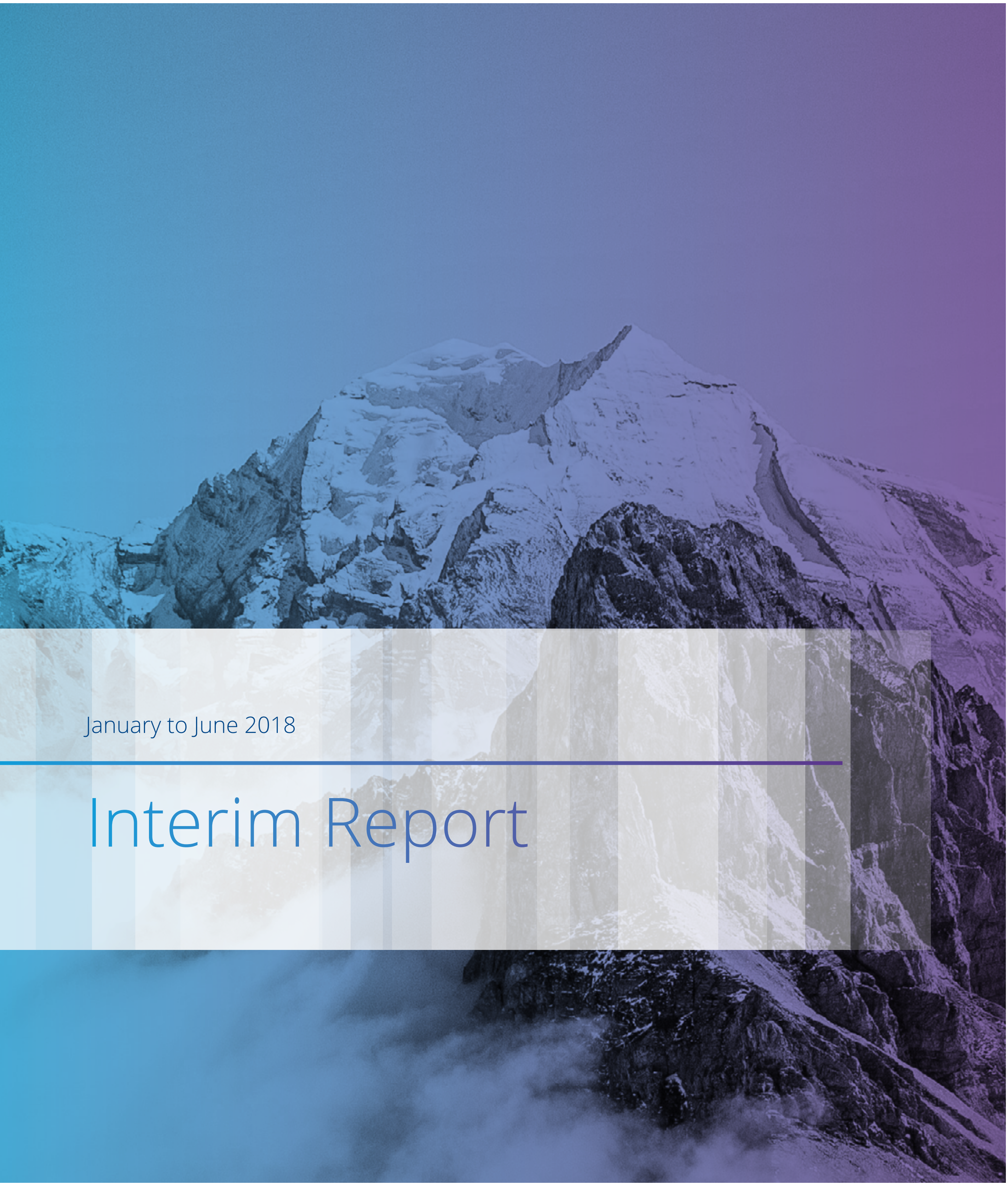
GK SOFTWARE



January to June 2018

Interim Report

Simply Retail.

