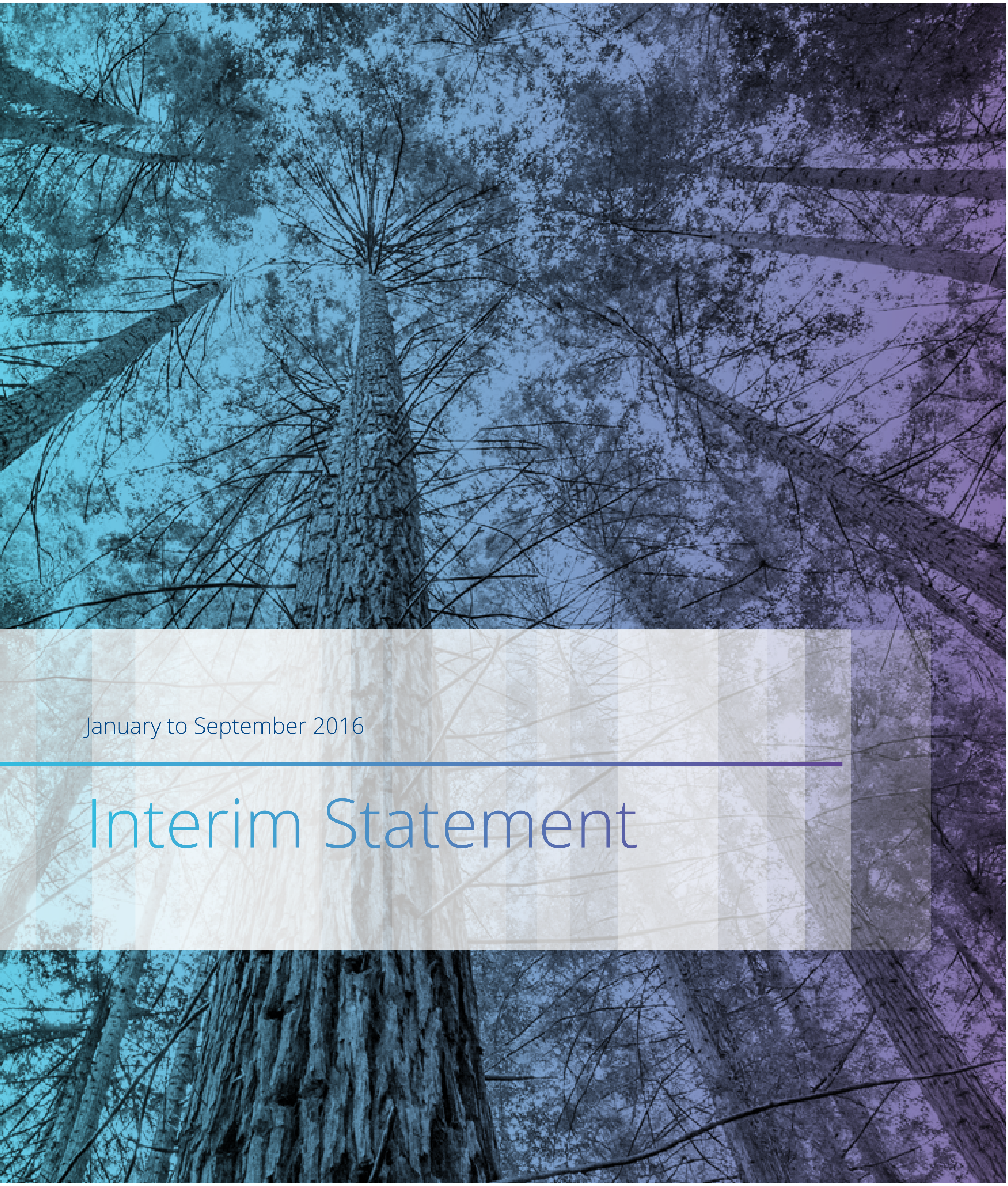
GK SOFTWARE



January to September 2016

Interim Statement

Simply Retail.

