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.

**9-Month Financial Report and
Report on the Third Quarter
of 2020**

USU Software AG

Group key figures	2020	2019
<i>in Thsd. EUR, except the earnings per share and number of employees</i>	01.01.-30.09.2020	01.01.-30.09.2019
REVENUES	77,862	68,713
ADJUSTED EBIT	5,198	2,884
ADJUSTED NET RESULT	4,485	2,367
ADJUSTED EARNINGS PER SHARE (EUR)	0.43	0.22
EBITDA	8,272	5,603
EBIT	4,608	1,848
NET RESULT	3,957	1,403
EARNINGS PER SHARE (EUR)	0.38	0.13
CASH-FLOW FROM ORDINARY OPERATIONS	12,866	7,691
NUMBER OF EMPLOYEES	735	702
	30.09.2020	31.12.2019
CASH AND CASH EQUIVALENTS	15,252	10,413
SHAREHOLDERS EQUITY	60,045	60,198
BALANCE SHEET	113,649	104,460
EQUITY RATIO	52.8%	57.6%

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LETTER TO SHAREHOLDERS

Dear Shareholders and Readers,

The USU Group successfully continued its growth course in the third quarter. With sales growth of 8.1%, USU confirmed its stability and benefited from the digitization trend in the market.

However, the nine-month figures show that the USU Group has so far been affected relatively little by the COVID-19 crisis. On the one hand, this is thanks to our customer structure, as our customers predominantly operate in sectors not hit very hard by coronavirus, and on the other to the general trend among organizations to invest more in the digital transformation of their processes. In recent months, we have also benefited from services specifically tailored to the coronavirus situation, such as online assistance from chatbots or using the smart USU knowledge database. The fact that chatbots will be playing an ever more important role has also been shown not least by our virtual ChatbotCon event, which was attended by more than 800 experts and executives.

The trend toward the increased use of cloud solutions is also evident at USU. Demand for SaaS solutions increased significantly in the third quarter in particular. The move away from one-time license business to Software-as-a-Service (SaaS) will lead to higher margins in the medium to long term, as our medium-term guidance shows, but will be visible in the short term in software license income.

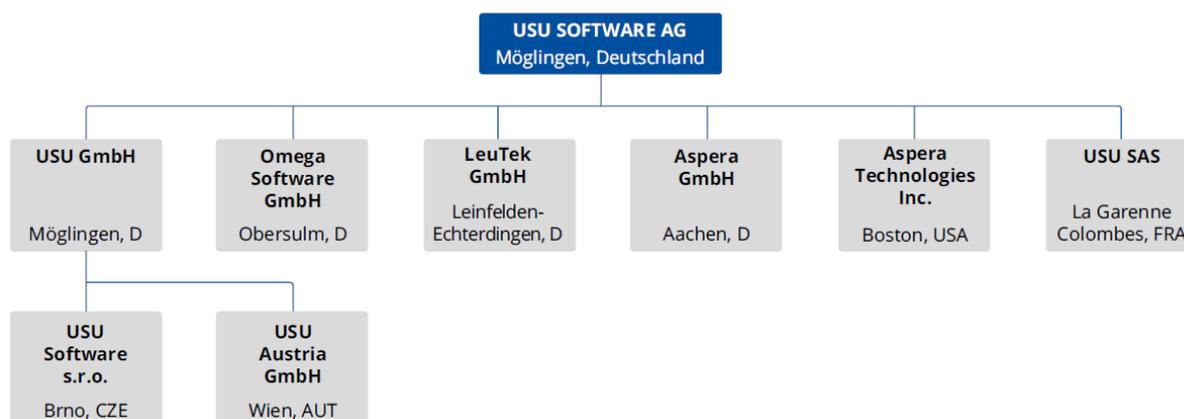
In the period under review, we were awarded the "Germany's Most Valuable Companies" seal of approval for sustainability as part of this year's FOCUS Deutschland Test study, thus setting the benchmark for our industry. We once again received international awards for our 2019 Annual Report, in which several USU investors also took part. For example, the League of American Communications Professionals (LACP) presented the Platinum Award for the USU Report, which we are very proud of and which is also an incentive for active shareholder communication in the future.

Your Bernhard Oberschmidt

Chairman of the Management Board 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[®]-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.

For the current last quarter of 2020, the Management Board of USU Software AG expects sales to grow compared to the previous quarter and positive adjusted EBIT. 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. The strategic planning focuses on the three established growth pillars of the USU Group: the expansion of internationalization, the development and market launch of new product innovations and inorganic growth through acquisitions.

