

January to September 2017

Interim Statement

Summary of consolidated results

| | | | | |
|---|-------|--------|---------------|----------|
| Sales | EUR K | 65,927 | 53,100 | 24.2 % |
| Operating performance | EUR K | 65,927 | 53,446 | 23.4 % |
| Total operating revenue | EUR K | 69,055 | 54,928 | 25.7 % |
| EBIT | EUR K | 4,107 | 1,043 | >250 % |
| EBIT margin (on sales) | % | 6.2 | 2.0 | — |
| EBIT margin (on total operating revenue) | % | 5.9 | 1.9 | — |
| EBITDA | EUR K | 6,728 | 4,042 | 66.5 % |
| EBT | EUR K | 3,752 | 765 | |
| Net profit for the period | EUR K | 2,292 | 266 | >250 % |
| Earnings per share (weighted) | EUR | 1.21 | 0.14 | — |
| Earnings per share (diluted) | EUR | 1.15 | 0.14 | — |
| Equity ratio | % | 37.8 | 42.6 | — |
| Net debt | EUR K | 2,721 | 7,904 | (65.6) % |
| Employees | | 975 | 840 | 16.1 % |

9M 2017

Turnover rose by 24.2 percent, the EBITDA by EUR 6.73 million

Dear shareholders,

We are delighted to present you with GK Software's quarterly report for the first nine months of the 2017 financial year. We are making use of the legal possibilities with regard to simplifying the report and are deliberately restricting ourselves to the major developments and key performance indicators when it comes to assessing the Company's business.

We were able to continue the extremely positive developments of the previous quarters without any interruptions. The Group's **turnover** once again rose significantly in comparison with the previous year and reached a figure of EUR 65,94 million. The figure was therefore **24.2 percent** higher than that recorded for the same period in the previous year. The total operating revenue rose alongside this to EUR 69.06 million and exceeded the previous year's figure by 25.7 percent. An inspection of the net earnings also makes pleasing reading. We achieved **EBITDA** of EUR 6.73 million and therefore surpassed the previous year's figure of EUR 4.04 million by about one third. The strength of our growth in revenue is even more evident when it comes to EBIT. Following the first nine months of the year, the figure was EUR 4.11 million, while EBIT in the previous year only amounted to EUR 1.04 million. As a result, EBIT almost quadrupled. This positive development was also based on the good licence, services and maintenance revenues.

The following major developments generated the positive results during the first three quarters of the 2017 financial year.

We were able to gain **nine** new customers for our software together with SAP during the first three quarters. Three of them gained in the first half of the year were retailers that number among the global TOP 50 companies. We were able to gain more customers during the third quarter, including the first from **Italy**—a major food retailer—and an international fashion retailer based in the Netherlands. Our customers reflect our international aspirations in terms of their geography, because they come from nine different countries on three continents. Our outstanding competitive position is also reflected in the latest RBR Study, which analyses the global POS market. It discloses a **market share of 43 percent** in the field of newly installed grocery POS systems for GK Software in Western Europe. Internationally, almost one in 10 new installations in this sector came from GK. Our current projects will also ensure that we will be able to continue expanding this share in the near future. We progressed to the **rollout** phase in other projects or managed to complete this. For example, we completed a major initial project with a customer in South Africa and our systems are now in productive use in **12 countries in southern Africa**. We also completed roll-outs involving several countries for major fashion customers and believe that we are well on target here in our other current new projects. The ability of our subsidiary AWEK Microdata to gain new customers also developed in a pleasing manner; it was able to sign five new agreements in the field of the medium-sized solutions that it provides.

We were able to set a new milestone in our partnership with SAP and jointly launch a new product with this company entitled "hybris Mobile Customer Assistant by GK". The solution is geared

towards consumers and their mobile devices and enables the complete range of mobile customer contacts - like infotainment, mobile couponing, self-scanning and even mobile payments. We have already been able to persuade the first joint customers of the viability of this solution.

