

The background of the cover is a vibrant blue with abstract, flowing, and overlapping lines that create a sense of motion and depth. The lines are more prominent on the left side and fade towards the right.

**Half-Yearly Financial Report  
and Report on the Second  
Quarter of 2020**

**USU Software AG**

Group key figures <i>in Thsd. EUR, except the earnings per share and number of employees</i>	2020	2019
	Jan.1 -June 30	Jan.1 -June 30
<b>REVENUES</b>	52,096	44,877
<b>ADJUSTED EBIT</b>	3,904	690
<b>ADJUSTED NET RESULT</b>	3,478	-314
<b>ADJUSTED EARNINGS PER SHARE (EUR)</b>	0.33	-0.03
<b>EBITDA</b>	6,076	2,420
<b>EBIT</b>	3,467	-1
<b>NET RESULT</b>	3,089	-957
<b>EARNINGS PER SHARE (EUR)</b>	0.29	-0.09
<b>CASH-FLOW FROM ORDINARY OPERATIONS</b>	11,458	4,563
<b>NUMBER OF EMPLOYEES</b>	724	708
	June 30, 2020	Dec 31, 2019
<b>CASH AND CASH EQUIVALENTS</b>	19,191	10,413
<b>SHAREHOLDERS EQUITY</b>	63,227	60,198
<b>BALANCE SHEET</b>	109,949	104,460
<b>EQUITY RATIO</b>	57.5%	57.6%

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## LETTER TO SHAREHOLDERS

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Dear Shareholders and Readers,

All around the world, the second quarter of 2020 was dominated by the coronavirus pandemic, leading to a drastic economic slump in many countries. The USU Group has only been slightly negatively impacted by the coronavirus pandemic so far, as we generate 80% of our sales with companies from sectors that are less affected by coronavirus, such as the public sector, insurance, pharmaceuticals, and telecommunications. After a successful first quarter, USU thus saw a positive business development again in the reporting quarter. We also expect positive effects in the medium and long term, as many companies recognize the need for growing digitalization and will increasingly invest in this area.

In the quarter under review, USU benefited from several new orders from both new customers and existing customers, with the trend away from one-time license business toward software-as-a-service (SaaS) being further intensified by the coronavirus pandemic. Although this negatively impacts earnings somewhat in the short term, it will increase margins in the medium and long term. There was also positive impetus from the trade and customer event USU World, which was held virtually for the first time this year due to the coronavirus pandemic, with more than 800 specialists and managers participating.

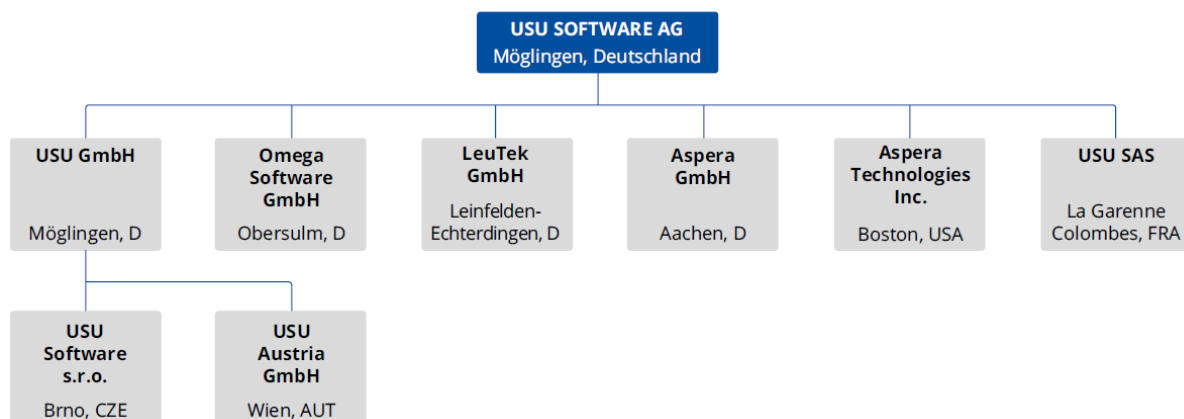
This year's Annual General Meeting of USU Software AG was also held virtually at the end of June. At this year's Annual General Meeting, the shareholders resolved a dividend at the prior-year level of EUR 0.40 per share due to USU's positive business performance in 2019 and the positive prospects for 2020 in spite of the coronavirus pandemic. For the fourteenth year in succession, this meant that, in line with its dividend strategy, USU distributed a dividend that was not lower than in the previous year while also equating to around half of the profit generated. In addition to the dividend payment, the shareholders resolved by large majority at the Annual General Meeting to approve the actions of the Management Board and the Supervisory Board for fiscal 2019, to authorize the company to acquire treasury shares, and to approve a necessary amendment to the Articles of Association to bring them in line with the Act on the Implementation of the Shareholders' Rights Directive (ARUG II). In addition, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, was elected as the auditor for fiscal 2020.

After the very successful first half of 2020, we also anticipate sales growth and positive adjusted EBIT in the second half of the year. But the proportion of SaaS contracts in the new contracts is furthermore difficult to predict and therefore offers both an opportunity and a risk in terms of sales and earnings.

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: Aspera GmbH, Aachen, Germany; Aspera Technologies Inc., Boston, USA; LeuTek GmbH, Leinfelden-Echterdingen, Germany; Omega Software GmbH, Obersulm, Germany; USU GmbH, Möglingen, Germany; USU Austria GmbH, Vienna, Austria; USU Software s.r.o., Brno, Czech Republic; USU SAS, Paris France. In addition, USU Software AG has a shareholding in Openshop Internet Software GmbH, Möglingen, Germany, which is no longer operational.