Research and development

Since its first days, innovation has driven USU's long-term and sustainable success. Thus, as in recent years, in 2020 we are once again investing significantly more than the industry average in research and development (R&D). The USU Group invested EUR 11,563 thousand in total (Q1-Q3 2019: EUR 11,390 thousand) or 14.9% (Q1-Q3 2019: 16.6%) of consolidated sales in R&D in the first nine months of 2020.

The total number of employees in this segment was 209 as of September 30, 2020 (September 30, 2019: 200). The USU Group's R&D expenses do not typically meet the criteria for recognition and are therefore not capitalized.

R&D activities in the Valuation division focused on revising the architecture of the current Valuation version. This involved evaluating the back-end and front-end technologies, building prototypes and devising corresponding concepts. This particularly affected the core area, the shop area and the options for customizing the software for special requirements. In technical functionality, work began with the development of three new modules: the Requirements Manager, the Project Portfolio Manager and the Time Booking Manager. In the reporting period, Valuation was awarded the ITIL 4 certificate for maximum process reliability in service management by the independent management consulting company SERVIEW GmbH.

LeuTek's monitoring experts focused on developing and completing the new service level monitoring module. At the same time, functionalities were extended for end-to-end monitoring. Other work involved improvements to ZIS reporting, cloud monitoring, alarms and system operation using Linux. Moreover, the ZIS software received the sought-after ITIL 4 certificate from SERVIEW for the five relevant monitoring disciplines.

Aspera development is currently working at high capacity on modernizing, modularizing and homogenizing its portfolios for software asset management. An architecture panel consisting of expert representatives for all product developments was created for this purposes. In this context, the specialist solutions LicenseControl for Salesforce and Office365 were combined into a universal LicenseControl for Cloud (LC4Cloud). The license management solution for SAP (LC4SAP) has since received SAP NetWeaver certification.

Development work at unymira focused on its main product, Knowledge Center. The active properties of documents and the comprehensive artificial intelligence-based search function have been significantly extended for the new version 7.1. The latter is based on the company's

own comprehensive AI platform, which is also used for the social media management product Connect to better classify the tone of incoming queries than is possible using conventional methods.

unymira's R&D team has been working on the new version of KnowledgeBot. This is focused on optimizing the dialog, expanding analysis options and improving integrability into customer environments. The ongoing development of the Knowledge Center knowledge database is mainly focused on a new "active" document concept: In the future, this will allow the smart reuse of content in different communication channels and contexts, thereby minimizing editorial workloads.

In particular, Katana development work concerns the new Explore component. The module helps customers to get a quick overview of their valuable data and to produce user-friendly visualizations of initial analyses and dashboards. The component is based on open source technologies and fully integrated into the Katana cloud.

In the research area, the LIMBO (Linked Data for Mobility) project for innovative mobility solutions funded by the German Ministry for Transport and Digital Infrastructure was brought to a successful conclusion. USU developed AI-based technologies for this. For two other important subsidized community projects (Service-Meister, ReADDI), which were launched in 2020, USU is currently working with industry partners to devise use cases – practical scenarios for, for example, AI-based monitoring of industrial gluing and joining processes in the automotive sector. USU is mainly working in data-driven process analysis and algorithm development.

Economic report

Overall economic development

Following the historic slump in gross domestic product (GDP) in the second quarter of 2020 as a result of the coronavirus pandemic, GDP rose significantly as against the previous quarter, according to a report by the German Federal Statistical Office (Destatis)¹ published on October 30, 2020. Destatis therefore calculates that GDP increased by 8.2% in the reporting quarter as compared to the second quarter of 2020, after adjustments for inflation, seasonal and calendar effects. As Destatis also writes, growth was driven by higher private consumer spending, more investment in equipment and a strong increase in exports. However, adjusted for inflation, GDP was down 4.1% on the third quarter of 2019. According to a flash estimate

¹ cf. Destatis press release no. 432 dated October 30, 2020, published at <https://www.destatis.de>

by the Statistical Office of the European Union (Eurostat)², the euro area likewise saw a strong increase in GDP in the third quarter of 2020 after the dramatic slump in the second. The growth in GDP as against the previous quarter amounted to 12.7%. As Eurostat reports, this was by the far the strongest increase since records began in 1995 and a response to the second quarter of 2020, when the euro area's GDP had fallen by 11.8%. According to Eurostat, seasonally adjusted euro area GDP was down by 4.3% as against Q3 2019 in the third quarter of 2020.

Sector development

According to studies by the digital industry association Bitkom³, sentiment in the digital sector again improved slightly in September. The Bitkom-ifo Digital Index, calculated based on assessments of the business situation and expectations, continued to rise as against the previous months and is now at 13.3 points. Bitkom writes that this increase was triggered by the uptick in ITC companies' optimism. Business expectations for the next six months climbed by 4.4 to 10.0 points. However, companies rate their current business situation slightly worse than in the previous month, as a result of which the index fell by 2.7 points to 16.6.