We were able to take a majority holding in [prudsys AG](#) after the end of the reporting period. We believe that this acquisition will provide a significant reinforcement of our skills profile in the fields of artificial intelligence and machine learning. prudsys AG is an international leader in this sphere and will already expand our portfolio of products in the very near future. We also successfully issued a convertible bond with a value of approx. EUR 15 million after the end of the reporting period. The bond with a term of five years and an interest coupon of 3% p.a. is being used to finance this latest acquisition, among other things. The transformation of the Company into an SE is going according to plan and we anticipate that we will have met all the necessary conditions for this during this year.

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 current tender procedures.

Market environment

The general [situation for the retail sector](#) continues to remain good. The German Retail Federation (HDE: Handelsverband Deutschland), for example, is forecasting that total turnover will reach EUR 501.0 billion in 2017, which corresponds to nominal [growth of 3.0 percent](#). The HDE believes that higher incomes and the ongoing record numbers of people in employment form the basis for this.¹ The annual surveys of retailers in relation to their business prospects also support the HDE forecast. The "e-KIX" retailers' survey in September 2017 showed that approximately 86 percent of the retailers questioned expect their business to remain constant or improve over the coming twelve months.² The German government is also expecting an increase in private and state consumption of 1.8 and 1.6 percent respectively.³ Alongside this, business prospects continue to be good at an international level too. Turnover is expected to increase in [Europe](#) by 1.4 percent⁴ in nominal terms; the National Retail Federation is even forecasting an increase in sales of 3.7 percent for [North America](#)⁵.

Employees

GK Software currently employs 975 members of staff (the figure on 30 September 2017; the previous year's figure was 840); this therefore represents [an increase of 135](#) over the number at the end of the comparative period in the previous year.

Segment results

The GK/Retail core business segment is mainly responsible for this growth in turnover; it was possible to increase its sales by more than one quarter to a figure of EUR 54.64 million in comparison

1 - <https://www.einzelhandel.de/presse/aktuellemeldungen/10697-hde-rechnet-mit-umsatzplus-von-drei-prozent>

2 - e-KIX September 2017, p.3

3 - <https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html>

4 - <http://www.gfk.com/de/insights/press-release/einzelhandel-in-europa-zentral-und-osteuropa-holen-auf/>

5 - <https://nrf.com/media/press-releases/nrf-forecasts-retail-sales-will-increase-37-42-percent-over-2016>

with the previous year. If we examine the make-up of the [turnover according to types of work](#), then growth was present in all three major types of work in the [GK/Retail business segment](#). The maintenance business made the strongest gains with an increase of 39.6 percent, followed by services (+23.4 percent) and licences (+20.8 percent). Other turnover was negligible at EUR 0.08 million.

Gratifyingly, turnover in the [IT Services](#) segment increased by 19.7 percent to a figure of EUR 10.86 million in comparison with the same period in the previous year. This growth was found in all the types of work in the segment and was largely based on signing agreements with several new customers; these contracts covered both licences, consultancy services and the supply of hardware, including the associated services. Turnover in the [SQRS](#) segment continued to decline according to plan and fell by 8.7 percent to a figure of EUR 0.61 million.

A stable picture emerged in the [relationship between the types of turnover](#) to each other during the first nine months of the year. The services (52.8 percent) and maintenance (32.0 percent) types of work accounted for the lion's share. Licences were stable in their share (11.2 percent), while other types (3.5 percent) were mainly due to hardware turnover in the IT Services field. It was possible to achieve significant growth in all the types of turnover and this was relatively evenly spread across the main types of turnover (licences +25.7 percent, maintenance +30.2 percent, services +22.7 percent).

The following summary illustrates the distribution of turnover according to products and areas of work:

