the IT sector and the sustained coronavirus crisis.

Forecast, report on risks and opportunities

Forecast

General economy

According to information from the leading economic research institutes⁴, the economic situation in Germany continues to be dominated by the coronavirus pandemic. After the recovery was initially delayed by new waves of infections in the winter half of 2020/2021, gross domestic product has risen significantly since the spread of the coronavirus began abating in the spring. However, only consumer-oriented service industries have recorded growth to date as the manufacturing industry has been hit by supply bottlenecks for precursor products. According to the information from the institutes, the recovery is likely to continue to be

⁴ cf. Joint Economic Forecast #2-2021, October 12, 2021, published at www.gemeinschaftsdiagnose.de

hampered in the coming winter half of the year. Coronavirus infections are unlikely to disappear completely during the cold seasons, with the result that activity in the service sector will remain below the usual level. The supply bottlenecks affecting production in the manufacturing industry are also likely to remain in place for the time being. The impact of the pandemic and the supply bottlenecks is expected to gradually abate over the coming year, allowing normal utilization to be attained once again. According to the Joint Economic Forecast by the economic research institutes, gross domestic product is set to rise by 2.4% in 2021 as a whole.

The institutes feel that the world economy is still on track for recovery. However, the expansion will remain sluggish until the fall of 2021 and will be only moderate overall. In particular, the pandemic has recently impacted economic activity in places where vaccination rates are not yet sufficiently high. Supply bottlenecks have also contributed to bringing the sharp upturn in global industrial production at the start of the year to a standstill. Together with an increase in macroeconomic demand, the bottlenecks have led to a pronounced rise in inflation in recent months.

Economic development in the first half of the year largely varied according to the timing and severity of local coronavirus waves and the measures taken to combat them. Only the US saw largely unchecked expansion in macroeconomic production. In Europe, the pandemic curbed economic activity in the first few months of the current year in particular. Production picked up quickly in the spring as infection control measures were relaxed and vaccination programs enjoyed rapid progress. In China, an upturn in infection figures (even though these were very low) led to a significant deterioration in consumer sentiment. Production sites and key port facilities were closed in response to just a small number of cases of coronavirus in the workforce.

In the coming months, the pandemic will have a particularly pronounced impact in places where vaccination rates remain low. However, the institutes expect the conditions to continue to improve as the vaccination program progresses.

On the other hand, the supply bottlenecks are expected to be resolved only during the course of 2022. Accordingly, the institutes have substantially lowered their growth forecast for global economic output this year from 6.3% to 5.7%.

Sector

According to the latest information from the digital industry association Bitkom⁵, the German digital sector continues to enjoy an upswing and is developing much more dynamically than the wider economy in 2021. According to Bitkom, the growth in the core of the digital industry is stronger than it has been for 20 years, and sales are well above the pre-crisis level. Therefore, says Bitkom, expenditure for information technology, telecommunications and

⁵ cf. BITKOM-ITK market figures (as of July 2021), published at www.bitkom.org

consumer electronics is expected to increase by 4.0% in 2021 compared with 2020 to a total volume of EUR 178.2 billion (2020: EUR 171.4 billion). Following a minimal increase of 0.2% in 2020, Bitkom's calculations show that the German IT market is set to grow by 6.6% to EUR 101.8 billion in 2021 (2020: EUR 95.5 billion). Within this, the software market segment is expected to see growth of 6.0% (2020: -1.0%) to EUR 27.5 billion (2020: EUR 25.9 billion), while expenditure for IT services is forecast to rise by 3.7% (2020: -3.2%) to EUR 41.1 billion (2020: EUR 39.6 billion).

In its latest "IT Spending Forecast" published on October 20, 2021, the market research company Gartner⁶ is also forecasting growth in global IT expenditure of 9.5% in 2021 (2020: 0.9%) to USD 4,242 million (2020: USD 3,872 million). According to Gartner, digital technology initiatives remain one of the top strategic business priorities for companies. "What changed in 2020 and 2021 was not really the technology itself, but people's willingness and eagerness to adopt it and use it in different ways," says John-David Lovelock, Vice President at Gartner.

