



**3-Month Financial Report /  
Report on the First Quarter  
of 2020**

**USU Software AG**

## USU AT A GLANCE

<b>3-Month Report 2020</b>	<b>2020</b>	<b>2019</b>
<i>in EUR thousand, except earnings per share and number of employees</i>	<b>JAN. 1-MAR. 31, 2020</b>	<b>JAN. 1-MAR. 31, 2019</b>
<b>SALES</b>	26,210	21,975
<b>ADJUSTED EBIT</b>	1,967	162
<b>ADJUSTED NET RESULT</b>	1,765	-315
<b>ADJUSTED EARNINGS PER SHARE (EUR)</b>	0.17	-0.03
<b>EBITDA</b>	3,064	1,022
<b>EBIT</b>	1,748	-183
<b>NET RESULT</b>	1,570	-636
<b>EARNINGS PER SHARE (EUR)</b>	0.15	-0.06
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	8,593	7,630
<b>NUMBER OF EMPLOYEES AS AT MAR. 31</b>	720	699
	<b>MAR. 31, 2020</b>	<b>DEC. 31, 2019</b>
<b>CASH AND CASH EQUIVALENTS</b>	17,561	10,413
<b>SHAREHOLDERS EQUITY</b>	61,599	60,198
<b>BALANCE SHEET</b>	108,974	104,460
<b>EQUITY RATIO</b>	56.5%	57.6%

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## LETTER TO SHAREHOLDERS

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Dear Shareholders and Readers,

The coronavirus crisis and its side effects have been gripping the world since the end of the first quarter of 2020. Many companies are struggling to survive as they face an existential threat. At the same time, a severe recession is looming.

By contrast, USU achieved one of the best quarters in its history, generating significant growth in sales and even increasing its adjusted EBIT by a factor of twelve compared to the rather weak prior-year quarter. Thanks to several major orders from Germany and particularly from abroad, combined with high orders on hand, the USU Group thus put in an extremely positive operating performance. Its balance sheet ratios also remain very sound in spite of the coronavirus crisis. For example, USU has extensive free liquidity with no liabilities to banks and a high equity ratio. The Management Board is therefore optimistic for the future, although USU will also be negatively impacted by the coronavirus crisis in the second and third quarters. For this reason, USU remains cautious as regards the year as a whole. However, due to the record level of orders on hand and positive experiences with staff working from home and the associated use of digital work tools, the Management Board does not see any need for short-time work or job cuts. On the contrary, the very rapid development of new digital trial offers (including special coronavirus-related offers for self-service solutions and chatbots) for companies that are still at the start of the digitalization process during the coronavirus crisis demonstrates the enormous expertise of USU's employees, which represents USU's key asset.

Also for the USU share, we can see that our shareholders are loyal to USU despite the corona crisis and at the same time we hope that as many shareholders as possible will follow the first virtual Annual General Meeting of USU Software AG on June 26, 2020, during which a dividend payment of EUR 0.40 per share is to be resolved. USU World, our international customer event, will also be held in an entirely digital form this year.

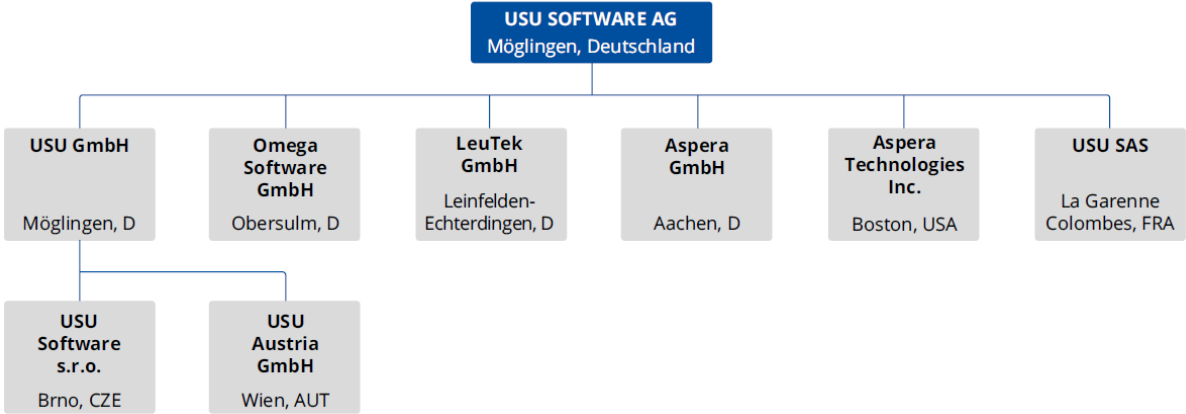
We therefore believe that we are extremely well positioned and equipped for the current challenges, and are confident that we will emerge from the coronavirus crisis at least as strong as we emerged from the economic and financial crisis in 2008/09.