Summary of Consolidated Results

		30.6.2018	30.6.2017	31.12.2017	Change (2017/2018)
Sales	EUR K	**49,046**	44,142	90,452	11.1 %
Operating performance	EUR K	**49,046**	44,142	90,452	11.1 %
Total operating revenue	EUR K	**51,246**	45,564	95,649	12.5 %
EBIT	EUR K	**72**	3,578	4,993	(98.0) %
EBIT margin (on sales)	%	**0.1**	8.1	5.5	—
EBIT margin (on total operating revenue)	%	**0.1**	7.9	5.2	—
EBITDA	EUR K	**2,392**	5,293	8,773	(54.8) %
EBT	EUR K	**(519)**	3,365	4,340	
Net profit / loss for the period	EUR K	**(172)**	2,296	3,884	(107.5) %
Earnings per share (weighted)	EUR	**(0.06)**	1.21	2.05	—
Earnings per share (diluted)	EUR	**—**	1.16	2.00	—
Equity ratio	%	**35.6**	42.5	36.3	—
Net debt	EUR K	**(5,159)**	1,799	(11,305)	<(250) %
Employees		**1,147**	944	1,011	21.5 %

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A | To the shareholders

Letter from the Management Board

Dear shareholders,

We are delighted to be able to present you with the half-yearly report from the GK Software Group for the 2018 financial year and inform you that we have been able to once again continue the growth course registered in previous years. We were able to gain six new OmniPOS customers during the first two quarters of the current financial year, five of them in conjunction with SAP. Gaining the US American retailer Hy-Vee was an outstanding success story during the first quarter; it operates more than 245 major markets in eight federal states in the Midwest in the USA and is relying on GK Software to implement its omni-channel strategy. The other projects also provide impressive evidence of the continuation of our internationalisation strategy. In addition to a major consumer electronics retailer with stores all over Scandinavia and the sales network for a luxury brand from Italy, it was possible to gain a drugstore/pharmaceutical retailer in Egypt and another retail chain in the United Arab Emirates as customers. We were also able to convince a customer in Australia for the first time during the second quarter so that the GK Software solutions can now be found on every continent. The international significance of our solutions is reflected in the latest RBR Study, which analyses the global POS market. The study reveals a market share of 43 percent in the field of newly installed grocery POS systems for GK Software in Western Europe. In line with this independent survey, almost one in ten new installations around the world came from GK Software and SAP at tier 1 retailers.[1]

And this gratifying development is continuing. We were able to gain two more customers in the USA after the end of the reporting period and therefore provide evidence that our solutions are starting to convince customers in the largest retail market in the world. Thanks to the new projects gained during the first half of the year, we will be equipping about 10,000 devices in roughly 1,500 stores during the coming months. In addition to the new OmniPOS projects, there are others where our AI solution, our payment solution for the US market and our Pricing Engine have been sold.

The latest "Forrester Wave: Point of Service, Q3 2018" report confirms the quality of our range of solutions that is made available in conjunction with SAP. The Forrester report assessed the "SAP Omnichannel POS by GK" software, which has been developed by GK Software and is sold around the globe, as the "leader". The solution was singled out as the number one among all the providers. The assessment that SAP has the strongest overall market presence and achieved the highest possible figure of 5.00 in this category formed the basis for this outstanding evaluation, among other things. The report says that the solution provides convincing omni-channel capabilities for the retail sector. The POS team is well structured and offers well-tested software in terms of its functions, according to the report. This excellent assessment is the result of an outstanding, well-functioning partnership, which not only includes joint sales and marketing campaigns, but also close technological cooperation and a coordinated roadmap.