Business development in the third quarter of 2020

Following the positive first half of fiscal 2020, USU Software AG and its subsidiaries (also referred to as the "USU Group" or "USU") enjoyed a strong operating performance in the third quarter of 2020 as well, thanks to a number of new orders secured in Germany and abroad in addition to the high level of orders on hand. USU thus increased its consolidated sales by 8.1% year-on-year to EUR 25,766 thousand in the third quarter of 2020 (Q3 2019: EUR 23,836 thousand).

In the quarter under review, USU again benefited from very strong cloud and maintenance business. Maintenance income including revenues from Software-as-a-Service (SaaS) business increased by 12.7% year-on-year to EUR 7,968 thousand (Q3/2019: EUR 7,067 thousand). As a result of a very high share of the SaaS business in new contracts and some Corona-related order postponements, license revenues of EUR 2,495 thousand (Q3/2019: EUR 4,126 thousand) for the reporting quarter were 39.5% below the very strong figure of the prior year. At the same time, USU increased consulting revenues by an above-average 20.6% year-over-year to TEUR 14,983 (Q3/2019: TEUR 12,426). Other revenues, which mainly includes sales of merchandise with third-party hardware and software, totaled EUR 320 thousand (Q3/2019: EUR 217 thousand) in the course of business expansion.

² cf. Eurostat press release 162/2020 dated October 30, 2020, published at <http://ec.europa.eu/eurostat>

³ cf. Bitkom press release dated June 29, 2020, published at www.bitkom.org

As the majority of USU's staff were still able to work from home under the coronavirus restrictions in the reporting quarter and do much of their work there, USU was largely spared any negative operational effects due to coronavirus in the reporting quarter, with the exception of individual postponed license orders.

As expected, the expense base of the USU Group increased slightly above average year-on-year by 10.2% to EUR 24,572 thousand (Q3/2019: EUR 22,304 thousand) as a result of the increase in personnel and higher material costs. This results in a decrease in earnings compared to the prior year, which is mainly due to the lower license revenue due to SaaS. Thus, earnings before interest, taxes, depreciation and amortization (EBITDA) of the USU Group decreased by almost one third to EUR 2,196 thousand (Q3/2019: EUR 3,183 thousand) in the quarter under review compared to the previous year. Including depreciation and amortization of TEUR -1,056 (Q3/2019: TEUR -1,335), earnings before interest and taxes (EBIT) amounted to TEUR 1,141 (Q3/2019: TEUR 1,848). This corresponds to a year-on-year decline in EBIT of 38.3%.

Including the net finance costs of EUR -89 thousand (Q3 2019: EUR 56 thousand) and the income tax expense of EUR -184 thousand, offset in the same quarter of the previous year by tax income of EUR 455 thousand as result of the profit transfer agreement entered into at the time with the Group's subsidiary USU GmbH, net profit for the period was ultimately down by nearly two thirds year-on-year at EUR 869 thousand (Q3 2019: EUR 2,560 thousand). This corresponds to earnings per share of EUR 0.08 (Q3 2019: EUR 0.24).

As a result of the effects described above, EBIT adjusted for the extraordinary effects of acquisitions (adjusted EBIT) was down 41.0% year-on-year at EUR 1,294 thousand in the third quarter of 2020 (Q3 2019: EUR 2,194 thousand), while adjusted consolidated earnings fell by 65.0% from EUR 2,881 thousand in the previous year to currently EUR 1,007 thousand. This corresponds to adjusted earnings per share of EUR 0.10 (Q3 2019: EUR 0.27).

Business development in the first nine months of fiscal 2020

Development of sales and costs

Consolidated sales

Over the first nine months of fiscal 2020, USU Software AG's consolidated sales (IFRS) increased by 13.3% as against the previous year to EUR 77,862 thousand (Q1-Q3 2019: EUR 68,713 thousand). USU benefited primarily from domestic business, which grew by 16.7% to EUR 56,884 thousand (Q1-Q3/2019: EUR 49,579 thousand). However, foreign business also grew by 9.6% year-on-year with a share of sales of EUR 20,978 thousand (Q1-Q3/2019: EUR 19,134 thousand), with foreign markets increasing their SaaS ratio for new contracts much more significantly and also being hit harder by the Corona pandemic. Accordingly, international business accounted for 26.9% of consolidated sales in the first nine months of 2020 after 27.8% in the same period of the previous year.