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, La Garenne Colombes, 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®-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, Baloise Group,

BOSCH, BMW, Daimler, Deutsche Telekom, Evonik, Heidelberger Druckmaschinen, Jacobs Engineering, Jungheinrich, Poste Italiane, Texas Instruments, VW, W&W and ZDF.

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 and the scale of the associated effects on the global economy, it is not currently possible to make a reliable and realistic precise estimate of the future business development. However, the Management Board anticipates growth in sales and positive adjusted EBIT in fiscal 2020 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

In the first three months of 2020, the USU Group invested EUR 3,984 thousand in total (Q1 2019: EUR 3,800 thousand) or 15.2% (Q1 2019: 17.3%) of consolidated sales in research and development (R&D). The Group's selectively deployed R&D expenses, which have been above the industry average for years, form the basis for new technologies and product innovations. The number of employees in this area was 201 as of March 31, 2020 (March 31, 2019: 196). The USU Group's R&D expenses do not typically meet the criteria for recognition and are therefore not capitalized.

In the Valuemation segment, the new version 5.2 of the IT and enterprise service management software of the same name was completed at the end of March 2020. 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. The additional language versions for Dutch and Spanish and improvements in accessibility round off the updated product range. The new version has also been approved for Oracle databases.

The R&D team from LeuTek released a new version of its monitoring software ZIS in the period under review. Significant new developments include the changeover of the module service explorer and impact analyzer and the service level monitoring client to the current web standard HTML5.

One focus of the R&D work at the license management specialist Aspera was enhancing SmartTrack with “tell me more” functions that provide the customer with details and connections within its IT architecture. In addition, enterprise application management was introduced and a number of new interfaces with cloud platforms such as Adobe and SABA were developed and made available. There were also improvements to data processing for SAP Digital Access and Oracle Exadata.

In the unymira segment, the new year began with the enhancement of KnowledgeBot. The focus here was to enable multiple bots to work together and thereby complete more complex tasks in an intelligent way as a team. The new version 7.1 of the Knowledge Center knowledge database was recently made available. To this end, the document concept was completely revised, enabling users to implement their own, variably designed document templates. The version also offers an outstanding AI-based search experience with the new, revised AI Powered Search.

The R&D team at Katana enhanced the Valuemation software’s intelligent ticket routing system on the basis of existing AI expertise. This allows for rapid, automated classification and assignment to suitable processing agents. For the product KatanaGo, a “scheduler” can execute the same workflow multiple times with different parameters on a time-controlled basis, enabling it to be deployed more flexibly. The filter options for workflows and results have also been enhanced to provide a better overview.

In the first quarter of 2020, two major research projects were launched with USU in a leading role. The aim of the “Service Master” flagship project subsidized by the German Federal Ministry of Economics and Energy is to develop an AI-based service platform for German SMEs. In another project known as DAIKIRI – subsidized by the German Federal Ministry of Education and Research – an important milestone was reached with regard to using AI in the



IoT environment. With self-explanatory predictions, service employees are to be given even more efficient support while maintenance and production processes are to be optimized.

## **Economic report**

### **Overall economic development**

According to an initial report from the German Federal Statistical Office (“destatis”)<sup>1</sup> on May 15, 2020, gross domestic product (GDP) for the first quarter of 2020 was heavily impacted by the coronavirus pandemic. Although the spread of coronavirus did not have a significant impact on economic output in January or February, the effects of the pandemic on the first quarter of 2020 were already severe: According to destatis’s calculations, GDP fell by 2.2% – adjusted for inflation, seasonal and calendar effects – in comparison to the fourth quarter of 2019. This marks the biggest decline since the global financial and economic crisis in 2008/2009 and the second-biggest decline since German reunification. Private consumer spending fell sharply in the first quarter of 2020. Investments in equipment – particularly including machinery, devices and vehicles – also saw a significant decrease. By contrast, government spending and investments in construction buildings had a stabilizing effect, preventing an even steeper decline in GDP. In foreign trade, both exports and imports slumped in comparison to the fourth quarter of 2019. Economic output also declined on a year-on-year basis, with GDP in the first quarter of 2020 finishing 1.9% lower than in the previous year after adjustment for inflation, and 2.3% lower after adjustment for calendar effects. The euro area likewise saw a decline in GDP in the first quarter of 2020 as a result of the coronavirus crisis, according to a flash estimate by the Statistical Office of the European Union (Eurostat)<sup>2</sup>. The decrease as against the previous quarter came to 3.8%, representing the sharpest drop since records began in 1995. Compared to the same quarter of the previous year (Q1 2019), seasonally adjusted euro-area GDP in the first quarter of 2020 was down 3.2% according to Eurostat.