The USU Software AG and its subsidiaries

## Business model, objectives, strategies and controlling system

USU Software AG and its subsidiaries (hereinafter also referred to as the "USU Group or "USU") develop and market software solutions for knowledge-based service management. USU is the largest European provider of IT and knowledge management software.

In the area of IT management, USU supports companies with comprehensive ITIL<sup>®</sup>-compliant solutions for strategic and operational IT and enterprise service management. USU solutions give customers an overall view of their IT processes and IT infrastructure and enable them to transparently plan, allocate, monitor and actively manage services. USU is one of the world's leading manufacturers in the area of software license management.

USU is driving the digitization of business processes with its intelligent solutions and expertise in the area of digital interaction. As a one-stop shop, USU advises on, designs, develops, and delivers solutions along the entire customer journey ("customer-first solutions"). The portfolio in this area is rounded off by system integration, individual applications and software for industrial big data. The portfolio in this area is rounded off by system integration, individual applications and software for industrial big data.

More than 1,000 USU customers from all sectors of the global economy use USU solutions to create transparency, cut costs and reduce their risk. 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.

In view of the continued uncertainty over the duration and development of the COVID-19 pandemic, the possibility of a second wave of infections, and the scale of the associated effects on the global economy, it is still not currently possible to make a reliable and realistic precise estimate of USU's future business development. However, the Management Board anticipates growth in sales and positive adjusted EBIT again in the second half of 2020, and thus also for fiscal 2020 as a whole, even in the event of much longer-lasting crisis or a further deterioration in the current situation. The Management Board is also confirming the USU Group's medium-term planning, which includes average organic sales growth of 10% in the next few years and an increase in the operating margin on adjusted EBIT to between 13% and 15% by 2024.

## Research and development

Within its sector, USU Software AG is one of the most innovative companies in Germany. This was confirmed once again by a study by Focus and Focus Money, which awarded the USU Group the Deutschlandtest seal of quality for “Germany’s most innovative companies” in June 2020. For years, innovation has been established as a guiding principle at USU and is regarded as a driving factor for sustainable long-term success.

Accordingly, the USU Group invested a total of EUR 7,817 thousand (Q1-Q2 2019: EUR 7,691 thousand) or 15.0% (Q1-Q2 2019: 17.1%) of consolidated revenue in research and development (R&D) in the first six months of 2020. The total number of employees in this area was 202 as of June 30, 2020 (June 30, 2019: 206). The USU Group’s R&D expenses do not typically meet the criteria for recognition and hence are not capitalized.

In the reporting period, the R&D team of the Valuation division released version 5.2 of the product line of the same name for IT service management. Major new developments include intelligent AI-based ticket handling, usage-based billing of service costs – including for cloud services – and comprehensive support in service design using straightforward drag-and-drop. Mobile work with Valuation was also improved, for example with the offline mode and easier adaptability for customer projects.

R&D activities at the subsidiary LeuTek are focusing on continuous improvement of the ZIS-System software for business service monitoring. The new version includes enhancements to cloud monitoring, e.g. with the introduction of pay-per-use/volume licenses, as well as to encryption. Other work involved improvements to ZIS reporting, end-to-end integration, and operation of the system using Linux.

In the context of further development for the area of software license management, the R&D team at the subsidiary Aspera particularly worked on enhancing functions for software discovery and on user interface ergonomics. A central data collection point was also integrated in the form of SmartCollect Hub. Another aspect for application operations is the ongoing containerization of the portfolio. The license management solution for SAP was awarded the coveted SAP License Management certification by the leading international industry community ITAM Review.

Over the past few months, the unymira division has adapted a number of customer service applications to meet the special requirements of service organizations during the COVID-19 crisis. For example, the Knowledge Bot soon started to be used as a “coronavirus bot” in several municipalities, answering specific questions from citizens about the regional coronavirus regulations. The new version of the unymira bot is being developed as a “cooperative bot” that works together with other bots and thus offers more service options. In

addition, a new platform for data-driven customer services was introduced in the form of Knowledge Exchange.

In the Katana division, the R&D team further developed AI-supported ticket routing in collaboration with Valuemation, with the result that this function is now available for databases such as Oracle, MariaDB, and Microsoft SQL. For the big data analytics solution KatanaGo, the R&D team overhauled the web interface and developed an interface for easier development of data science analyses.

The research team also worked on implementing various research projects in the reporting period. There was a particular focus on the “Service Master” flagship project from the German Federal Ministry of Economics and Energy for the development of an AI-based service platform for German SMEs. Here, the requirements analysis for the four use cases managed by USU at the companies KEB, Atlas Copco, OGE, and Trumpf was advanced and partially completed. Particularly in the case of KEB, the research work on AI-supported field service planning and replacement parts procurement also serves as preparation for business in the Katana division.

## Economic report

### Overall economic development

According to an report from the German Federal Statistical Office (“Destatis”)<sup>1</sup> on August 25, 2020, gross domestic product (GDP) for the second quarter of 2020 saw a historically sharp decline as a result of the coronavirus pandemic. Destatis calculates that GDP fell by 9.7% – adjusted for inflation, seasonal and calendar effects – in the reporting quarter as compared to the fourth quarter of 2020. This was the steepest decrease since quarterly GDP calculations for Germany began back in 1970, and considerably steeper than the decline recorded during the financial market and economic crisis (-4.7% in Q1 2009). In addition, Destatis reports that exports and imports of goods and services, private consumer spending, and investments in equipment all saw huge slumps in the second quarter of 2020.