Summary of consolidated results

		30.9.2016	30.9.2015	Change (2016/2015)
Turnover	EUR K	**53,100**	41,975	26.5 %
Operational performance	EUR K	**53,446**	42,374	26.1 %
Total operating revenue	EUR K	**54,928**	43,972	24.9 %
EBIT	EUR K	**1,043**	(3,361)	—
EBIT margin (on turnover)	%	**2.0**	(8.0)	—
EBIT margin (on total operating revenue)	%	**1.9**	(7.6)	—
EBITDA	EUR K	**4,042**	(761)	—
EBT	EUR K	**765**	(3,368)	—
Net income/loss for the period	EUR K	**266**	(4,347)	—
Earnings per share (weighted)	EUR	**0.14**	(2.30)	—
Earnings per share (diluted)	EUR	**0.14**	(2.30)	—
Equity ratio	%	**42.6**	42.2	—
Net debt	EUR K	**7,904**	8,983	(12.0) %
Employees		**840**	729	15.2 %

9M 2016
Turnover rose by 26.5 percent, the EBITDA by EUR 4.04 million

Dear shareholders,

We are delighted to present you with GK Software's quarterly report for the first three quarters of the 2016 financial year. As in the first quarter, we are making use of the new legal possibilities for simplifying the report and are deliberately restricting ourselves to the major developments and key performance indicators in terms of our assessment of the Company.

We once again managed to significantly increase the Group's turnover in comparison with the previous year and achieved a figure of EUR 53.10 million; this is 26.5 percent higher than the amount in the previous year. The total operating revenues rose almost just as strongly and exceeded the previous year's figure by 24.9 percent at EUR 54.93 million. The EBITDA amounting to EUR 4.04 significantly illustrates that we have successfully made even more progress on our way to reaching our former level of profitability; the figure in the previous year was EUR (0.76) million then. The same applies to the EBIT, which amounted to EUR (3.36) million in the same period during the previous year, and reached a figure of EUR 1.04 million during the first nine months of the 2016 financial year, EUR 4.40 million higher than before. This result should be rated all the more positively, as it was not possible to actually gain any new projects during the third quarter and the increase over the results at the end of the second quarter was achieved solely through increases in efficiency in our project business.

The first three quarters of 2016 were dominated by the following developments, among other things: It was possible to gain four well-known international retailers from the fashion, luxury goods, DIY store and drugstore sectors as customers for our new OmniPOS core product during the second quarter. A leading food retailer in the international market had already informed us during the first quarter that it had opted for our store solution. We progressed to the rollout phase in other projects with existing customers. For example, a major project in South Africa reached the productive phase and the German rollouts for a food retailer and a bakery chain were successfully completed. The first rollout of our new OmniPOS solution in Ireland and Great Britain is particularly important for us - and this has already been completed. Following the successful premium qualification for OmniPOS by SAP, we will make available a further version to SAP for international sales in the late autumn.

The new wholly-owned subsidiary, TOV Eurosoftware-UA, which joined the Group network in February 2016, has been further expanded during the course of the financial year and strengthens our own development capacity as a near-shore site. Our wholly-owned subsidiary in South Africa, GK Software Africa (PTY) Limited, has moved into new, larger premises in Johannesburg in order to continue pressing ahead with our growth on the African continent.

We are expecting further success stories both through our direct sales and also through our partner sales during the fourth quarter and beyond. Our sales pipeline continues to be very well filled and we believe that we are in an excellent position in several ongoing tender procedures.

Market environment

The general situation for the retail sector continues to remain good for 2016. For example, the German Retail Federation (HDE), for example, is once again expecting nominal growth of 2.5 percent in 2016 to a figure of EUR 485.7 billion. The German Retail Federation views excellent consumer confidence, low interest rates and the high level of employment as the basis for continued, moderate growth. The annual surveys of retailers in terms of their business prospects also support the HDE forecast that 2016 will be a positive year overall. The current "e-KIX" retailers' survey in October 2016, for example, showed that approximately 85 percent of the retailers questioned expected their business to remain constant or improve over a twelve-month period. Ernst & Young provided an even more positive picture; in its survey, almost fifty percent of retailers said that they were expecting business to be better during the first second of 2016 than in the same period in the previous year. Business prospects continue to be good at an international level too. Turnover is expected to increase in Western Europe by 0.9 percent; the National Retail Federation is even forecasting an increase in sales of 3.4 percent in North America.

Employees

GK Software currently employs 840 members of staff (the figure on 30 September 2016; the previous year's figure was 729); this therefore represents an increase of 111 over the number at the end of the reporting period in the previous year.