### **Sector development**

According to studies by the digital industry association Bitkom<sup>3</sup>, the digital sector also cannot escape the effects of the coronavirus crisis. Information from Bitkom indicates that sentiment in the digital sector has deteriorated further. Impacted by the coronavirus crisis, the index for the business situation fell by 20.1 points to 0.9 points in April. This means that IT and telecommunications companies are rating their current situation as only satisfactory on average, whereas a month ago the business situation was still mostly rated as good. The outlook has also deteriorated further, with the index of business expectations for the next six

<sup>1</sup> cf. destatis press release 169 dated May 15, 2020, published at <https://www.destatis.de>

<sup>2</sup> cf. Eurostat press release 81/2020 dated May 15, 2020, published at <http://ec.europa.eu/eurostat>

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

months falling by 10.6 points to -36.3 points. As a result, the digital index – calculated based on assessments of the business situation and business expectations – slid well into negative territory. After -3.8 points in the previous month, the index fell to -18.7 points. This is its lowest level since the first measurement in 2006. “Although sentiment among companies in the digital sector remains more positive than in the economy as a whole in the coronavirus crisis, the outlook for the coming months has deteriorated significantly,” says Bitkom President Achim Berg. “Under the huge restrictions for the economy and society, it is digital technologies that are keeping public and private life up and running.”

## **Business performance in the first three months of fiscal 2020**

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

#### **Consolidated sales**

In spite of the coronavirus crisis that emerged during the first quarter of 2020, USU Software AG together with its subsidiaries (hereinafter also referred to as the “USU Group” or “USU”) posted a very strong operating performance in the opening quarter of the current fiscal year 2020 as a result of gaining several major orders. In the first quarter of 2020, USU thus increased its consolidated sales by 19.3% year-on-year to EUR 26,210 thousand (Q1 2019: EUR 21,975 thousand). USU benefited in particular from stronger international business. It generated several major new orders in the USA and Europe and also posted a positive business performance with its French subsidiary USU SAS as planned. At the same time, partner business picked up as planned. USU accordingly generated a significantly above-average increase in its sales generated outside Germany of 45.7% year-on-year to EUR 7,867 thousand in the first quarter of 2020 (Q1 2019: EUR 5,401 thousand). As a result, USU also increased the share of its consolidated sales attributable to international business from 24.6% in the first quarter of the previous year to 30.0% in the first three months of 2020, thus hitting its 30% target for the international share of total sales.

Broken down by sales type, USU generated a particularly high year-on-year increase in consulting income of 22.3% to EUR 14,830 thousand (Q1 2019: EUR 12,125 thousand). This was thanks to several new orders in the final quarter of the previous year and the first quarter of the current year and the associated strong incoming orders and orders on hand. USU thus managed to return to its positive growth trend in consulting business, too. At the same time, USU benefited from continuing growth in cloud and maintenance business. For example, maintenance sales including sales from the software-as-a-service (SaaS) business increased by 15.3% year-on-year to EUR 7,767 thousand (Q1 2019: EUR 6,736 thousand). Despite the



growing trend toward SaaS business, license business also increased by 12.9% year-on-year to EUR 3,389 thousand in the first quarter of 2020 (Q1 2019: EUR 3,002 thousand). Other income, which essentially comprises merchandise sales from third-party hardware and software, totaled EUR 224 thousand (Q1 2019: EUR 112 thousand) as a result of business growth.

As the majority of USU's staff were able to switch to working from home and complete all of their work there without any problems under the coronavirus restrictions, USU was thus spared most of the negative coronavirus-related operational effects in the reporting quarter.

### 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 19,508 thousand in the first three months of 2020 (Q1 2019: EUR 16,698 thousand), up 16.8% on the previous year. This was primarily due to the expansion of the maintenance and SaaS business and license sales. In the same period, consulting-related sales in the Service Business segment posted considerably above-average growth of 27.4% to EUR 6,665 thousand (Q1 2019: EUR 5,230 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. Sales not allocated to the segments totaled EUR 37 thousand in the first three months of fiscal 2020 (Q1 2019: EUR 47 thousand).