We were able to increase our turnover by 11.1 percent to a figure of EUR 49.05 million during the first six months of the financial year; the figure in the previous year was EUR 44.14 million. The major investments in our product and the ongoing strengthening of our organisation led to EBITDA figures of EUR 2.39 million (H1 2017: EUR 5.29 million). This is the equivalent of an EBITDA margin of 4.9 percent. This provided results for the period of EUR (0.17) million (H1 2017: EUR 2.30 million) and undiluted earnings per share of EUR (0.06). In the light of the existing sales opportunities and the significantly improved levels of efficiency at the non-European companies, the Management Board is standing by its forecast for the 2018 financial year, as was published in the last financial statement.

The work of the research and development department was dominated by further developments in all our solutions during the first half of the year. The hospitality version of OmniPOS is continuing to take shape at the moment. We have also been working intensively on continuing to expand our AI-based Dynamic Pricing solution. This solution, which is already very successful in the online business, allows fully automatic price calculations in real time and enables retailers to increase their competitiveness. We have also made huge efforts in continuing to develop our cloud4retail service, which enables us to be the first provider in the market place to offer major retailers a complete cloud range of services.

1 – RBR Study: Global POS Software 2017, London 2017

The number of units installed and operating GK/Retail continued to grow to 279,000 during the reporting period. In addition, there are the installations for the other products that are made available by the corporate Group. The apps available in the Mobile Customer Assistant field have been downloaded by more than 4 million consumers in total, for example. AWEK microdata is looking after more than 12,000 active installations. The TransAction+ solution manages the electronic payment transactions on about 100,000 terminals in the USA and the Real-Time Decision Engine developed by prudsys AG and based on artificial intelligence is being used by about 100 customers. As in previous years, we were able to enhance our business relations with almost all our existing GK/Retail customers, as our customers are permanently adapting their solutions to new requirements. Rollouts in current projects and to other countries as well as launching pilot schemes all contributed to the growth in the number of installations. The new installations include about 800 in Mexico, for example, and others will follow in South and Central America during the next few months. This has enabled us to strengthen our position in the international market and also create references in order to underline our growth goals around the globe.

The Management Board at GK Software is standing by its forecast without making any changes, as expressed in the financial statement for the year 2017 and the quarterly report for the first three months of 2018, provided that the general economic and political conditions remain as they are.

We are confident that we will be able to maintain our growth in turnover experienced in the past in future years too and plan to once again increase our turnover compared to 2017 by about fifty percent during the next three years. We are once again expecting our turnover to expand significantly in 2018 and plan to increase our earnings in our core business to roughly 15 percent of turnover and maintain this level during the next few years. We are also maintaining our provisos, as in the past, that expenditure for tapping into new markets, the postponement of fairly large customer projects or a deterioration in the overall economic situation could impair the achievement of this goal.

We are delighted that you are supporting GK Software SE and its pathway of growth and we would like to thank you for placing your ongoing trust in the Company.