Gartner expects the market segments of software and IT services to enjoy above-average growth of 13.6% in 2021 (2020: 9.1%) to USD 601 million (2020: USD 529 million) and 11.2% (2020: 1.7%) to USD 1,191 million (2020: USD 1,071 million) respectively.

Outlook

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

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

Based on the above assumptions, the Management Board is in turn planning to enable the shareholders of USU Software AG to participate significantly in the company's operating success in fiscal 2021, as in previous years, and to continue the shareholder-friendly dividend policy with the distribution of a dividend that is never lower than in the previous year and that amounts to around half of the profit generated.

⁶ cf. Gartner press release dated October 20, 2021, published at www.gartner.com

Report on risks and opportunities

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

USU shares (ISIN DE000A0BVU28).

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

After enjoying a broadly positive first half of the year, the stock markets experienced comparatively volatile and mixed development during the third quarter in response to various economic signals and growing inflationary concerns. While the Technology All Share index rose by 6.1% over the course of the quarter to close at 5,333.26 points on the XETRA electronic trading platform on September 30, 2021 (June 30, 2021: 5,025.34 points), the DAX fell by 1.7% to 15,260.69 points on XETRA over the same period (June 30, 2021: 15,531.04 points). Despite the positive start to the year, USU's share price recorded negative quarterly performance of -4.4% to EUR 23.90 due to a downturn at the end of the quarter (June 30, 2021: EUR 25.00).

The Technology All Share index rose by 19.1% compared with the end of the previous year (December 31, 2020: 4,479.20 points), while the DAX increased by 11.2% over the same period. As a result of the price weakness in the second and third quarters, however, USU's share price fell by 12.1% in the first nine months of the year (December 31, 2020: EUR 27.20).

The stock markets enjoyed a veritable boom in the 12 months from September 30, 2020. The Technology All Share index rose by 26.5% year-on-year (September 30, 2020: 4,216.71 points) and the DAX recorded growth of 19.6% (September 30, 2020: 12,760.73 points). Even after a positive opening quarter to the year, however, negative performance in the last two quarters meant that USU's share price fell by 3.2% (September 30, 2020: EUR 24.70).

Möglingen, November 18, 2021

USU Software AG

Bernhard Oberschmidt
Chief Executive Officer

Dr. Benjamin Strehl
Member of the Management Board

ASSETS <i>EUR thousand</i>	9-month report SEPT. 30, 2021	Annual report DEC. 31, 2020
Non-current assets		
Intangible assets	3,178	3,644
Goodwill	40,392	40,392
Property, plant and equipment	3,297	3,464
Right-of-use assets IFRS 16	16,804	16,280
Financial assets	834	846
Prepaid expenses	216	320
Deferred taxes	6,977	6,977
Non-current assets	71,698	71,923
Current assets		
Inventories	480	351
Unbilled work in progress	7,637	4,606
Trade receivables	13,385	16,725
Income tax receivables	50	179
Financial assets	486	570
Other assets	228	694
Prepaid expenses	1,714	1,884
Cash on hand and bank	19,725	18,534
Current assets	43,705	43,543
Total assets	115,403	115,466

EQUITY AND LIABILITIES <i>EUR thousand</i>	9-month report SEPT. 30, 2021	Annual report DEC. 31, 2020
Equity		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Other retained earnings	214	-1,719
Other comprehensive income	-46	173
Equity	63,484	61,770
Non-current liabilities		
Pension provisions	1,368	1,316
Lease liabilities IFRS 16	14,404	14,036
Deferred income	1,315	2,040
Deferred taxes	1,267	1,339
Non-current liabilities	18,354	18,731
Current liabilities		
Income tax liabilities	375	347
Financial liabilities	35	837
Lease liabilities IFRS 16	2,621	2,396
Personnel-related liabilities	9,545	9,538
Other provisions and liabilities	1,371	3,062
Liabilities from advance	2,759	5,057
Trade payables	4,135	4,171
Deferred income	12,724	9,557
Current liabilities	33,565	34,965
Total equity and liabilities	115,403	115,466