Maintenance and SaaS business was again the main growth driver in the reporting period, increasing to EUR 23,825 thousand as a result of higher SaaS revenues. (Q1-Q3/2019: TEUR 21,048). Accordingly, software license business decreased by 19.6% year-over-year to EUR 8,334 thousand (Q1-Q3/2019: EUR 10,361 thousand) due to the further strengthening SaaS preference of customers and individual order postponements. There was also very strong growth in consulting business, which rose by 22.0% to EUR 44,556 thousand in the first nine months (Q1-Q3 2019: EUR 36,518 thousand) as a result of new consulting projects and existing orders from previous quarters. Other income, which essentially comprises sales of third-party hardware and software, amounted to EUR 1,147 thousand (Q1-Q3 2019: EUR 786 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, following the acquisition of unitB technology, digital strategy consulting, service and UX design and web portals, apps and intranets.

The Product Business segment contributed sales of EUR 57,367 thousand in the first nine months of fiscal 2020 (Q1-Q3 2019: EUR 53,143 thousand), up 7.9% on the previous year. This was essentially due to the expansion of maintenance and SaaS business and product consulting income. Over the same period, consulting sales in the Service Business segment grew substantially by 32.2% to EUR 20,372 thousand (Q1-Q3 2019: EUR 15,408 thousand).

Following a dip in growth in the previous year, USU thus returned to its long-term trend as planned thanks to a large number of new orders from new and existing customers. Sales not allocated to the segments amounted to EUR 123 thousand in the first nine months of fiscal 2020 (Q1-Q3 2019: EUR 162 thousand).

Operating costs

The USU Group's operating cost base expanded by 9.4% year-on-year to EUR 73,699 thousand in the first three quarters of 2020 (Q1-Q3 2019: EUR 67,395 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 13.9% as against the previous year to EUR 37,962 thousand in the period under review (Q1-Q3 2019: EUR 33,339 thousand) as a result of business growth and the increased use of in-house and freelance consultants this entailed. The cost of sales as a percentage of consolidated sales thus rose marginally from 48.5% in the first nine months of 2019 to 48.8% in the first nine months of 2020. At the same time, gross income rose from EUR 35,374 thousand in the first nine months of 2019 to currently EUR 39,900 thousand. Concurrently, the gross margin fell slightly as against the previous year to 51.2% (Q1-Q3 2019: 51.5%).

Marketing and selling expenses decreased by 1.2% year-on-year to EUR 13,758 thousand in the period under review (Q1-Q3 2019: EUR 13,926 thousand). This decrease was essentially due to lower travel and event costs as a result of the coronavirus crisis. Accordingly, marketing and selling expenses as a percentage of sales declined significantly from 20.3% in the first nine months of 2019 to 17.7% in the reporting period.

General and administrative expenses climbed by 19.2% year-on-year to EUR 10,416 thousand in the first three quarters of 2020 (Q1-Q3 2019: EUR 8,740 thousand), mainly as a result of the necessary workforce expansion implemented in the previous year and higher depreciation and amortization. The ratio of administrative expenses to consolidated sales rose to 13.4% in the reporting period (Q1-Q3 2019: 12.7%).

Research and development expenses increased by 1.5% year-on-year to EUR 11,563 thousand in the reporting period (Q1-Q3 2019: EUR 11,390 thousand). At the same time, the ratio of research and development expenses to consolidated sales fell to 14.9% (Q1 2019: 16.6%) as a result of the significantly higher rise 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 445 thousand in the first nine months of 2020 (Q1-Q3 2019: EUR 530 thousand).

Results of operations

In conjunction with the substantial business growth and the slower rise in expenses, the USU Group's profitability increased significantly in the first nine months of the 2020 reporting year as compared to the previous year. Thus, USU's EBITDA rose by 47.6% as against the previous year to EUR 8,272 thousand (Q1-Q3 2019: EUR 5,603 thousand). Adjusted for total depreciation and amortization of EUR -3,664 thousand (Q1-Q3 2019: EUR -3,755 thousand), USU generated EBIT of EUR 4,608 thousand in the first nine months of 2020 (Q1-Q3 2019: EUR 1,848 thousand).

Net finance costs amounted to EUR -145 thousand in the first three quarters of 2020 (Q1-Q3 2019: EUR 9 thousand). This also includes interest expenses from leases (IFRS 16). Income taxes amounted to EUR -506 thousand in the first nine months of 2020 (Q1-Q3 2019: EUR -454 thousand).

Overall, USU's consolidated earnings improved to EUR 3,957 thousand in the first nine months of 2020 after EUR 1,603 thousand in the previous year, an increase of 146.9%. With an average of 10,523,770 shares outstanding, this corresponds to earnings per share of EUR 0.38 (Q1-Q3 2019: EUR 0.15).