Turnover by segments

T.01

| EUR K | GK/Retail | | SQRS | | Eliminations | | IT Services | | Group | |
|-------------------------------------|---------------|---------------|--------------|--------------|---------------|---------------|----------------|-----------------|---------------|---------------|
| | 9M 2017 | 9M 2016 | 9M 2017 | 9M 2016 | 9M 2017 | 9M 2016 | 9M 2017 | 9M 2016 | 9M 2017 | 9M 2016 |
| Turnover with third parties | 54,639 | 43,509 | 612 | 670 | 10,676 | 8,920 | — | — | 65,927 | 53,099 |
| Licences | 6,623 | 5,482 | — | — | 777 | 406 | — | — | 7,400 | 5,888 |
| Maintenance | 13,918 | 9,973 | 598 | 618 | 6,596 | 5,623 | — | — | 21,112 | 16,214 |
| Services | 33,739 | 27,349 | 14 | 72 | 1,030 | 919 | — | — | 34,783 | 28,340 |
| GK Academy | 300 | 325 | — | — | 47 | — | — | — | 347 | 325 |
| Other business | 81 | 394 | — | (20) | 2,269 | 2,006 | — | — | 2,350 | 2,380 |
| Revenue reductions | (22) | (14) | — | — | (43) | (34) | — | — | (65) | (48) |
| Turnover with other segments | 57 | 158 | — | — | 454 | 615 | (511) | (773) | — | — |
| EBIT segment | 1,380 | 385 | 336 | 328 | 2,392 | 328 | — | 1 | 4,108 | 1,043 |
| Assets | 82,694 | 66,697 | 2,700 | 2,391 | 12,864 | 13,880 | (9,619) | (13,971) | 88,639 | 68,997 |
| Debts | 53,494 | 39,656 | 166 | 189 | 8,872 | 11,547 | (7,409) | (11,760) | 55,123 | 39,630 |
| Cash and cash equivalents | 12,403 | 4,847 | 1,436 | 928 | 3,881 | 1,557 | — | — | 17,720 | 7,332 |

The decision to not continue selling the [SQRS solutions](#) in future has been 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 the basis for calculating administrative services. The actual costs of the administrative services supplied are calculated according to the estimated time required, based on past experience.

Assets and financial situation

The Group's [assets and financial situation](#) changed as a result of several factors when compared to the end of the 2016 financial year. Current assets rose by 46.1 percent to a figure of EUR 50.03 million (2016: EUR 34.24 million), which was mainly due to the increase in cash and cash equivalents by EUR 11.70 million. This was primarily countered on the liabilities side by an increase in other current liabilities of EUR 14.49 to a figure of EUR 39.61 million.

There were no changes in the Company's [opportunities and risks](#).

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 2016 and the 2017 half-yearly report, 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 2017. As part of our medium-term forecast, we had anticipated that we would be able to increase turnover with third parties by fifty percent by 2018, compared with the base year for our medium-term forecast, 2015 (EUR 62.60 million). While turnover amounted to EUR 77.33 million in 2016, the corporate group was already able to generate turnover of EUR 65.93 million during the first nine months of this reporting year. It does not therefore seem unreasonable to expect that the target figures in the medium-term forecast for turnover could be almost or even completely reached during 2017.

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) (this figure was (2.0) percent in 2015 and 5.1 percent in 2016).

Schöneck, 27 November 2017

The Management Board



Rainer Gläss
Chief Executive Officer



André Hergert
Head of Finance and Human Resources

Consolidated balance sheet on 30 September 2017

Assets

| T.02 | 30.9.2017 (not audited) | 31.12.2016 (audited) |
|---|----------------------------|-------------------------|
| EUR | | |
| Property, plant and equipment | 12,956,341.22 | 8,901,911.66 |
| Intangible assets | 21,405,479.74 | 23,827,867.37 |
| Financial assets | 5,300.00 | 6,660.00 |
| Active deferred taxes | 4,244,154.84 | 4,633,639.37 |
| Total non-current assets | 38,611,275.80 | 37,370,078.40 |
| Goods | 1,061,720.17 | 955,799.48 |
| Auxiliary materials and supplies | 327,518.67 | 224,437.31 |
| Initial payments made | 263,668.49 | 44,202.34 |
| Trade accounts receivable | 16,366,382.04 | 18,031,736.01 |
| Trade accounts receivable from ongoing work | 4,691,898.08 | 3,480,270.93 |
| Income tax claims | 395,113.63 | 281,750.19 |
| Accounts receivable with associated firms | 303.45 | 2,820.45 |
| Other accounts receivable and assets | 9,202,757.93 | 5,206,555.81 |
| Cash and cash equivalents | 17,719,940.28 | 6,017,394.86 |
| Total current assets | 50,029,302.74 | 34,244,967.38 |
| Balance sheet total | 88,640,578.54 | 71,615,045.78 |