By contrast, government spending increased during the crisis. Economic output also declined significantly on a year-on-year basis, with GDP in the second quarter of 2020 finishing 11.3% lower than in the previous year after adjustment for inflation and for calendar effects. Here, too, even the years of the financial market and economic crisis in 2008/2009 did not see such steep declines, according to Destatis: The biggest previous decline as against the same quarter of the previous year was recorded in the second quarter of 2009 and came to 7.9%. The euro area likewise saw a historic decline in GDP in the reporting quarter Q2 2020 as a result of the coronavirus crisis, according to a flash estimate by the Statistical Office of the

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<sup>1</sup> cf. Destatis press release 323 dated August 25, 2020, published at <https://www.destatis.de>

European Union (Eurostat)<sup>2</sup>. The decrease as against the previous quarter came to 12.1%. According to Eurostat, this was by far the biggest decrease since records began in 1995. Compared to the same quarter of the previous year (Q2 2019), seasonally adjusted euro-area GDP in the second quarter of 2020 was down 15.0% according to Eurostat.

### Sector development

According to studies by the digital industry association Bitkom<sup>3</sup>, sentiment in the digital sector improved in June. The Bitkom-ifo Digital Index, calculated based on assessments of the business situation and expectations, started rising again for the first time since February and is now back in positive territory at 1.5 points. ITC companies rated their business situation much better than they had done in April and May. The index rose by 9.3 points to 11.6 points. On average, companies tended to rate the business situation as generally positive. Business expectations for the next six months climbed by 12.3 points to -8.0 points, but still remained in negative territory.

### Business development in the second quarter of 2020

In spite of the coronavirus crisis that fully came to bear during the second quarter of 2020 and the huge restrictions entailed by the associated lockdown, USU Software AG together with its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) posted a strong operating performance again in the second quarter of the current fiscal year 2020 after the positive first quarter, as a result of several new orders acquired in Germany and abroad as well as the existing orders on hand. In the second quarter of 2020, USU thus increased its consolidated sales by 13.0% year-on-year to EUR 25,886 thousand (Q2 2019: EUR 22,902 thousand).

USU particularly benefited from very strong domestic business, after it had been international business driving growth in the first quarter. Accordingly, sales in Germany rose by 22.0% to EUR 18,917 thousand in the second quarter of 2020 (Q2 2019: EUR 15,507 thousand), while sales generated abroad were down 5.8% at EUR 6,969 thousand (Q2 2019: EUR 7,395 thousand).

Broken down by sales type, USU generated a particularly high year-on-year increase in consulting income of 23.2% to EUR 14,743 thousand (Q2 2019: EUR 11,967 thousand). USU thus continued the positive growth trend in consulting business again. At the same time, USU benefited from continuing growth in cloud and maintenance business again in the reporting

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<sup>2</sup> cf. Eurostat press release 125/2020 dated August 14, 2020, published at <http://ec.europa.eu/eurostat>

<sup>3</sup> cf. Bitkom press release dated June 29, 2020, published at [www.bitkom.org](http://www.bitkom.org)



quarter. For example, maintenance sales including sales from the software-as-a-service (SaaS) business increased by 11.7% year-on-year to EUR 8,090 thousand (Q2 2019: EUR 7,245 thousand). However, license business decreased year-on-year as expected by 24.2% to EUR 2,450 thousand in the reporting quarter Q2 2020 (Q2 2019: EUR 3,233 thousand) as a result of the increasing trend toward SaaS business and due to coronavirus-related postponement of orders. Other income, which essentially comprises merchandise sales from third-party hardware and software, totaled EUR 603 thousand (Q2 2019: EUR 457 thousand) as a result of business growth.

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

As forecast, the cost base of the USU Group increased to a lower extent than revenue, rising by just 6.6% year-on-year to EUR 24,284 thousand (Q2 2019: EUR 22,771 thousand). This meant that earnings improved considerably compared with the previous year. Accordingly, USU also significantly increased its earnings in the second quarter of 2020. The USU Group thus increased its earnings before interest, taxes, depreciation and amortization (EBITDA) by 115.5% year-on-year to EUR 3,012 thousand in the reporting quarter (Q2 2019: EUR 528 thousand). Including depreciation and amortization of EUR -1,293 thousand (Q2 2019: EUR -1,216 thousand), earnings before interest and taxes amounted to EUR 1,719 thousand (Q2 2019: EUR 182 thousand). This corresponds to a year-on-year increase in EBIT of 844.5%.

Including the net finance costs of EUR 40 thousand (Q2 2019: EUR 47 thousand) and the income tax expense of EUR 160 thousand (Q2 2019: EUR 456 thousand), there was ultimately a net profit for the period of EUR 1,519 thousand, after a quarterly loss of EUR 321 thousand in the previous year. This corresponds to earnings per share of EUR 0.14 (Q2 2019: EUR -0.03).

EBIT adjusted for the extraordinary effects of acquisitions (adjusted EBIT) also improved significantly by 266.9% year-on-year to EUR 1,937 thousand in the second quarter of 2020 (Q2 2019: EUR 528 thousand), while the adjusted net result increased from EUR 1 thousand in the previous year to EUR 1,713 thousand in the quarter under review. This corresponds to adjusted earnings per share of EUR 0.16 (Q2 2019: EUR 0.00).