Adjusted consolidated net profit

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

Adjusted consolidated net profit <i>EUR thousand</i>	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Profit from ordinary activities (EBIT)	4,608	1,848
Amortization of intangible assets recognized in with company acquisitions	590	1.036
Adjusted EBIT	5,198	2,884
Finance income (as per consolidated income statement)	15	89
Finance costs (as per consolidated income statement)	-160	-80
Income taxes (as per consolidated income statement)	-506	-454
Tax effects relating to adjustments	-72	-72
- from amortization	-72	-72
- from deferred taxes on tax loss carryforwards	0	0
Adjusted consolidated net profit	4,485	2,367
Adjusted earnings per share (in EUR):	0.43	0.22
Weighted average shares outstanding:		
Basic and diluted	10,523,770	10,523,770

USU's adjusted EBIT improved by 80.2% year-on-year in the first nine months of 2020 to EUR 5,198 thousand (Q1-Q3 2019: EUR 2,884 thousand). This corresponds to a rise in the operating margin on adjusted EBIT from 4.2% in the first nine months of 2019 to currently 6.7%. At the same time, USU's adjusted consolidated earnings rose by 89.5% to EUR 4,485 thousand (Q1-Q3 2019: EUR 2,367 thousand). Accordingly, USU's adjusted earnings per share virtually doubled to EUR 0.43 (Q1-Q3 2019: EUR 0.22).

Net assets and financial position

On the assets side of the statement of financial position, the USU Group's non-current assets climbed to EUR 75,457 thousand as of September 30, 2020 (December 31, 2019: EUR 67,028 thousand). This was partly due to the increase in property, plant and equipment to EUR 2,971 thousand (December 31, 2019: EUR 2,222 thousand) and the increase in right-of-use assets recognized in accordance with IFRS 16 in the amount of EUR 16,825 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 38,192 thousand in spite of the dividend distribution to USU's shareholders, essentially as a result of the increase in Group liquidity (cash on hand and bank balances including securities) to EUR 15,252 thousand as of September 30, 2020 (December 31, 2019: EUR 10,413 thousand). This is thanks in particular to the payment of invoices by customers, which also caused trade receivables to decline to EUR 12,975 thousand as of September 30, 2020 (December 31, 2019: EUR 20,001 thousand).

On the equity and liabilities side of the statement of financial position, following the payment of the dividend of EUR 4,209 thousand to shareholders, the USU Group's equity declined from EUR 60,198 thousand as of December 31, 2019 to EUR 60,045 thousand as of September 30, 2020 despite the positive consolidated earnings. At the same time, debt in the form of the USU Group's current and non-current liabilities climbed to EUR 53,604 thousand as of September 30, 2020 (December 31, 2019: EUR 44,262 thousand). This increase essentially 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, and from increased lease liabilities in accordance with IFRS 16.

With total assets of EUR 113,649 thousand (December 31, 2019: EUR 104,460 thousand), the equity ratio was 52.8% as of September 30, 2020 (December 31, 2019: 57.6%). Thanks to 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 flow and capital expenditure

The USU Group had cash funds (not including securities) of EUR 15,252 thousand as of September 30, 2020 (Q1-Q3 2019: EUR 10,102 thousand). This represents a year-on-year increase of EUR 5,150 thousand or 51.0%. USU therefore increased its Group liquidity by 46.5% compared to the figure of EUR 10,413 thousand as of December 31, 2019.

USU's cash flow from operating activities climbed from EUR 7,691 thousand in the first nine months of 2019 to currently EUR 12,866 thousand. This was essentially due to the improvement in the USU Group's earnings and the reduction in trade receivables.

Net cash used in investing activities of EUR -1,611 thousand (Q1-Q3 2019: EUR -1,245 thousand) essentially includes investments in property, plant and equipment.

The cash flow from financing activities of EUR -6,305 thousand (Q1-Q3 2019: EUR -1,071 thousand) results from the dividend distribution to USU's shareholders of EUR -4,209 thousand (Q1-Q3 2019: EUR -4,209 thousand) and payments for lease liabilities of EUR -2,096 thousand (Q1-Q3 2019: EUR -1,637 thousand).