Segment results

If we examine the make-up of the turnover according to types of work, then growth was present in the GK/Retail business segment in all three major types of work. The services business made the strongest gains with an increase of 43.8 percent, followed by licences (+23 percent) and maintenance (+15.2 percent). Other revenues only contributed 0.7 percent (EUR 0.38 million) to turnover during the first nine months of the year.

The turnover in the IT Services segment increased by 12.2 percent to a figure of EUR 8.92 million in comparison with the same period in the previous year. One major reason for this was the significant increase in the "staging" type of work, which covers the preparation work for hardware to be used by customers as part of service contracts and increased by EUR 1.25 million. We also introduced a more precise distinction between types of work to distinguish maintenance services from staging services and this caused the increase in the figures for the latter. By creating a more precise boundary between maintenance work and hardware supplies in this respect, there was a shift in turnover in favour of hardware sales, staging and other business in comparison with the same quarter in the previous year.

The importance of the services (53.4 percent) and maintenance (30.5 percent) types of work was particularly evident in the relation between the types of turnover with each other during the first nine months of the year; they were followed by licences (11.1 percent) and other business (4.4 percent). Significant growth was achieved for all the types of turnover, although the growth in services turnover (+37.8 percent or EUR 7.77 million) stands out most strongly.

The following overview shows the distribution of turnover in terms of products and fields of work:

Turnover by segments

T.01

EUR K	GK/Retail 9M 2016	GK/Retail 9M 2015	SQRS 9M 2016	SQRS 9M 2015	IT Services 9M 2016	IT Services 9M 2015	Eliminations 9M 2016	Eliminations 9M 2015	Group 9M 2016	Group 9M 2015
Turnover with third parties	**43,509**	**33,262**	**670**	**788**	**8,920**	**7,949**	**—**	**—**	**53,099**	**41,975**
Licences	5,482	4,458	—	—	406	239	—	—	5,888	4,697
Maintenance	9,973	8,658	618	740	5,623	5,479	—	—	16,214	14,877
Services	27,349	19,016	72	48	919	1,506	—	—	28,340	20,570
GK Academy	325	161	—	—	—	—	—	—	325	161
Hardware sales, staging and other business	394	969	(20)	—	2,006	762	—	—	2,380	1,731
Revenue reductions	(14)	—	—	—	(34)	(37)	—	—	(48)	(61)
Turnover with other segments	**158**	**288**	**—**	**—**	**615**	**—**	**(773)**	**(288)**	**—**	**—**
EBIT segment	**385**	**(5,030)**	**328**	**335**	**328**	**1,334**	**1**	**(1)**	**1,043**	**(3,361)**
Assets	**66,697**	**57,177**	**2,391**	**2,211**	**13,880**	**11,984**	**(13,971)**	**(9,507)**	**68,997**	**61,865**
Debts	**39,656**	**34,360**	**189**	**284**	**11,547**	**9,452**	**(11,760)**	**(8,361)**	**39,630**	**35,733**
Cash and cash equivalents	**4,847**	**3,917**	**928**	**676**	**1,557**	**1,641**	**—**	**—**	**7,332**	**6,234**

The decision to no longer sell the SQRS solutions in future was maintained. The exchange of services between the segments is governed by servicing contracts, which are geared towards the normal segment revenues in their outside markets. Supply contracts are used as a basis to calculate the administrative services. The actual costs of the administrative services supplied are calculated according to the estimated time required based on experience.

Assets and financial situation

The Group's assets and financial situation remained stable in comparison with the last published declaration in the financial statement for the year 2015, although the Group's cash and cash equivalents remained almost unchanged. There was no change in the Company's opportunities and risks either.

Financial forecast and outlook

The Management Board at GK Software is standing by its forecast without making any changes, as expressed in the financial statement for the year 2015, assuming that the general economic and political conditions remain as they are.

It is probable that turnover in the GK/Retail segment will continue to increase significantly during 2016. In the medium term (up to 2018), we anticipate that we will be able to increase turnover by fifty percent compared with 2015 (EUR 62.60 million in the reporting year). However, this development will not necessarily be in any way linear.

We cannot provide a forecast for profitability for individual years. However, we assume that we will once again be able to achieve our old target margin level (EBIT margin) of earnings before interest and taxes of more than 15 percent in our core business segment in the medium term (by 2018) (the figure was (2.0) percent in 2015). For 2016, however, it is quite conceivable that the results will be slightly negative, as the further development of our non-European target markets is a top priority for the Group and could well be associated with further considerable costs.