## Business development in the first six months of fiscal 2020

### Development of sales and costs

#### Consolidated sales

In the first six months of fiscal 2020, USU Software AG increased its consolidated revenue (IFRS) by 16.1% year-on-year to EUR 52,096 thousand (Q1-Q2 2019: EUR 44,877 thousand). USU benefited from business in Germany, which rose by 16.1% to EUR 37,260 thousand (Q1-Q2 2019: EUR 32,081 thousand), as well as the upturn in international business, which grew by 15.9% to EUR 14,836 thousand (Q1-Q2 2019: EUR 12,796 thousand). As in the previous year, international business thus accounted for 28.5% of consolidated revenue in the first half of 2020 (Q1-Q2 2019: 28.5%). While business in France grew substantially, US business fell short of expectations in the reporting quarter in particular as a result of the coronavirus pandemic and increased SaaS contracts.

Business with software licenses declined by 6.4% year-on-year to EUR 5,839 thousand (Q1-Q2 2019: EUR 6,235 thousand) due to customers' growing preference for SaaS and the postponement of some individual orders. At the same time, maintenance and SaaS business increased to EUR 15,857 thousand (Q1-Q2 2019: EUR 13,981 thousand) as a result of higher SaaS revenue. This represents growth of 19.5% compared with the first half of 2019. Significantly higher than average growth was also posted by consulting business, which increased by 22.8% to EUR 29,573 thousand in the first half of the year (Q1-Q2 2019: EUR 24,652 thousand) as a result of new consulting projects and existing orders from the previous quarters. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 827 thousand (Q1-Q2 2019: EUR 569 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 Katana, 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 36,641 thousand in the first six months of 2020 (Q1-Q2 2019: EUR 34,624 thousand), up 11.6% on the previous year. This was primarily due to the expansion of the maintenance and SaaS business and product consulting income.

In the same period, consulting-related sales in the Service Business segment posted considerably above-average growth of 31.9% to EUR 13,361 thousand (Q1-Q2 2019: EUR 10,131 thousand). Following a dip in growth in the previous year, USU thus returned to its long-term growth trend as planned thanks to a large number of new orders. Revenue not allocated to the segments amounted to EUR 94 thousand in the first half of fiscal 2020 (Q1-Q2 2019: EUR 122 thousand).

## Operating costs

The USU Group's operating cost base increased by 9.0% year-on-year to EUR 49,127 thousand in the first half of 2020 (Q1-Q2 2019: EUR 45,091 thousand). In addition to higher staff costs as a result of the previous year's workforce expansion, expenses also rose due to increased non-staff operating costs and amortization and depreciation.

The cost of sales rose by 14.4% as against the previous year to EUR 25,317 thousand in the period under review (Q1-Q2 2019: EUR 22,127 thousand) as a result of business growth. Thanks to the greater increase in sales, the cost of sales as a percentage of consolidated sales thus fell from 49.3% in the first half of 2019 to 48.6% in the reporting period Q1-Q2 2020. At the same time, gross income rose from EUR 22,750 thousand in the first half of 2019 to EUR 26,779 thousand in the first six months of 2020. The gross margin also rose as against the previous year to 51.4% (Q1-Q2 2019: 50.7%).

Marketing and sales expenses decreased by 4.5% year-on-year to EUR 9,092 thousand in the period under review (Q1-Q2 2019: EUR 9,520 thousand). This decrease was chiefly due to lower travel and event costs as a result of the coronavirus crisis. Accordingly, marketing and selling expenses as a share of sales declined significantly from 21.2% in the first half of 2019 to 17.5% in the first half of 2020.

General and administrative expenses climbed by 20.0% year-on-year to EUR 6,901 thousand in the period under review (Q1-Q2 2019: EUR 5,753 thousand), mainly as a result of the necessary workforce expansion implemented during the previous year, as well as higher depreciation and amortization. The ratio of administrative expenses to consolidated sales rose to 13.2% in the reporting period (Q1-Q2 2019: 12.8%).

Research and development expenses rose by 1.6% year-on-year to EUR 7,817 thousand in the reporting period (Q1-Q2 2019: EUR 7,691 thousand). At the same time, the ratio of research and development expenses to consolidated sales fell to 15.0% (Q1 2019: 17.1%) as a result of the much greater increase in sales and was thus lower than in the previous year as planned.

USU is constantly investing in the development of its product portfolio and always working on innovative, market-driven software solutions. In the medium term as well, USU is planning to increase its R&D expenditure in absolute terms while further reducing the ratio of research and development expenses to consolidated sales on account of strong sales growth.

Net other operating income and expenses totaled EUR 498 thousand in the first half of 2020 (Q1-Q2 2019: EUR 213 thousand).

## Results of operations

As a result of the significant business growth and the slower rise in expenses, the USU Group's profitability increased significantly in the first half of 2020 as compared to the previous year. Thus, USU's EBITDA rose by 151.1% as against the previous year to EUR 6,076 thousand (Q1-Q2 2019: EUR 2,420 thousand). Adjusted for total depreciation and amortization of EUR 2,609 thousand (Q1-Q2 2019: EUR 2,421 thousand), USU generated EBIT of EUR 3,467 thousand in the first quarter of 2020 (Q1-Q2 2019: EUR -1 thousand).

Net finance result amounted to EUR -56 thousand in the first half of 2020 (Q1-Q2 2019: EUR -47 thousand). This also includes interest expenses from leases (IFRS 16). Income taxes amounted to EUR -322 thousand in the first half of 2020 (Q1-Q2 2019: EUR -909 thousand).