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)**



STATEMENT OF COMPREHENSIVE INCOME	Quarterly report	Quarterly report	9-month report	9-month report
<i>EUR thousand</i>	Q3 2021	Q3 2020		
	July 1, 2021	July 1, 2020	Jan. 1, 2021	Jan. 1, 2020
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021	Sept. 30, 2020
Sales	27,933	25,766	81,858	77,862
Cost of sales	-13,758	-12,645	-40,659	-37,962
Gross profit	14,175	13,121	41,199	39,900
Selling and marketing expenses	-5,082	-4,666	-14,971	-13,758
General and administrative exp.	-2,539	-3,515	-7,574	-10,416
Research and development exp.	-4,376	-3,746	-12,860	-11,563
Other operating income	475	160	1,492	839
Other operating expenses	-122	-213	-435	-394
Profit from ordinary activities (EBIT)	2,531	1,141	6,851	4,608
Finance income	-82	10	122	15
Finance expenses	79	-99	-87	-160
Earnings before taxes (EBT)	2,528	1,052	6,886	4,463
Income taxes	-180	-184	-744	-506
Consolidated net earnings	2,348	868	6,142	3,957
<i>Items that can be reclassified to profit or loss in future periods:</i>				
Currency translation difference	-121	159	-218	99
Other comprehensive income	-121	159	-218	99
Total comprehensive income	2,227	1,027	5,924	4,056
Earnings per share (in EUR) Basic and diluted	0,21	0,10	0,56	0,39
Number of underlying shares	10,523,770	10,523,770	10,523,770	10,523,770

Consolidated statement of cash flows <i>EUR thousand</i>	9-month report Jan. 1, 2021 - Sept. 30, 2021	9-month report Jan. 1, 2020- Sept. 30, 2020
NET CASH FROM OPERATING ACTIVITIES		
Consolidated net profit	6,142	3,957
+/- depreciation, amortization and write-downs of non-current assets and reversals of	1,376	1,523
+/- depreciation, amortization and write-downs of right-of-use assets under IFRS 16	2,160	2,141
+/- other non-cash expenses/income	-358	154
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	1,016	3,546
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	-2,326	780
-/+ interest expenses/income	-35	145
+/- income taxes received/paid	-715	160
-/+ interest paid/received	-74	-46
-/+ income tax expenses/income	744	506
NET CASH FROM OPERATING ACTIVITIES	7,930	12,866
CASH FLOWS FROM INVESTING ACTIVITIES:		
- purchase of intangible assets	-7	-12
+ proceeds from disposals of property, plant and equipment	19	7
- purchase of property, plant and equipment	-747	-1,606
NET CASH USED IN INVESTING ACTIVITIES:	-735	-1,611
NET CASH USED IN FINANCING ACTIVITIES:		
- dividends paid to shareholders of the parent company	-4,209	-4,209
- repayments of lease liabilities	-2,089	-2,096
NET CASH USED IN FINANCING ACTIVITIES:	-6,298	-6,305
Change in cash and cash equivalents	897	4,950
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	294	-111
+ cash and cash equivalents at the start of the period	18,534	10,413
Cash and cash equivalents at the end of the period	19,725	15,252
Cash and cash equivalents		
Cash and cash equivalents	19,725	15,252
	19,725	15,252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)