Schöneck, 28 November 2016

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

Consolidated balance sheet on 30 September 2016

Assets

T.02

EUR	30.9.2016 (not audited)	31.12.2015 (audited)
Property, plant and equipment	7,707,497.63	5,752,753.87
Intangible assets	23,275,855.63	25,189,562.48
Financial assets	1,660.00	1,660.00
Deferred tax assets	4,095,546.48	3,523,573.57
Total non-current assets	**35,080,559.74**	**34,467,549.92**
Goods	0.00	482,464.63
Raw and ancillary materials and supplies	1,760,100.24	1,172,383.58
Initial payments made	0.00	56,941.54
Trade accounts receivable	11,179,054.11	12,604,882.02
Accounts receivable from ongoing work	7,563,062.46	6,494,637.81
Income tax claims	175,765.82	218,534.41
Accounts receivable with associated firms	2,820.45	11,857.30
Other accounts receivable and assets	5,902,629.52	4,874,184.15
Cash and cash equivalents	7,332,239.65	7,376,753.60
Total current assets	**33,915,672.25**	**33,292,639.04**
Balance sheet total	**68,996,231.99**	**67,760,188.96**

Liabilities

T.03

EUR	30.9.2016 (not audited)	31.12.2015 (audited)
Subscribed capital	1,890,000.00	1,890,000.00
Capital reserves	18,498,211.60	18,364,587.77
Retained earnings	31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 2011, IAS 21)	(492,063.15)	(491,252.91)
Profits carried forward	9,172,219.74	10,672,457.83
Shortfall for period	266,336.15	(1,500,238.09)
Total equity	**29,365,799.36**	**28,966,649.62**
Statutory provisions for pensions	1,370,013.25	1,459,930.00
Non-current bank liabilities	9,628,098.16	11,568,035.00
Deferred government grants	936,338.41	966,943.09
Deferred tax liabilities	2,395,852.47	1,887,700.11
Total non-current liabilities	**14,330,302.29**	**15,882,608.20**
Current statutory provisions	2,317,021.36	2,620,599.84
Current bank liabilities	5,608,009.03	3,154,528.30
Liabilities from trade payables	1,348,296.30	2,091,159.67
Initial payments received	3,953,157.09	4,004,546.59
Income tax liabilities	499,095.96	740,615.04
Other current liabilities	11,574,550.60	10,299,481.70
Total current liabilities	**25,300,130.34**	**22,910,931.14**
Balance sheet total	**68,996,231.99**	**67,760,188.96**

Consolidated profit and loss statement and other results from 1 January to 30 September 2016

Consolidated profit and loss statement

T.04

EUR	30.9.2016 (not audited)	30.9.2015 (not audited)	31.12.2015 (audited)
Ongoing business operations			
Turnover revenues	53,100,430.79	41,975,175.06	62,602,328.60
Own work capitalised	345,870.00	398,651.01	524,894.01
Other operating revenues	1,482,055.62	1,598,260.23	1,725,836.17
Sales revenues and other revenues	**54,928,356.41**	**43,972,086.30**	**64,853,058.78**
Materials expenditure	(5,449,772.78)	(5,854,597.14)	(8,266,126.59)
Personnel expenditure	(34,083,452.97)	(28,652,290.39)	(39,667,852.88)
Depreciation and amortisation	(2,998,997.25)	(2,599.759.50)	(3,452,870.12)
Other operating expenditure	(11,353,143.58)	(10,226.236.56)	(14,741,782.53)
Total operating expenses	**(53,885,366.58)**	**(47,332,883.59)**	**(66,128,632.12)**
Operating results	**1,042,989.83**	**(3,360,797.29)**	**(1,275,573.34)**
Financial income	129,069.40	226,952.08	215,971.32
Financial expenditure	(407,134.43)	(234,495.35)	(323,439.90)
Financial results	**(278,065.03)**	**(7,543.27)**	**(107,468.58)**
Income tax results	**764,924.80**	**(3,368,340.56)**	**(1,383,041.92)**
Income taxes	(498,588.65)	(978,625.84)	(117,196.17)
Consolidated shortfall for the period	**266,336.15**	**(4,346,966.40)**	**(1,500,238.09)**
Other results after income taxes			
Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions			
Differences in exchange rates from recalculating foreign business operations	(310.53)	(161,584.15)	(196,021.46)
Items, which will not be reclassified in the consolidated profit and loss statement in future			
Actuarial gains/losses from defined benefit pension plans	(499.72)	(49,173.91)	(59,036.70)
Overall results	**265,525.90**	**(4,557,724.46)**	**(1,755,296.25)**
of which attributable to the owners of the parent company	265,525.90	(4,557.724.46)	(1,755,296.25)
Earnings per share (EUR/share) from the consolidated shortfall - undiluted	**0.14**	**(2.30)**	**(0.79)**
Earnings per share (EUR/share) from the consolidated shortfall - diluted	**0.14**	**(2.30)**	**(0.79)**