Overall, USU's consolidated earnings improved to EUR 3,089 thousand in the first six months of 2020, after a quarterly loss of EUR -957 thousand in the first half of 2019. With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.29 (Q1-Q2 2019: EUR -0.09).

## Adjusted consolidated net profit

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

<b>Adjusted consolidated net profit</b> <i>EUR thousand</i>	<b>Jan. 1, 2020 - June. 30, 2020</b>	<b>Jan. 1, 2019 - June. 30, 2019</b>
<b>Profit from ordinary activities (EBIT)</b>	<b>3,467</b>	<b>-1</b>
Amortization of intangible assets recognized in with company acquisitions	437	691
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	0	0
- from stay bonus for BIG GmbH / unitB technology GmbH	0	0
- from Consulting fees for acquisition of unitB technology	0	0
- from purchase price adjustments	0	0
- from incidental acquisition costs	0	0
<b>Adjusted EBIT</b>	<b>3,904</b>	<b>690</b>
Finance income (as per consolidated income statement)	0	0
Finance costs (as per consolidated income statement)	-56	-47
Income taxes (as per consolidated income statement)	-322	-909
Tax effects relating to adjustments	-48	-48
- from amortization	-48	-48
- from deferred taxes on tax loss carryforwards	0	0
<b>Adjusted consolidated net profit</b>	<b>3,478</b>	<b>-314</b>
<b>Adjusted earnings per share (in EUR):</b>	<b>0.33</b>	<b>-0.03</b>
Weighted average shares outstanding:		
Basic and diluted	10,523,770	10,523,770

Adjusted earnings before interest and taxes (adjusted EBIT) increased by almost a factor of six year-on-year to EUR 3,904 thousand in the first half of 2020 (Q1-Q2 2019: EUR 690 thousand). This corresponds to a rise in the operating margin on adjusted EBIT from 1.5% in the first half of 2019 to 7.5% now. At the same time, USU improved its adjusted net result from EUR -314 thousand in the previous year to EUR 3,478 thousand in the first six months of fiscal 2020. Accordingly, USU's adjusted earnings per share rose to EUR 0.33 (Q1-Q2 2019: EUR -0.03).

## Net assets and financial position

On the assets side of the balance sheet, the USU Group's non-current assets rose to EUR 67,802 thousand as of June 30, 2020 (December 31, 2019: EUR 67,028 thousand). This rise was partly due to the increase in property, plant and equipment to EUR 2,921 thousand (December 31, 2019: EUR 2,222 thousand) as well as the increase in right-of-use assets recognized in accordance with IFRS 16 in the amount of EUR 9,218 thousand (December 31, 2019: EUR 8,533 thousand).

Over the same period, current assets increased from EUR 37,432 thousand as of December 31, 2019, to currently EUR 42,147 thousand, primarily as a result of the rise in Group liquidity (cash on hand and bank balances including securities) to EUR 19,191 thousand as of June 30, 2020 (December 31, 2019: EUR 10,413 thousand). This is due in particular to the customer invoice payment, which entailed a decline in trade receivables to EUR 14,964 thousand as of June 30, 2020 (December 31, 2019: EUR 20,001 thousand).

On the equity and liabilities side of the statement of financial position, the USU Group's equity increased from EUR 60,198 thousand as of December 31, 2019, to EUR 63,227 thousand as of June 30, 2020, as a result of the positive consolidated earnings. At the same time, debt in the form of the USU Group's current and non-current liabilities rose to EUR 46,722 thousand as of June 30, 2020 (December 31, 2019: EUR 44,262 thousand). This increase chiefly resulted from higher deferred income from maintenance and SaaS agreements invoiced at the start of the year for which the service will be rendered and the sales recognized later in the year, as well as from increased lease liabilities in accordance with IFRS 16.

Based on total assets of EUR 109,949 thousand (December 31, 2019: EUR 104,460 thousand), the equity ratio amounted to 57.5% as of June 30, 2020 (December 31, 2019: 57.6%). With this equity ratio, extensive Group liquidity, and no liabilities to banks, the USU Group still has extremely sound and secure financing, even in the coronavirus crisis.

## Cash flows and capital expenditure

The USU Group had cash and cash equivalents (excluding securities) of EUR 19,191 thousand as of June 30, 2020 (Q1-Q2 2019: EUR 12,217 thousand). This represents an increase of EUR 6,974 thousand or 57.1% as compared to the previous year. Accordingly, USU increased its Group liquidity compared to December 31, 2019, when USU had liquidity of EUR 10,413 thousand, by 84.3%.

USU's cash flow from operating activities climbed from EUR 4,563 thousand in the first six months of 2019 to currently EUR 11,458 thousand. This was mainly due to the improvement in earnings in the USU Group and the decrease in trade receivables.

Net cash used in investing activities of EUR -1,281 thousand (Q1-Q2 2019: EUR -736 thousand) primarily includes investments in property, plant and equipment.

Net cash used in financing activities of EUR -1,345 thousand (Q1-Q2 2019: EUR -1,071 thousand) resulted from repayments of lease liabilities.

## Orders on hand

As of the end of the second quarter of 2020, the USU Group's total orders on hand increased by 9.9% year-on-year to EUR 59,548 thousand (June 30, 2019: EUR 54,189 thousand), once again reaching a new high in USU's history. USU thus also recorded a significant increase in orders on hand of 21.0% as against the end of the previous year (December 31, 2019: EUR 49,222 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 twelve months. These predominantly consist of project-related orders and maintenance and SaaS agreements.