Rainer Gläss
Chief Executive Officer

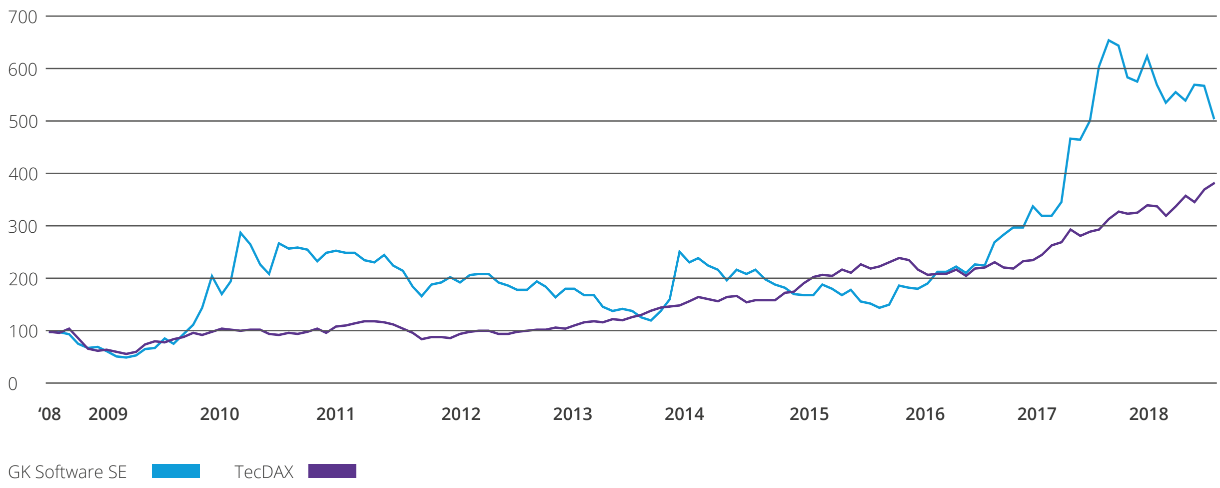
André Hergert
Chief Financial Officer

GK Software SE Shares

Basic data

Share price development (indexed)

F.02



Basic data

T.01

Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated sponsor	ICF Bank AG
Number of shares	1,924,875
Share capital	EUR 1,924,875
Free float	46.31 %
Highest price in 2018	EUR 133.00 (22 January 2018)
Lowest price in 2018	EUR 103.00 (11 April 2018)

Summary/share performance

GK Software AG shares, which are listed in the Prime Standard section of the Frankfurt Stock Exchange, were subject to a fairly long sideways trend during the first half of 2018, following a fairly strong downward spiral at the beginning of the year. The shares were worth EUR 114.00 at the end of the reporting period. This corresponded to market capitalisation of EUR 219.4 million at the end of the first half of 2018.

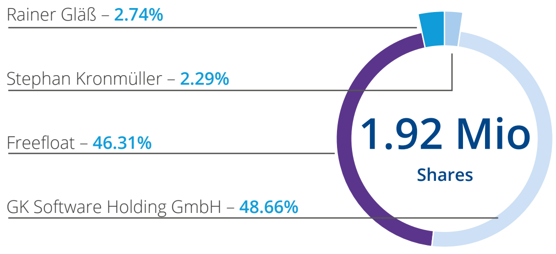
Shareholder structure

GK Software SE has an extremely stable shareholder base, which is enabling the Company to achieve long-term and sustained development.

The shareholder structure on the reporting date (30 June 2018) was as follows, according to the information made available to us:

Shareholder structure on 30 June 2017

F.01



Rainer Gläss, a company founder and the CEO, directly held 2.74 percent of the shares. Stephan Kronmüller, also a Company founder and the former Head of Technology and Development, directly held 2.29 percent of shares.

48.66 percent of the shares were owned by GK Software Holding GmbH, which have been indirectly and equally apportioned to the shareholders Rainer Gläss and Stephan Kronmüller. This meant that 46.31 percent of the shares were in free float on 30 June 2018.

The Company was informed about the following holdings in GK Software SE, which exceeded the 3 percent threshold:

Amounts exceeding the threshold value

T.02

Correct on	Shareholder	Share in %
17.3.2016[1]	Scherzer & Co. AG, Cologne	6.36
22.9.2016	Wilhelm K. T. Zours (of which Deutsche Balaton Aktiengesellschaft, Heidelberg with 3.18%)	6.55
27.12.2013	SAP SE, Walldorf	5.29

1 –Initial notification of 5.23 percent on 6 March 2012. Information on the current portfolio by the shareholder on 17 March 2016.