Consolidated cash flow statement on 30 September 2016

Cash flows from operating business, investment and financing activities, loans and cash & cash equivalents

T.05

EUR K	30.9.2016 (not audited)	30.9.2015 (not audited)
Cash flows from operating business		
Shortfall for period	266	(4,347)
Share option scheme (non-cash expenditure)	134	133
Income taxes affecting results	499	979
Interest income/expenses affecting results	278	73
Profit/loss from the sale or disposal of property, plant and equipment	(12)	(2)
Reversals of deferred public sector subsidies	(31)	(31)
Write-downs recognised for receivables	349	23
Write-ups recognised for receivables	—	—
Depreciation and amortisation	2,999	2,600
Actuarial gains/losses	0	(211)
Net foreign currency losses	—	—
Net profits from financial instruments assessed at their fair value	(293)	—
Other cash revenues and expenditure	(1)	1
Cash flows from operating business	**4,188**	**(782)**
Changes in current assets		
Changes in trade receivables and other receivables	(628)	(3,291)
Changes in inventories	(48)	(1,191)
Changes in trade accounts payable and other liabilities	646	3,464
Changes in initial payments received	(51)	3,031
Changes in statutory provisions	(408)	476
Inflow of funds from operating activities	**3,699**	**1,707**
Interest paid	(352)	(199)
Income taxes paid	(761)	(654)
Net inflow (previous year: net outflow of funds) from operating activities	**2,586**	**854**
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(2,959)	(2,121)
Proceeds from disposals of fixed assets	12	2
Investment subsidies used	—	—
Disbursement as part of the company acquisition	(81)	(16,805)
Interest payments received	28	106
Disbursed loans	(10)	(96)
Proceeds from the repayment of loans	—	36
Net cash outflow for investment activities	**(3,010)**	**(18,878)**
Cash flow from financing activities		
Loans taken out	19	10,847
Repayment instalments for loans	(1,478)	(1,113)
Net inflow (previous year: net outflow) in cash and cash equivalents from financing activities	**(1,459)**	**9,734**
Net outflow of cash and cash equivalents	**(1,883)**	**(8,290)**
Cash and cash equivalents at the beginning of the financial year	6,360	10,173
Cash and cash equivalents	**4,477**	**1,883**
Limited available funds	1,037	11

Financial Calendar

27 April 2017
Annual report 2016

30 May 2017
Interim statement as of 31 March 2017

22 June 2017
Annual Shareholders' Meeting 2017
in Schöneck/V.

30 August 2017
Interim report as of 30 June 2017

November 2017
Analyst Conference in Frankfurt/M

29 November 2017
Interim statement as of 30 September 2017

Imprint/Notes

Imprint

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Notes

Note to the Report

This Annual Report is the English translation of the original German version. In case of deviations between these two the German version prevails. This Annual Reports is in both languages can be downloaded at http://investor.gk-software.com.

Note regarding the rounding of figures

Due to the commercial rounding of figures and percentages small deviations may occur.

Disclaimer

This annual report includes statements concerning the future, which are subject to risks and uncertainties. They are estimations of the Board of Management of GK Software AG and reflect their current views with regard to future events. Such expressions concerning forecasts can be recognised with terms such as “expect”, “estimate”, “intend”, “can”, “will” and similar terms relating to the Company. Factors, which can have an effect or influence are, for example (without all being included): the development of the retail and IT market, competitive influences including price changes, regulatory measures and risks with the integration of newly acquired companies and participations. Should these or other risks and uncertainty factors take effect or should the assumptions underlying the forecasts prove to be incorrect, the results of GK Software AG could vary from those, which are expressed or implied in these forecasts. The Company assumes no obligation to update such expressions or forecasts.