## Employees

The USU Group expanded its workforce by 2.3% year-on-year to 724 employees as of June 30, 2020 (June 30, 2019: 708). Broken down by functional unit, USU employed a total of 312 people in consulting and services as of the end of the second quarter of 2020 (June 30, 2019: 316), 202 in research and development (June 30, 2019: 206), 107 in sales and marketing (June 30, 2019: 90) and 103 in administration (June 30, 2019: 96). Broken down by segment, USU employed 514 (June 30, 2019: 503) people in the Product Business segment, 107 (June 30, 2019: 109) in the Service Business segment and 103 (June 30, 2019: 96) in USU Group central functions. USU therefore achieved its targeted expansion of the Group workforce in accordance with medium-term planning again in the reporting quarter despite the shortage of qualified staff in the IT sector and the intensifying coronavirus crisis.

## Forecast, report on risks and opportunities

### Forecast

#### *General economy*

According to the summer 2020 ifo Economic Outlook<sup>4</sup> by the ifo Institute – Leibniz Institute for Economic Research at the University of Munich (ifo) from July 1, 2020, the coronavirus pandemic and the measures to contain it have plunged the German economy into by far the deepest recession of its post-war history. Due to the low production of goods and services during the shutdown, the growth rates for the third and fourth quarters are substantial at 6.9% and 3.8% respectively. However, the ifo still expects economic output to be 6.7% lower on average this year as compared to 2019. According to the ifo forecast, the recovery will continue next year, with gross domestic product expected to grow by an average of 6.4%.

#### Sector

According to the latest information from the digital industry association Bitkom<sup>5</sup> from June 29, 2020, expenditure on information technology in Germany will decrease in 2020 as a result of the coronavirus crisis. According to Bitkom's calculations, the German IT market is set to contract by 5.6% (2019: growth of 3.5%) to EUR 88.2 billion in 2020 (2019: EUR 93.4 billion). Bitkom also anticipates a decline for the software and IT services market segments in 2020. The software market is thus expected to decrease by 4.0% (2019: increase of 7.3%) to EUR 25.2 billion (2019: EUR 26.2 billion), while the market for IT services is expected to shrink by 5.4% (2019: growth of 2.4%) to EUR 38.7 billion (2019: EUR 40.9 billion). "Software providers' customers are concerned about ensuring liquidity and are reducing their spending on licenses and maintenance agreements to the absolute essentials. The declines in this area also are not compensated for by further strong growth in cloud business," says Bitkom President Achim Berg, adding: "The weeks of lockdown should have been a wake-up call, including for delayers and skeptics. It is digital technologies that have kept public life and our economy up and running." According to Berg, the coronavirus crisis is a "...digital turning point. Our digital shortcomings have been unsparingly exposed in the past few weeks, at companies, in administration, and especially in education. Now it is all the more important to press ahead with digitalization rapidly in all areas with courage and determination," says Berg. The signs for the digital industry are thus pointing to growth again overall in the medium term, according to Bitkom.

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<sup>4</sup> cf. ifo press release dated July 1, 2020, published at <https://www.ifo.de>

<sup>5</sup> cf. BITKOM press release dated June 29, 2020, published at [www.bitkom.org](http://www.bitkom.org)



The latest “IT Spending Forecast” published by the market research company Gartner<sup>6</sup> on July 13, 2020, forecasts a worldwide decrease in IT expenditure of 7.3% year-on-year (2019: increase of 2.3%) to USD 3,531 billion in 2020 (2019: USD 3,811 billion). According to Gartner, companies will have a backlog of IT projects and less money available due to the coronavirus pandemic. However, Gartner expects the software and IT services market segments to contract to a lesser extent than the market as a whole, with decreases of 5.7% and 6.8% respectively.

## Outlook

The Management Board expects the USU Group to return to its long-term growth trend in 2020. Contributing factors here include the strong software-as-a-service (SaaS) business, which the Management Board expects to account for well over a third of new product orders in 2020. Consequently, the Management Board is expecting generally modest software license business as a result of the trend toward SaaS and reluctance to invest on the part of companies that have been hit harder by the coronavirus. By contrast, the service orders gained in the past quarters combined with anticipated new orders in the second half of 2020, too, will lead to very high utilization of the consultant team and accordingly positive consulting business in both segments of the USU Group. Following the reorganization of the French subsidiary USU SAS and the associated realignment of this company’s sales management, the Management Board considers corresponding growth and an improvement in earnings at this company in 2020 as a whole to be realistic, meaning that no relevant negative impact on earnings is expected here anymore. In view of the continued uncertainty over the duration and development of the COVID-19 pandemic, the possibility of a second wave of infections, and the scale of the associated effects on the global economy, it is still not currently possible to make a reliable and realistic precise estimate of USU’s future business development. However, the Management Board anticipates growth in sales and positive adjusted EBIT again in the second half of 2020, and thus also for fiscal 2020 as a whole, even in the event of much longer-lasting crisis or a further deterioration in the current situation. The Management Board is also confirming the USU Group’s medium-term planning, which includes average organic sales growth of 10% in the next few years and 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.