### Operating costs

The USU Group's operating cost base increased by 11.3% year-on-year to EUR 24,843 thousand in the first quarter of 2020 (Q1 2019: EUR 22,320 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 15.5% as against the previous year to EUR 12,680 thousand in the period under review (Q1 2019: EUR 10,981 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 50.0% in the first quarter of 2019 to 48.4% in the reporting quarter Q1 2020. At the same time, gross income rose from EUR 10,994 thousand in the first quarter of 2019 to EUR 13,530 thousand in the quarter under review. At the same time, the gross margin rose as against the previous year to 51.6% (Q1 2019: 50.0%).

Marketing and sales expenses decreased slightly by 0.9% year-on-year to EUR 4,631 thousand in the period under review (Q1 2019: EUR 4,673 thousand). This decrease was partly 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 21.3% in the first quarter of 2019 to 17.7% in the first quarter of 2020.

General and administrative expenses climbed by 23.8% year-on-year to EUR 3,548 thousand in the period under review (Q1 2019: EUR 2,865 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 13.5% in the reporting period (Q1 2019: 13.0%).

As a result of the workforce expansion in the reporting period, research and development expenses rose by 4.8% year-on-year to EUR 3,984 thousand (Q1 2019: EUR 3,800 thousand). At the same time, the ratio of research and development expenses to consolidated sales fell to 15.2% (Q1 2019: 17.3%) 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 381 thousand in the first quarter of 2020 (Q1 2019: EUR 162 thousand).

## **Results of operations**

As a result of the significant business growth and the associated increase in high-margin software license and SaaS business, the USU Group's profitability increased significantly in the first quarter of 2020 as compared to the previous year. USU's EBITDA thus tripled as against the previous year to EUR 3,064 thousand (Q1 2019: EUR 1,022 thousand). Adjusted for total depreciation and amortization of EUR 1,316 thousand (Q1 2019: EUR 1,205 thousand), USU generated EBIT of EUR 1,748 thousand in the first quarter of 2020 (Q1 2019: EUR -183 thousand).

Net finance costs amounted to EUR -16 thousand in the first quarter of 2020 (Q1 2019: EUR 0 thousand). This also includes interest expenses from leases (IFRS 16). Income taxes amounted to EUR -162 thousand in the first quarter of 2020 (Q1 2019: EUR -453 thousand).

Overall, USU's consolidated earnings improved to EUR 1,570 thousand in the first quarter of 2020, after a quarterly loss of EUR -636 thousand in the first quarter of 2019. With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.15 (Q1 2019: EUR -0.06).

## 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</b> <b>MAR. 31,</b>	<b>Jan. 1, 2019</b> <b>MAR. 31,</b>
<b>Profit from ordinary activities (EBIT)</b>	<b>1,748</b>	<b>-183</b>
Amortization of intangible assets recognized in connection with company acquisitions	219	345
Amortization of goodwill	0	0
Non-recurring effects relating to acquisitions	0	0
<b>Adjusted EBIT</b>	<b>1,967</b>	<b>162</b>
Finance income (as per consolidated income statement)	5	19
Finance expenses (as per consolidated income statement)	-21	-19
Income taxes (as per consolidated income statement)	-162	-453
Tax effects relating to adjustments	-24	-24
- from amortization	-24	-24
- from deferred taxes on tax loss carryforwards	0	0
<b>Adjusted consolidated net profit</b>	<b>1,765</b>	<b>-315</b>
<b>Adjusted earnings per share (in EUR):</b>	<b>0.17</b>	<b>-0.03</b>
Number of underlying shares		
Basic and diluted	10,523,770	10,523,770

As a result of the significant increase in high-margin sales and the slower rise in costs, USU increased its adjusted EBIT by a factor of twelve year-on-year to EUR 1,967 thousand in the first three months of 2020 (Q1 2019: EUR 162 thousand). Adjusted consolidated earnings increased to EUR 1,765 thousand in the same period (Q1 2019: EUR -315 thousand). Adjusted earnings per share thus improved from EUR -0.03 in the previous year to EUR 0.17.

## Net assets and financial position

On the assets side of the balance sheet, the USU Group's non-current assets rose slightly to EUR 67,211 thousand as of March 31, 2020 (December 31, 2019: EUR 67,028 thousand).