Orders on hand

The USU Group's orders on hand totaled EUR 60,399 thousand as of the end of the third quarter of 2020, up 17.6% on the same period of the previous year (September 30, 2019: EUR 51,379 thousand) and once again setting a new record for USU. USU's orders on hand therefore also increased significantly by 22.7% 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 as planned by 4.7% year-on-year to 735 employees as of September 30, 2020 (September 30, 2019: 702). Broken down by functional unit, USU employed a total of 316 people in consulting and services as of the end of the third quarter of 2020 (September 30, 2019: 311), 209 in research and development (September 30, 2019: 200), 110 in sales and marketing (September 30, 2019: 94) and 100 in administration (September 30, 2019: 97). Broken down by segment, USU employed 526 (September 30, 2019: 497) people in the Product Business segment, 109 (September 30, 2019: 108) in the Service Business segment and 100 (September 30, 2019: 97) in USU Group central functions. Despite the shortage of qualified staff in the IT sector and the further intensification of the coronavirus crisis, USU therefore achieved its intended expansion of the Group's workforce in accordance with medium-term planning once again in the reporting quarter.

Forecast, report on risks and opportunities

Forecast

General economy

General economy

According to the Joint Economic Forecast #2-2020⁴ by the leading German economic research institutes of October 14, 2020, Germany's economic recovery will lose momentum after the strong third quarter of 2020. As a result of the foreign and domestic measures taken to curb the coronavirus pandemic, German economic performance collapsed dramatically in the first half of the year, with the slump mainly centering on the months of March and April. A strong counter-movement began in May, and is still continuing now in almost all sectors. However, this recovery is expected to slow as time goes on. Backlog effects are running out, some industries are still exposed to considerable restrictions and global investment, so important to the German economy, will likely be sapped for some time to come. GDP is therefore forecast to decline by 5.4% this year with growth of just 4.7% in the coming year and 2.7% in 2022. This marks a downward revision of institutions' spring forecast for the current and coming year of more than one percentage point each. This is because the recovery process is now expected to be somewhat weaker than was projected in the spring. The institutes also expect world economic output to decline by 4.0% on average in 2020, a figure not seen since World War II. Given the advancing recovery process, experts anticipate a strong increase of 5.9% for 2021. Global economic output is set to expand by 3.7% in 2022, which means that the rates of change will gradually normalize again according to the institutions.

Sector

According to the latest information from the digital industry association Bitkom⁵ dated 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 cave 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 contract 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

⁴ cf. 141st Joint Economic Forecast, October 14, 2020, published at www.gemeinschaftsdiagnose.de

⁵ cf. Bitkom press release dated June 29, 2020, published at www.bitkom.org

are reducing their spending on licenses and maintenance agreements to the absolute essentials. The declines in this area are also not being compensated 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 foot-draggers 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 mercilessly laid bare in recent weeks, in business, administration and especially in education. Now it is all the more important to rapidly press ahead with digitization in all areas with courage, determination and all due speed,” says Berg. The signs for the digital industry are thus pointing to growth again overall in the medium term, according to Bitkom.

In its latest IT Spending Forecast, published on October 20, 2020, the market research company Gartner⁶ anticipates that the coronavirus pandemic will have caused a global year-on-year decline in IT spending of 5.4% in 2020 (2019: increase of 2.4%) to USD 3,609 billion (2019: USD 3,816 billion), though growth of 4.0% to USD 3,755 billion is already projected for 2021. Gartner is forecasting declines in 2020 for all IT spending segments. Business software is expected to experience the strongest upswing in 2021 (7.2%) as digitization efforts by companies have been accelerated, according to Gartner.

Outlook

Despite the second wave of the coronavirus pandemic, the Management Board of USU Software AG expects its positive operating performance to continue in the final quarter of 2020 as well. Contributing factors here include strong software-as-a-service (SaaS) business. Consequently, the Management Board is assuming more modest software license business as a result of the trend towards SaaS and a reluctance to invest on the part of companies that have been hit harder by coronavirus. By contrast, the service orders gained in past quarters, combined with anticipated new orders in the fourth quarter of 2020 as well, will lead to very high capacity 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 restructuring 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, hence a negative impact on earnings is no longer expected here. Accordingly, the Management Board anticipates growth in sales compared to the previous quarter and positive adjusted EBIT for the current final quarter of 2020. 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.

⁶ cf. Gartner press release dated July 13, 2020, published at www.gartner.com

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, 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.

Following the dramatic price crash in the first quarter of 2020 triggered by the coronavirus crisis and the positive counter-reaction in the second quarter, the stock markets mostly continued their upswing as the reporting quarter progressed. The DAX gained 3.7% over the quarter, closing on XETRA at 12,760.73 points as of September 30, 2020 (June 30, 2020: 12,310.93 points). The Technology All Share index was also up by 4.4% on XETRA as against the end of the previous quarter at 4,216.71 points (June 30, 2020: 4,037.09 points). USU's shares again significantly outperformed these indices with a positive performance for the quarter of 22.3%, closing at EUR 24.70 (June 30, 2020: EUR 20.20). USU's share price achieved a positive performance for 2020 of 56.3% as against December 31, 2019 (EUR 15.805), while the Technology All Share index rose by 13.7% over the same period (December 31, 2019: 3,708.89 points). By contrast, the DAX was down 3.7% on its closing level for the end of 2019 (December 31, 2019: 13,249.01 points).