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<sup>6</sup> cf. Gartner press release dated July 13, 2020, published at [www.gartner.com](http://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, 2019. For more information please see the report on risks and opportunities in the 2019 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 drastic price decline caused by the coronavirus crisis at the end of the first quarter of 2020, the stock markets strengthened considerably over the course of the reporting quarter, forming a V shape in the chart. The DAX gained 23.9% compared with the previous quarter, closing at 12,310.93 points on the XETRA electronic trading platform on June 30, 2020 (March 31, 2020: 9,935.84 points). The Technology All Share index also recorded an increase of 23.9% on XETRA compared with the end of the previous quarter to close at 4,037.09 points (March 31, 2020: 3,258.36 points). Following the publication of USU's figures for the first quarter of 2020, USU's shares marked a positive quarterly performance of 60.3% to EUR 20.20 (March 31, 2020: EUR 12.60), which was well above the increases achieved by the indices. Compared to December 31, 2019, USU's share price (December 31, 2019: EUR 15.805) achieved a positive performance for 2020 of 27.8%, while the Technology All Share index (December 31, 2019: 3,708.89 points) rose by 8.8% in the same period. By contrast, the DAX (December 31, 2019: 13,249.01 points) was down 7.1% on its closing level at the end of 2019.

Möglingen, August 31, 2020

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management  
Board

Dr. Benjamin Strehl  
Member of the Management  
Board

<b>ASSETS</b> in TEUR	<b>6-month report</b> June 30, 2020	<b>Annual report</b> Dec. 31, 2019
<b>Non-current assets</b>		
Intangible assets	5,278	5,951
Goodwill	40,392	40,392
Property, plant and equipment	2,921	2,222
Right-of-use assets	9,218	8,533
Financial assets	818	835
Prepaid expenses	389	309
Deferred taxes	8,786	8,786
<b>Non-current assets</b>	<b>67,802</b>	<b>67,028</b>
<b>Current assets</b>		
Inventories	470	381
Unbilled work in progress	3,825	3,482
Trade receivables	14,964	20,001
Income tax receivables	1,084	928
Financial assets	536	430
Other assets	428	435
Prepaid expenses	1,649	1,362
Cash on hand and bank balances	19,191	10,413
<b>Current assets</b>	<b>42,147</b>	<b>37,432</b>
<b>Total assets</b>	<b>109,949</b>	<b>104,460</b>
<b>EQUITY AND LIABILITIES</b> <i>EUR thousand</i>	<b>6-month report</b> June 30, 2020	<b>Annual report</b> Dec. 31, 2019
<b>Equity</b>		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Retained earnings	86	-3,003
Other comprehensive income	-175	-115
<b>Equity</b>	<b>63,227</b>	<b>60,198</b>
<b>Non-current liabilities</b>		
Pension provisions	1,244	1,210
Lease liabilities	6,621	5,510
Deferred income	2,083	846
Deferred taxes	2,825	2,873
<b>Non-current liabilities</b>	<b>12,773</b>	<b>10,439</b>
<b>Current liabilities</b>		
Income tax liabilities	222	287
Financial liabilities	105	105
Lease liabilities	2,693	3,083
Personnel-related liabilities	8,057	7,408
Other provisions and liabilities	1,543	3,526
Liabilities from advance payments	3,295	4,967
Trade payables	3,940	4,782
Deferred income	14,094	9,665
<b>Current liabilities</b>	<b>33,949</b>	<b>33,823</b>
<b>Total equity and liabilities</b>	<b>109,949</b>	<b>104,460</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)



<b>CONSOLIDATED INCOME</b> <i>EUR thousand</i>	<b>Quarterly Report</b> <b>II / 2020</b> April 1, 2020 - June 30, 2020	<b>Quarterly Report</b> <b>II / 2019</b> April 1, 2019 - June 30, 2019	<b>6-month</b> <b>report</b> Jan 1, 2020 - June 30, 2020	<b>6-month</b> <b>report</b> Jan 1, 2019 - June 30, 2019
Sales	25,886	22,902	52,096	44,877
Cost of sales	-12,637	-11,146	-25,317	-22,127
Gross profit	13,249	11,756	26,779	22,750
Selling and marketing expenses	-4,461	-4,846	-9,092	-9,520
General and administrative exp.	-3,353	-2,888	-6,901	-5,753
Research and development exp.	-3,833	-3,891	-7,817	-7,691
Other operating income	206	281	679	380
Other operating expenses	-89	-230	-181	-167
Profit from ordinary activities (EBIT)	1,719	182	3,467	-1
Finance income	0	0	5	11
Finance expenses	-40	-47	-61	-58
Earnings before taxes (EBT)	1,679	135	3,411	-48
Income taxes	-160	-456	-322	-909
Net profit	1,519	--321	3,089	-957
<i>Items that cannot be reclassified to profit or loss:</i>				
Actuarial gains/losses from pension provisions	0	0	0	0
Deferred taxes on actuarial gains/losses	0	0	0	0
<i>Items that can be reclassified to profit or loss in future periods:</i>				
Currency translation difference	109	16	-60	28
<b>Other comprehensive income after taxes</b>	<b>109</b>	<b>16</b>	<b>-60</b>	<b>28</b>
<b>Total comprehensive income</b>	<b>1,628</b>	<b>-305</b>	<b>3,029</b>	<b>-929</b>
<b>Earning per share in EUR (diluted and basic)</b>	<b>0.11</b>	<b>-0.02</b>	<b>0.20</b>	<b>-0.06</b>
Number of underlying shares	10,523,770	10,523,770	10,523,770	10,523,770