This rise was partly due to the increase in property, plant and equipment to EUR 2,666 thousand (December 31, 2019: EUR 2,222 thousand)

Over the same period, current assets increased from EUR 37,432 thousand as of December 31, 2019, to currently EUR 41,763 thousand, primarily as a result of the rise in Group liquidity (cash on hand and bank balances including securities) to EUR 17,561 thousand as of March 31, 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 16,897 thousand as of March 31, 2020 (December 31, 2019: EUR 20,001 thousand), and the customer payment of maintenance and SaaS invoices at the start of the year.

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 61,599 thousand as of March 31, 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 47,375 thousand as of March 31, 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.

With total assets of EUR 108,974 thousand (December 31, 2019: EUR 104,460 thousand), the equity ratio was 56.5% as at March 31, 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 17,561 thousand as of March 31, 2020 (Q1 2019: EUR 16,257 thousand). This represents an increase of EUR 1,304 thousand or 8.0% 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 68.6%.

USU's cash flow from operating activities climbed from EUR 7,630 thousand in the first three months of 2019 to currently EUR 8,593 thousand. This was mainly due to the improvement in earnings in the USU Group.

Net cash used in investing activities of EUR -743 thousand (Q1 2019: EUR -319 thousand) primarily includes investments in property, plant and equipment.

Net cash used in financing activities of EUR -682 thousand (Q1 2019: EUR -526 thousand) resulted from repayments of lease liabilities.

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## Orders on hand

The USU Group's orders on hand totaled EUR 57,842 thousand at the end of the first quarter of 2019, up EUR 6,103 thousand or 11.8% on the previous year (March 31, 2019: EUR 51,739 thousand), thus marking a new record. The increase resulted partly from the USU Group's higher SaaS, maintenance and consulting orders. USU also increased its orders on hand by 17.5% 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 3.0% year-on-year to 720 employees as of March 31, 2020 (March 31, 2019: 699). Broken down by functional unit, USU employed a total of 316 people in consulting and services as of the end of the first quarter of 2020 (March 31, 2019: 314), 201 in research and development (March 31, 2019: 196), 103 in sales and marketing (March 31, 2019: 93) and 100 in administration (March 31, 2019: 96). Broken down by segment, USU had 513 (March 31, 2019: 493) employees in the Product Business segment, 107 (March 31, 2019: 110) in the Service Business segment, and 100 (March 31, 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 first quarter of 2020 despite the shortage of qualified staff in the IT sector and the emerging coronavirus crisis.

## Forecast, report on risks and opportunities

### Forecast

#### *General economy*

According to the DIW Economic Barometer for April<sup>4</sup> prepared by the German Institute for Economic Research (DIW Berlin) on April 29, 2020, the coronavirus pandemic is creating deep economic wounds. "A recession is looming that will be deeper than during the financial crisis," says Claus Michelsen, head of DIW's Forecasting and Economic Policy department. According to DIW Berlin, the German economy probably already contracted by 2% in the first quarter and is likely to slump by more than 10% in the current second quarter. A decline in economic output of more than 6% is currently to be expected for the year as a whole.

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<sup>4</sup> cf. diw press release dated April 29, 2020, published at <https://www.diw.de>

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## Sector

According to the latest information from the digital industry association Bitkom<sup>5</sup>, the digital sector is still experiencing an upturn and will further increase its sales in 2020, although this forecast is from January 2020 and therefore does not incorporate any effects from the coronavirus crisis. According to Bitkom's calculations, the German IT market is set to grow by 2.7% (2019: 2.9%) to EUR 95.4 billion in 2020 (2019: EUR 92.9 billion).

"The stable growth of the Bitkom industry reflects the advancing digitalization of the economy, government and society," says Bitkom President Achim Berg, adding: "Companies are changing their organizational structure and developing digital strategies, which is stimulating demand for IT consultancy and software applications." Accordingly, Bitkom anticipates the highest growth rates for the software and IT services market segments in 2020. The software market is thus expected to increase by 6.4% (2019: 6.3%) to EUR 27.6 billion (2019: EUR 26.0 billion), while the market for IT services is expected to grow by 2.4% (2019: 2.4%) to EUR 41.9 billion (2019: EUR 40.9 billion).