Möglingen, November 16, 2020

USU Software AG

Bernhard Oberschmidt

Chairman of the Management

Board

Dr. Benjamin Strehl

Member of the Management

Board

ASSETS in TEUR	9-month report Sept. 30, 2020	Annual report Dec. 31, 2019
Non-current assets		
Intangible assets	5,275	5,951
Goodwill	40,392	40,392
Property, plant and equipment	2,971	2,222
Right-of-use assets	16,825	8,533
Financial assets	828	835
Prepaid expenses	380	309
Deferred taxes	8,786	8,786
Non-current assets	75,457	67,028
Current assets		
Inventories	535	381
Unbilled work in progress	5,843	3,482
Trade receivables	12,975	20,001
Income tax receivables	410	928
Financial assets	553	430
Other assets	837	435
Prepaid expenses	1,787	1,362
Cash on hand and bank balances	15,252	10,413
Current assets	38,192	37,432
Total assets	113,649	104,460

EQUITY AND LIABILITIES EUR thousand	9-month report Sept. 30, 2020	Annual report Dec. 31, 2019
Equity		
Issued capital	10,524	10,524
Capital reserves	52,792	52,792
Retained earnings	-3,255	-3,003
Other comprehensive income	-16	-115
Equity	60,045	60,198
Non-current liabilities		
Pension provisions	1,261	1,210
Lease liabilities	14,272	5,510
Deferred income	2,179	846
Deferred taxes	2,801	2,873
Non-current liabilities	20,513	10,439
Current liabilities		
Income tax liabilities	527	287
Financial liabilities	105	105
Lease liabilities	2,715	3,083
Personnel-related liabilities	8,725	7,408
Other provisions and liabilities	1,786	3,526
Liabilities from advance payments	2,917	4,967
Trade payables	4,590	4,782
Deferred income	11,726	9,665
Current liabilities	33,091	33,823
Total equity and liabilities	113,649	104,460

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)



CONSOLIDATED INCOME <i>EUR thousand</i>	Quarterly Report III / 2020 July 1, 2020 - Sept. 30, 2020	Quarterly III / 2019 July 1, 2019 - Sept. 30, 2019	9-month report Jan 1, 2020 - Sept. 30, 2020	9-month report Jan 1, 2019 - Sept. 30, 2019
Sales	25,766	23,836	77,862	68,713
Cost of sales	-12,645	-11,212	-37,962	-33,339
Gross profit	13,121	12,624	39,900	35,374
Selling and marketing expenses	-4,666	-4,406	-13,758	-13,926
General and administrative exp.	-3,515	-2,987	-10,416	-8,740
Research and development exp.	-3,746	-3,699	-11,563	-11,390
Other operating income	160	282	839	818
Other operating expenses	-213	35	-394	-288
Profit from ordinary activities (EBIT)	1,141	1,849	4,608	1,848
Finance income	10	86	15	89
Finance expenses	-99	-30	-160	-80
Earnings before taxes (EBT)	1,052	1,905	4,463	1,857
Income taxes	-184	455	-506	-454
Net profit	868	2,360	3,957	1,403
<i>Items that can be reclassified to profit or loss in future periods:</i>				
Currency translation difference	159	-176	99	-148
Other comprehensive income after taxes	159	-176	99	-148
Total comprehensive income	1,027	2,184	4,056	1,255
Earning per share in EUR (diluted and basic)	0.10	0.21	0.39	0.12
Number of underlying shares	10,523,770	10,523,770	10,523,770	10,523,770

Consolidated Statement of Cash Flow	9-month report 2020	9-month report 2019
<i>EUR thousand</i>	Jan. 1, - Sept. 30, 2020	Jan. 1, - Sept. 30, 2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Consolidated net profit	3,957	1,403
+/- Depreciation, amortization and write-downs of non-current assets and reversals of write-downs of non-current assets	1,523	2,059
+/- Depreciation/amortization of right-of-use assets IFRS 16 leases	2,141	1,696
+/- Other non-cash expenses/income	154	-198
+/- Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	3,546	2,997
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	780	183
+/- Interest expenses/income	145	-9
+/- Income taxes paid/received	160	-873
+/- interest paid/received	-46	-21
+/- Income tax expenses/income	5062	454
Net cash from operating activities	12,866	7,691
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
- Purchase of intangible assets	-12	-227
+ Proceeds from disposals of property, plant and equipment	7	35
- Purchase of property, plant and equipment	-1,606	-1,053
Net cash used in investing activities	-1,611	-1,245
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
- Dividends paid to shareholders	-4,209	-4,209
- Repayments of lease liabilities	-2,096	-1,637
Net cash used in financing activities	-6,305	-5,846
Change in cash and cash equivalents	4,950	600
+/- Effect on cash and cash equivalents of exchange rate movements and remeasurement	-111	52
Cash and cash equivalents at the start of the period	10,413	9,450
Cash and cash equivalents at the end of the period	15,252	10,102
Cash and cash equivalents	15,252	10,102