<b>Consolidated Statement of Cash Flows</b>	<b>6-month report 2020</b>	<b>6-month report 2019</b>
	<b>Jan. 1, - June 30, 2020</b>	<b>Jan. 1, - June 30, 2019</b>
<i>EUR thousand</i>		
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Consolidated net profit	3,089	-957
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	1,250	1,353
+/- Depreciation/amortization of right-of-use assets IFRS 16 leases	1,359	1,068
+/- Other non-cash expenses/income	-16	6
+/- Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	4,000	2,947
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	1,852	647
+/- Interest expenses/income	56	47
+/- Income taxes paid/received	-428	-1,455
+/- interest paid/received	-26	-2
+/- Income tax expenses/income	322	909
<b>Net cash from operating activities</b>	<b>11,458</b>	<b>4,563</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
- Purchase of intangible assets	-9	-12
+ Proceeds from disposals of property, plant and equipment	7	20
- Purchase of property, plant and equipment	-1,279	-744
<b>Net cash used in investing activities</b>	<b>-1,281</b>	<b>-736</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
- Repayments of lease liabilities	-1,345	-1,071
<b>Net cash used in financing activities</b>	<b>-1,345</b>	<b>-1,071</b>
<b>Change in cash and cash equivalents</b>	<b>8,832</b>	<b>2,756</b>
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement	-54	11
<b>Cash and cash equivalents at the start of the period</b>	<b>10,413</b>	<b>9,450</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,191</b>	<b>12,217</b>
<b>Cash and cash equivalents</b>	<b>19,191</b>	<b>12,217</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)



Changes in consolidated equity	Issued capital		Capital reserves	Retained earnings	Other comprehensive income		Equity
	Number	EUR thousand			EUR thousand	EUR thousand	
Consolidated equity as of January 1, 2019	10,523,770	10,524	52,792	-3,453	--208	10	59,665
Consolidated net profit				-957			-957
Other comprehensive income after taxes						28	28
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-957</b>	<b>0</b>	<b>28</b>	<b>-929</b>
Dividend payment							0
Consolidated equity as of June 30, 2019	10,523,770	10,524	52,792	-4,410	-208	38	58,736
Consolidated equity as of January 1, 2020	10,523,770	10,524	52,792	-3,003	-116	1	60,198
Consolidated net profit				3,089			3,089
Other comprehensive income after taxes						-60	-60
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,089</b>	<b>0</b>	<b>-60</b>	<b>3,029</b>
Dividend payment							0
Consolidated equity as of June 30, 2020	10,523,770	10,524	52,792	86	-116	-59	63,227

## 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, 2019. This unaudited three-month report for 2020 should therefore be read in conjunction with the audited consolidated financial statements for 2019.

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, 2020	Jan. 1-June 30, 2019
	EUR thousand	EUR thousand
Consulting	29,573	24,092
Licenses/products	5,839	6,235
Maintenance/SaaS	15,857	13,981
Other	827	569
	52,096	44,877

## 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, 2020 EUR	Jan. 1-June 30, 2019 EUR	Jan. 1-June 30, 2020 EUR	Jan. 1-June 30, 2019 EUR	Jan. 1-June 30, 2020 EUR	Jan. 1-June 30, 2019 EUR	Jan. 1-June 30, 2020 EUR	Jan. 1-June 30, 2019 EUR	Jan. 1-June 30, 2020 EUR	Jan. 1-June 30, 2019 EUR
Sales	38,641	34,624	13,361	10,131	52,002	44,755	94	122	52,096	44,877
EBITDA	7,406	3,720	2,128	1,017	9,534	4,737	-3,458	-2,317	6,076	2,470
EBIT	5,729	2,180	1,482	386	7,211	2,566	-3,744	-2,567	3,467	-1
Net finance	-	-	-	-	-	-	-56	-47	-56	-47
Taxes	-234	-445	-88	-464	-322	-909	-	-	-322	-909
Consolidated net	2,875	1,735	1,394	-78	6,889	1,657	-3,800	-2,614	3,089	-957
No. of employees	514	503	107	109	621	612	103	96	724	708

The USU Group generated a total of 28.5% (Q1-Q2 2019: 28.5%) or EUR 14,836 thousand (Q1-Q2 2019: EUR 12,796 thousand) of its consolidated revenue outside Germany in the first six months of the 2020 fiscal year. These figures are based on customers' registered offices. For reasons of materiality, further details of the geographical data have not been provided.

## Events after the reporting date

In mid-August 2020, USU moved into the now completed "USU Campus," built to expand rental space at USU's headquarters, and is now using this in line with the lease concluded with AUSUM GmbH last year. The lease was agreed for an initial term of 15 years with monthly rent of EUR 29 thousand.



The rental agreement must be recognized in accordance with IFRS 16 from the date on which it becomes effective through the use of the rental space, i.e. the third quarter of 2020.

## 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, 2020:

Stock declarations by members of	Shares June 30, 2020	Shares June 30, 2019
<b>Management Board</b>		
Bernhard Oberschmidt	162,518	162,518
Dr. Benjamin Strehl	0	0
<b>Supervisory Board</b>		
Udo Strehl*	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	0	0
<p>* An additional 5,347,013 (2019: 5,347,013) voting rights in USU Software AG are allocated to Udo Strehl, the majority shareholder of this company, through AUSUM GmbH in accordance with section 34(1) sentence 1 no. 1 of the German Securities Trading Act (WpHG).</p> <p>A further 32,000 (2019: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the</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, 2020

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management Board

Dr. Benjamin Strehl  
Member of the Management Board

**September 11, 2020**

16th IR Tour 2020, Rüttbauer Research, virtual

**November 16, 2020**

Publication of nine-month report 2020

**November 16-18, 2020**

Analyst and investor conference at the German Equity Forum, virtual