By contrast, the latest "IT Spending Forecast" published by the market research company Gartner<sup>6</sup> on May 13, 2020, forecasts a worldwide decrease in IT expenditure of 8.0% year-on-year (2019: +0.4%) to USD 3,456 billion in 2020 (2019: USD 3,732 billion). According to Gartner, the coronavirus pandemic and the effects of the global economic crisis are leading CIOs to prioritize expenditure on technology and services classified as "business-critical" over initiatives aimed at growth or transformation. Gartner therefore expects the software and IT services market segments to contract to a lesser extent than the market as a whole, with decreases of 6.9% and 7.7% respectively.

## Outlook

The Management Board expects the USU Group to return to its long-term growth trend in 2020 before taking into account the potential impact of the Covid-19 crisis. Contributing factors here include the strong software-as-a-service (SaaS) business, which the Management Board expects to account for a good third of new product orders in 2020. The Management Board therefore also anticipates strong software license business despite the trend towards SaaS. This is expected to result both from Germany and from international business, which will particularly originate from the growing US market. The USU Group's partner business is also expected to contribute to an increase in the international share of consolidated sales again. Following the reorganization of the French subsidiary USU SAS and the associated realignment of this company's sales management, the Management Board also considers

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<sup>5</sup> cf. BITKOM press release dated January 14, 2020, published at [www.bitkom.org](http://www.bitkom.org)

<sup>6</sup> cf. Gartner press release dated May 13, 2020, published at [www.gartner.com](http://www.gartner.com)



corresponding growth and an improvement in earnings at this company in 2020 to be realistic. Finally, the service orders gained in the fourth quarter of 2019 combined with new orders in 2020 will lead to a higher utilization of the consultant team and accordingly positive service business.

In view of the continued uncertainty over the duration and development of the COVID-19 pandemic and the scale of the associated effects on the global economy, it is not currently possible to make a reliable and realistic precise estimate of the future business development. However, the Management Board anticipates growth in sales and positive adjusted EBIT in fiscal 2020 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.

## **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 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 moving sideways at the beginning of 2020, the stock markets recorded a much weaker trend as of the end of the reporting quarter as a result of the emerging coronavirus pandemic and the associated effects, mostly putting in a negative performance. The DAX fell by 25.0% compared with the previous quarter, closing at 9,935.84 points on the XETRA electronic trading platform on March 31, 2020 (December 31, 2019: 13,248.91 points). The Technology All Share index also recorded a decline of 12.1% on XETRA compared with the end of the previous quarter to close at 3,258.36 points (December 31, 2019: 3,708.89 points). USU's shares were also moving downward at the end of the first quarter of 2020 as a result of the emerging coronavirus crisis. With a quarterly performance of -7.3%, the share price of EUR 12.60 was well below its level at the end of 2019 (December 31, 2019: EUR 15.805).

Compared to March 31, 2019, the DAX was down by 13.8% (March 31, 2019: 11,526.04 points), while the Technology All Share index posted a slight increase of 1.4% (March 31, 2019: 3,213.11 points). In the same period, USU's shares saw a negative price performance of -13.7% (March 31, 2019: EUR 14.60).

Möglingen, May 26, 2020

USU Software AG

Bernhard Oberschmidt  
Chairman of the Management

Dr. Benjamin Strehl  
Management Board

<b>ASSETS</b> <i>EUR thousand</i>	<b>3-month report</b> <b>MAR. 31,</b>	<b>Annual report</b> <b>DEC. 31,</b>
<b>Non-current assets</b>		
Intangible assets	5,606	5,951
Goodwill	40,392	40,392
Property, plant and equipment	2,666	2,222
Right-of-use assets IFRS 16	8,688	8,533
Financial assets	826	835
Prepaid expenses	247	309
Deferred taxes	8,786	8,786
<b>Non-current assets</b>	<b>67,211</b>	<b>67,028</b>
<b>Current assets</b>		
Inventories	409	381
Unbilled work in progress	3,175	3,482
Trade receivables	16,897	20,001
Income tax receivables	936	928
Financial assets	599	430
Other assets	395	435
Prepaid expenses	1,791	1,362
Cash on hand and bank	17,561	10,413
<b>Current assets</b>	<b>41,763</b>	<b>37,432</b>
<b>Total assets</b>	<b>108,974</b>	<b>104,460</b>