Liabilities

| T.03 | 30.9.2017 (not audited) | 31.12.2016 (audited) |
|---|----------------------------|-------------------------|
| EUR | | |
| Subscribed capital | 1,890,000.00 | 1,890,000.00 |
| Capital reserves | 18,752,009.51 | 18,587,965.03 |
| Retained earnings | 31,095.02 | 31,095.02 |
| Other reserves (OCI from introducing IAS 19 2011, IAS 21) | (1,445,434.69) | (853,054.50) |
| Profit brought forward | 11,998,085.79 | 9,172,219.74 |
| Shortfall for period | 2,291,627.19 | 2,825,866.05 |
| Total equity | 33,517,382.82 | 31,654,091.34 |
| Provisions for pensions | 1,880,150.25 | 1,766,974.00 |
| Non-current bank liabilities | 9,395,821.82 | 8,986,687.12 |
| Deferred government grants | 895,537.37 | 926,136.83 |
| Deferred tax liabilities | 3,341,531.13 | 3,162,764.06 |
| Total non-current liabilities | 15,513,040.57 | 14,842,562.01 |
| Current provisions | 1,287,929.73 | 1,455,457.83 |
| Current bank liabilities | 11,045,298.11 | 5,776,643.68 |
| Liabilities from trade payables | 1,798,757.26 | 2,187,040.24 |
| Initial payments received | 1,294,719.60 | 269,587.96 |
| Income tax liabilities | 474,169.21 | 392,446.33 |
| Other current liabilities | 23,709,281.24 | 15,037,216.39 |
| Total current liabilities | 39,610,155.15 | 25,118,392.43 |
| Balance sheet total | 88,640,578.54 | 71,615,045.78 |

Consolidated profit and loss statement and other results from 1 January to 30 September 2017

Consolidated profit and loss statement

T.04

| EUR | 30.9.2017 (not audited) | 30.9.2016 (not audited) | 31.12.2016 (audited) |
|--|----------------------------|----------------------------|-------------------------|
| Ongoing business operations | | | |
| Turnover revenues | 65,926,710.05 | 53,100,430.79 | 77,332,612.02 |
| Own work capitalised | 0.00 | 345,870.00 | 381,689.00 |
| Other operating revenues | 3,128,503.02 | 1,482,055.62 | 1,768,668.62 |
| Turnover and other revenues | 69,055,213.07 | 54,928,356.41 | 79,482,969.64 |
| Materials expenditure | (5,758,171.79) | (5,449,772.78) | (7,680,693.58) |
| Personnel expenditure | (42,043,954.37) | (34,083,452.97) | (47,669,259.45) |
| Depreciation and amortisation | (2,621,408.00) | (2,998,997.25) | (3,860,678.44) |
| Other operating expenditure | (14,525,172.21) | (11,353,143.58) | (16,329,889.01) |
| Total operating expenses | (64,948,706.37) | (53,885,366.58) | (75,540,520.48) |
| Operating results | 4,106,506.70 | 1,042,989.83 | 3,942,449.16 |
| Financial income | 36,113.92 | 129,069.40 | 146,412.73 |
| Financial expenditure | (391,074.52) | (407,134.43) | (637,160.67) |
| Financial results | (354,960.60) | (278,065.03) | (490,747.94) |
| Income tax results | 3,751,546.10 | 764,924.80 | 3,451,701.22 |
| Income taxes | (1,459,918.91) | (498,588.65) | (625,835.17) |
| Consolidated surplus/ shortfall for the period | 2,291,627.19 | 266,336.15 | 2,825,866.05 |
| 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 | (476,187.69) | (310.53) | (76,703.02) |
| Items, which will not be reclassified in the consolidated profit and loss statement in future | | | |
| Actuarial gains/ losses from defined benefit pension plans | (116,191.76) | (499.72) | (285,098.57) |
| Overall results | 1,699,247.74 | 265,525.90 | 2,464,064.46 |
| of which attributable to the owners of the parent company | 1,699,247.74 | 265,525.90 | 2,464,064.46 |
| Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted | 1.21 | 0.14 | 1.50 |
| Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted | 1.15 | 0.14 | 1.44 |