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				1,403			1,403
Other comprehensive income after taxes						-148	-148
Total comprehensive income	0	0	0	1,403	0	-148	1,255
Dividend payment				-4,209			-4,209
Consolidated equity as of Sept. 30, 2019	10,523,770	10,524	52,792	-6,259	-208	-138	56,711
Consolidated equity as of January 1, 2020	10,523,770	10,524	52,792	-3,003	-116	1	60,198
Consolidated net profit				3,957			3,957
Other comprehensive income after taxes						99	99
Total comprehensive income	0	0	0	3,957	0	99	4,056
Dividend payment				-4,209			-4,209
Consolidated equity as of Sept. 30, 2020	10,523,770	10,524	52,792	-3,255	-116	100	60,045

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 nine-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:

	January 1 - September 30, 2020	January 1 - September 30, 2019
	EUR thousand	EUR thousand
Consulting	44,556	36,518
Licenses/products	8,334	10,361
Maintenance/SaaS	23,825	21,048
Other	1,147	786
	77,862	68,713

Segment reporting

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

	Product Business		Service Business		Total Segments		Unallocated		Group	
	Jan. 1-Sept. 30, 2020 EUR	Jan. 1-Sept. 30, 2019 EUR	Jan. 1-Sept. 30, 2020 EUR	Jan. 1-Sept. 30, 2019 EUR	Jan. 1-Sept. 30, 2020 EUR	Jan. 1-Sept. 30, 2019 EUR	Jan. 1-Sept. 30, 2020 EUR	Jan. 1-Sept. 30, 2019 EUR	Jan. 1-Sept. 30, 2020 EUR	Jan. 1-Sept. 30, 2019 EUR
Sales	57,367	53,143	20,373	15,408	77,739	68,551	123	162	77,862	68,713
EBITDA	10,018	8,606	3,393	1,772	13,411	10,378	-5,139	-4,775	8,272	5,603
EBIT	7,865	6,195	2,479	800	10,344	6,995	-5,736	-5,147	4,608	1,848
Net finance	-	-	-	-	-	-	-145	9	-145	9
Taxes	-368	-1,013	-138	-140	-506	-1,153	0	699	-506	-454
Consolidated net	7,497	5,182	2,341	660	9,838	5,842	-5,881	-4,239	3,957	1,403
No. of employees	526	497	109	108	635	605	100	97	735	702

The USU Group generated a total of 26.9% (Q1-Q3 2019: 27.8%) or EUR 20,978 thousand (Q1-Q3 2019: EUR 19,134 thousand) of its consolidated revenue outside Germany in the first nine 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 June 30, 2020:

Stock declarations by members of	Shares June 30, 2020	Shares June 30, 2019
Management Board		
Bernhard Oberschmidt	162,518	162,518
Dr. Benjamin Strehl	0	0
Supervisory Board		
Udo Strehl*	5,000	5,000
Erwin Staudt	100,000	100,000
Gabriele Walker-Rudolf	0	0

* An additional 5,349,578 (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).

A further 32,000 (2019: 32,000) voting rights in USU Software AG are allocated to Udo Strehl through the "Knowledge is the Future" Foundation, of which he is the director, in accordance with section 34(1) sentence 1 no. 1 WpHG.

On July 27, 2020, AUSUM GmbH, whose majority shareholder is the Chairman of the Supervisory Board of USU Software AG, Udo Strehl, purchased 2,065 shares in USU Software AG in total on the Tradegate electronic trading system and subsequently notified USU Software AG of these securities transactions. The company duly published this notification of securities transactions in turn.

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

Möglingen, November 16, 2020

USU Software AG

Bernhard Oberschmidt
Chairman of the Management Board

Dr. Benjamin Strehl
Member of the Management Board

November 16-18, 2020

Analyst and investor conference at the German Equity Forum, virtual

December 08-09, 2020

Analyst and investor conference at the 30th Munich Capital Market Conference (MKK),
Munich (Hybrid event)