<b>EQUITY AND LIABILITIES</b> <i>EUR thousand</i>	<b>3-month report</b> <b>MAR. 31,</b>	<b>Annual report</b> <b>DEC. 31,</b>
<b>Equity</b>		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Other retained earnings	-1,432	-3,003
Other comprehensive income	-285	-115
<b>Equity</b>	<b>61,599</b>	<b>60,198</b>
<b>Non-current liabilities</b>		
Pension provisions	1,227	1,210
Lease liabilities IFRS 16	5,904	5,510
Deferred income	1,490	846
Deferred taxes	2,849	2,873
<b>Non-current liabilities</b>	<b>11,470</b>	<b>10,439</b>
<b>Current liabilities</b>		
Income tax liabilities	283	287
Financial liabilities	105	105
Lease liabilities IFRS 16	2,871	3,083
Personnel-related liabilities	6,539	7,408
Other provisions and liabilities	1,444	3,526
Liabilities from advance	3,939	4,967
Trade payables	4,030	4,782
Deferred income	16,694	9,665
<b>Current liabilities</b>	<b>35,905</b>	<b>33,823</b>
<b>Total equity and liabilities</b>	<b>108,974</b>	<b>104,460</b>

<b>INCOME STATEMENT</b>	<b>Quarterly report</b>	<b>Quarterly report</b>	<b>3-month report</b>	<b>3-month report</b>
<i>EUR thousand</i>	<b>Q1 2020</b>	<b>Q1 2019</b>		
	<b>Jan. 1, 2020</b>	<b>Jan. 1, 2019</b>	<b>Jan. 1, 2020</b>	<b>Jan. 1, 2019</b>
	<b>MAR. 31, 2020</b>	<b>MAR. 31, 2019</b>	<b>MAR. 31, 2020</b>	<b>MAR. 31, 2019</b>
Sales	26,210	21,975	26,210	21,975
Cost of sales	-12,680	-10,981	-12,680	-10,981
Gross profit	13,530	10,994	13,530	10,994
Selling and marketing expenses	-4,631	-4,674	-4,631	-4,674
General and administrative exp.	-3,548	-2,865	-3,548	-2,865
Research and development exp.	-3,984	-3,800	-3,984	-3,800
Other operating income	473	255	473	255
Other operating expenses	-92	-93	-92	-93
Profit from ordinary activities (EBIT)	1,748	-183	1,748	-183
Finance income	5	19	5	19
Finance expenses	-21	-19	-21	-19
Earnings before taxes (EBT)	1,732	-183	1,732	-183
Income taxes	-162	-453	-162	-453
Net profit	1,570	-636	1,570	-636
Earnings per share (in EUR) based on earnings attributable to shareholders of USU Software AG:				
Basic and diluted	0.15	-0.06	0.15	-0.06
Number of underlying shares				
Basic and diluted	10,523,770	10,523,770	10,523,770	10,523,770

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>Quarterly report</b>	<b>Quarterly report</b>	<b>3-month report</b>	<b>3-month report</b>
<i>EUR thousand</i>	<b>Q1 2020</b>	<b>Q1 2019</b>		
	<b>Jan. 1, 2020</b>	<b>Jan. 1, 2019</b>	<b>Jan. 1, 2020</b>	<b>Jan. 1, 2019</b>
	<b>MAR. 31, 2020</b>	<b>MAR. 31, 2019</b>	<b>MAR. 31, 2020</b>	<b>MAR. 31, 2019</b>
<b>Consolidated net earnings</b>	<b>1,570</b>	<b>-636</b>	<b>1,570</b>	<b>-636</b>
<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	-169	-66	-169	-66
<b>Other comprehensive income after taxes</b>	<b>-169</b>	<b>-66</b>	<b>-169</b>	<b>-66</b>
<b>Total comprehensive income</b>	<b>1,401</b>	<b>-702</b>	<b>1,401</b>	<b>-702</b>

Consolidated statement of cash flows <i>EUR thousand</i>	3-month report Jan. 1, 2020 - MAR. 31, 2020	3-month report Jan. 1, 2019 - MAR. 31, 2019
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
Consolidated net profit	1,570	-636
+/- depreciation, amortization and write-downs of non-current assets and reversals of	637	1,205
+/- depreciation, amortization and write-downs of right-of-use assets under IFRS 16	679	0
+/- other non-cash expenses/income	-120	-39
-/+ increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	2,888	5,128
+/- increase/decrease in trade payables and other liabilities not related to investing or financing activities	2,959	1,197
-/+ interest expenses/income	16	0
+/- income taxes received/paid	-186	-477
-/+ interest paid/received	-12	-1
-/+ income tax expenses/income	162	453
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,593</b>	<b>7,630</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
- purchase of intangible assets	0	-2
+ proceeds from disposals of property, plant and equipment	7	1
- purchase of property, plant and equipment	-750	-318
<b>NET CASH USED IN INVESTING ACTIVITIES:</b>	<b>-743</b>	<b>-319</b>
<b>NET CASH USED IN FINANCING ACTIVITIES:</b>		
- dividends paid to shareholders of the parent company	0	0
- repayments of lease liabilities	-682	-526
<b>NET CASH USED IN FINANCING ACTIVITIES:</b>	<b>-682</b>	<b>-526</b>
<b>Change in cash and cash equivalents</b>	<b>7,188</b>	<b>6,785</b>
+/- effect on cash and cash equivalents of exchange rate movements and remeasurement	-40	22
<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>17,561</b>	<b>16,257</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	17,561	16,257
	<b>17,561</b>	<b>16,275</b>