Development of Group equity	Issued capital		Capital reserves	Other retained earnings	Other comprehensive income		Equity		
	Number	EUR thousand			EUR thousand	EUR thousand		Pension plans	Currency translation
Consolidated equity as of January 1, 2020	10,523,770	10,524	52,792	-3,003	-116	1	60,198		
Consolidated net				3,957			3,957		
Other comprehensive after taxes						99	99		
Total comprehensive	0	0	0	3,957	0	99	4,056		
Dividend payment				-4,209			-4,209		
Consolidated equity as of Sept. 30, 2020	10,523,770	10,524	52,792	-3,255	-116	100	60,045		
Consolidated equity as of January 1, 2021	10,523,770	10,524	52,792	-1,719	-149	322	61,770		
Consolidated net				6,142			6,142		
Other comprehensive after taxes						-218	-218		
Total comprehensive	0	0	0	6,142	0	-218	5,924		
Dividend payment				-4,209			-4,209		
Consolidated equity as of Sept. 30, 2021	10,523,770	10,524	52,792	214	-149	103	63,484		

Accounting principles

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

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

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

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

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

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

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

Change in the Group organization

With effect from September 9, 2021, USU Software AG founded USU GK, a Japanese subsidiary domiciled in Tokyo. USU GK will assume responsibility for the sale and implementation of USU software in Japan and the entire Asian market in the future.

Sales

Sales break down as follows:

	Jan. 1 - Sept. 30, 2021 EUR thousand	Jan. 1 - Sept. 30, 2020 EUR thousand
Consulting	47,751	44,556
Licenses/products	7,808	8,334
Maintenance/SaaS	25,362	23,825
Other	937	1,147
	81,858	77,862

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-Sept. 30, 2021	Jan. 1-Sept. 30, 2020	Jan. 1-Sept. 30, 2021	Jan. 1-Sept. 30, 2020	Jan. 1-Sept. 30, 2021	Jan. 1-Sept. 30, 2020	Jan. 1-Sept. 30, 2021	Jan. 1-Sept. 30, 2020	Jan. 1-Sept. 30, 2021	Jan. 1-Sept. 30, 2020
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Sales	59,035	57,367	22,740	20,373	81,775	77,739	83	123	81,858	77,862
EBITDA	8,044	10,018	4,064	3,393	12,108	13,411	-1,721	-5,139	10,387	8,272
EBIT	5,655	7,865	3,018	2,479	8,673	10,344	-1,822	-5,736	6,851	4,608
Net finance	-	-	-	-	-	-	35	-145	35	-145
Taxes	-612	-368	-132	-138	-744	-506	-	-	-744	-506
Consolidated net	5,043	7,497	2,886	2,341	7,929	9,838	-1,787	-5,881	6,142	3,957
No. of employees	527	526	115	109	642	635	108	100	750	735

The USU Group generated a total of 23.4% (Q1-Q3 2020: 26.9%) or EUR 19,147 thousand (Q1-Q3 2020: EUR 20,978 thousand) of its consolidated sales outside Germany in the first nine months of the 2021 fiscal year. These figures are based on customers' registered offices. For reasons of materiality, further details of the geographical data have not been provided.

Shares held by members of executive bodies at USU Software AG

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

Stock declarations by members of	Shares Sept. 30, 2021	Shares Sept. 30, 2020
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	0

* An additional 5,353,578 (2020: 5,349,578) 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 (2020: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 34(1) sentence 1 no. 1 WpHG.

On July 6, 2021, Gabriele Walker-Rudolf, a member of the Supervisory Board of USU Software AG, purchased 1,000 shares in USU Software AG via the Stuttgart Stock Exchange and notified USU Software AG of this securities transaction. On July 9, 2021, AUSUM GmbH, whose majority shareholder is the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, also purchased a total of 4,000 shares in USU Software AG via the Tradegate Exchange stock exchange and subsequently notified USU Software AG of the corresponding securities transactions.

In turn, the company immediately published the above notifications of securities transactions as required.

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

Möglingen, November 18, 2021

USU Software AG

Bernhard Oberschmidt

Chairman of the Management
Board

Dr. Benjamin Strehl

Management Board

November 22-24, 2021

Analyst and investor conference at the German Equity Forum, virtual

December 07, 2021

Analyst and investor conference at the 31st Munich Capital Market Conference (MKK),
Munich (Hybrid event)