Consolidated cash flow statement on 30 September 2017

Cash flows from operating business

T.05

| EUR K | 30.9.2017 (not audited) | 30.9.2016 (not audited) |
|---|----------------------------|----------------------------|
| Cash flows from operating business | | |
| Surplus/ shortfall for period | 2,292 | 266 |
| Share option scheme (non-cash expenditure) | 164 | 134 |
| Income taxes affecting results | 1,460 | 499 |
| Interest income/ expenses affecting results | 355 | 278 |
| Profit/ loss from the sale or disposal of property, plant and equipment | (5) | (12) |
| Reversals of deferred public sector subsidies | (31) | (31) |
| Write-downs recognised for receivables | 0 | 349 |
| Depreciation and amortisation | 2,621 | 2,999 |
| Actuarial gains/ losses | (116) | — |
| Net foreign currency losses | 1,229 | — |
| Net profits from financial tools assessed at their fair value | (753) | (293) |
| Other non-cash revenues and expenditure | 0 | (1) |
| Cash flow from operating business | 7,216 | 4,188 |
| Changes in net current assets | | |
| Changes in trade accounts receivable and other receivables | (3,510) | (628) |
| Changes in inventories | (428) | (48) |
| Changes in trade accounts payable and other liabilities | 8,255 | 646 |
| Changes in initial payments received | 1,025 | (51) |
| Changes in provisions | (70) | (408) |
| Interest paid | (357) | (352) |
| Income taxes paid | (923) | (761) |
| Net inflow of funds from operating activities | | |
| Amount carried forward | 11,208 | 2,586 |

Cash flows from investment activities and financing activities, loans and means of payment

T.06

| EUR K | 30.9.2017 (not audited) | 30.9.2016 (not audited) |
|---|----------------------------|----------------------------|
| Amount carried forward | | |
| Net inflow of funds from operating activities | 11,208 | 2,586 |
| Cash flow from investment activities | | |
| Payments for property, plant and equipment and non-current assets | (5,957) | (2,959) |
| Proceeds from disposals of fixed assets | 5 | 12 |
| Disbursement as part of the company acquisition | — | — |
| Interest payments received | 57 | 28 |
| Disbursed loans | — | (10) |
| Proceeds from the repayment of loans | 711 | (81) |
| Net cash outflow for investment activities | (5,184) | (3,010) |
| Cash flow from financing activities | | |
| Taking out loans | 4,564 | 19 |
| Repayment instalments for loans of loans | (2,055) | (1,478) |
| Net inflow (previous year: net outflow) in cash and cash equivalents from financing activities | 2,509 | (1,459) |
| Net inflow (previous year: net outflow) of cash and cash equivalents | 8,533 | (1,883) |
| Cash and cash equivalents at the beginning of the financial year | 2,812 | 6,360 |
| Cash and cash equivalents at the end of the financial year | 11,387 | 4,477 |
| Impact of changes in exchange rates on cash and cash equivalents | 42 | 0 |
| Limited available funds | 974 | 1,037 |

Cash and cash equivalents

T.07

| EUR K | 30.9.2017 (not audited) | 30.9.2016 (not audited) |
|---|----------------------------|----------------------------|
| Liquid assets | 17,720 | 7,332 |
| Utilisation of current account credit/ credit card/ exchange rate | (6,333) | (2,855) |
| Cash and cash equivalents at the end of the financial year | 11,387 | 4,477 |

Financial Calendar

26 April 2018

Annual report as of 31 December 2017

30 May 2018

Interim statement as of 31 March 2018

21 June 2018

Annual shareholders' meeting 2018 in Schöneck/V.

30 August 2018

Interim report as of 30 June 2018

November 2018

Analyst conference in Frankfurt/M.

26 November 2018

Interim statement as of 30 September 2018

Imprint/Notes

Imprint

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Notes

Note to the statement

This interim statement is the English translation of the original German version. In case of deviations between these two the German version prevails. This interim statement is in both languages can be downloaded at <https://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 interim statement 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.