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

Development of Group equity	Issued capital		Capital reserves EUR thousand	Other retained earnings EUR thousand	Other comprehensive income		Equity EUR thousand
	Number	EUR thousand			Pension plans EUR thousand	Currency translation EUR thousand	
Consolidated equity as of January 1, 2019	10,523,770	10,524	52,792	-3,453	-208	10	59,665
Consolidated net Other comprehensive after taxes				-636		-66	-66
<b>Total comprehensive</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-636</b>	<b>0</b>	<b>-66</b>	<b>-702</b>
Dividend payment							0
Consolidated equity as of March 31, 2019	10,523,770	10,524	52,792	-4,089	-208	-56	58,963
Consolidated equity as of January 1, 2020	10,523,770	10,524	52,792	-3,003	-116	1	60,198
Consolidated net Other comprehensive after taxes				1,570		-169	-169
<b>Total comprehensive</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,570</b>	<b>0</b>	<b>-169</b>	<b>1,401</b>
Dividend payment							0
Consolidated equity as of March 31, 2020	10,523,770	10,524	52,792	-1,433	-116	-168	61,599

## **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-MAR. 31, 2020 EUR thousand	Jan. 1-Mar. 31, 2019 EUR thousand
Consulting	14,830	12,125
Licenses/products	3,389	3,002
Maintenance/SaaS	7,767	6,736
Other	224	112
	26,210	21,975

## Segment reporting

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

	Product Business		Service Business		Total Segments		Unallocated		Group	
	Jan. 1-Mar. 31, 2020	Jan. 1-Mar. 31, 2019	Jan. 1-Mar. 31, 2020	Jan. 1-Mar. 31, 2019	Jan. 1-Mar. 31, 2020	Jan. 1-Mar. 31, 2019	Jan. 1-Mar. 31, 2020	Jan. 1-Mar. 31, 2019	Jan. 1-Mar. 31, 2020	Jan. 1-Mar. 31, 2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Sales	19,508	16,698	6,665	5,230	26,173	21,928	37	47	26,210	21,975
EBITDA	3,727	1,932	1,015	583	4,742	2,515	-1,678	-1,493	3,064	1,022
EBIT	2,875	1,159	686	277	3,561	1,436	-1,813	-1,619	1,748	-183
Net finance	-	-	-	-	-	-	-16	0	-16	0
Taxes	-	-	-	-	-	-	-162	-453	-162	-453
Consolidated net	2,875	1,159	686	277	3,561	1,436	-1,991	-2,072	1,570	-636
No. of employees	513	493	107	110	620	603	100	96	720	699

The USU Group generated a total of 30.0% (Q1/2019: 24.6%) or EUR 7,867 thousand (Q1/2019: EUR 5,401 thousand) of its consolidated sales outside Germany in the first three 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.

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

The following shares in USU Software AG were held by members of the company's executive bodies as of March 31, 2020:

<b>Stock declarations by members of</b>	<b>Shares MAR. 31, 2020</b>	<b>Shares MAR. 31, 2019</b>
<b>Management Board</b>		
Bernhard Oberschmidt	162,518	156,518
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><i>* An additional 5,347,013 (2019: 5,342,013) 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).</i></p> <p><i>A further 32,000 (2019: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the</i></p>		

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

Möglingen, May 26, 2020

USU Software AG

Bernhard Oberschmidt	Dr. Benjamin Strehl
Chairman of the Management Board	Management Board

**June 26, 2020**

Virtual Annual General Meeting

**July 1, 2020**

Equity Forum – German Spring Conference, Le Méridien Hotel, Frankfurt am  
Main

**August 31, 2020**

Publication of six-month report 2020

**September 11-13, 2020**

16th IR Tour 2020, Rüttnauer Research,

**November 16, 2020**

Publication of nine-month report 2020

**November 16-18, 2020**

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