Directors dealings in 2018

Directors dealings

T.03

Date	Person acting	Position	Activity	Number of shares	Market price EUR
31 May 2018	André Hergert	CFO	Purchase	5,000	25.02
11 June 2018	André Hergert	CFO	Sale	2,149	111.00
29 January 2018	Rainer Gläss	CEO	Sale	15,000	118.00
14 March 2018	Rainer Gläss	CEO	Purchase	5,000	25.02

Investor relations

GK Software deliberately chose to have its shares listed in the most stringently regulated sector at Deutsche Börse, the Prime Standard, for its flotation in the summer of 2008. The highest possible degree of transparency towards its investors and all the other participants in the capital markets has been one of the most important Company principles from the outset.

André Hergert, the CFO, is responsible for investor relations, which has been assigned its own department under the leadership of Dr René Schiller. This guarantees that any enquiries from investors and potential investors are answered immediately.

GK Software AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this involves the completion of quarterly reports and extensive half-yearly and annual reports in German and English, a finance calendar, compulsory announcements, which have to be published immediately, and corporate news. The accounting system has been adapted to the international IFRS accounting standards and also meets investors' requirements for information. As in previous years, GK Software will hold its analysts' conference during the Frankfurt Equity Capital Forum in 2018 too. Investor and press roadshows also take place at regular intervals so that the Company remains in permanent contact with the capital markets.

B

Interim group management report

Business Report

Business and general conditions at GK Software

Corporate structure and holdings

- **Fourteen business sites in Europe, the USA and South Africa**
- **Both company founders are actively involved in the Company**

GK Software SE[1] is one of the world's leading technology companies for retail sector software with a special focus on solutions for large and very large retail companies with many local stores. GK Software SE and its predecessor company, G&K Datensysteme GmbH, which was founded by Rainer Gläss and Stephan Kronmüller and changed its name to GK Software AG in 2001, have been successfully operating in the market place for 28 years. The Company's flotation took place in the Prime Standard segment of the Frankfurt Stock

1 – The expression GK Software always refers to the corporate Group in the following text. "The Company" is also used as a synonym. When GK Software SE is used, this exclusively refers to the individual company.

Group structure of GK Software AG

F.03

Exchange in 2008. GK Software AG was transformed into GK Software SE on 19 January 2018.

The Company's headquarters have been located in **Schöneck/Vogtl.** since it was founded. Alongside its administration department, the product development department, project management and third-level support facilities are all based at this site. 1. Waldstrasse GmbH, which was founded to prepare for the takeover of new business activities, is another wholly owned subsidiary of GK Software SE. GK Software SE has a branch next to Checkpoint Charlie in **Berlin**, which is primarily responsible for managing the marketing, sales and partner activities; parts of the software development work are also based there. The branch in **Jena** started operating in 2018 so that the Company can benefit from the excellent opportunities for gaining personnel in this high-tech region in the state of Thuringia.

The Group's second largest business location has been situated in **Plzen** in the Czech Republic for more than twenty years. Software production and research & development are the main activities pursued by the wholly-owned subsidiary, **Eurosoftware s.r.o.** Major work on programming and further technological developments for the solutions provided by GK Software take place at the Plzen site. **TOV Eurosoftware UA** in **Lviv** has been an additional wholly-owned subsidiary of GK Software SE and a site for customised software development since the beginning of 2016.

GK Software AG has another wholly owned subsidiary in **Dübendorf** in Switzerland called **StoreWeaver GmbH**. StoreWeaver GmbH has a German branch in **St. Ingbert** in the German state of Saarland. The teams in St. Ingbert are primarily responsible for the onward development of customer projects and they also look after the customers of our SQRS solution.

AWEK GmbH, which focuses on providing services, is also a wholly owned subsidiary. It has its headquarters in **Hamburg**. Mobile technicians for field services are managed from there and cover the whole of Germany. **AWEK microdata GmbH**, which is also a wholly owned subsidiary and is based in Hamburg, specialises in the ongoing development of the euroSUITE checkout software for smaller and medium-sized enterprises and looks after the installations where this software is in use. AWEK GmbH and AWEK microdata GmbH together form the IT Services segment within the Group.

GK Software SE has its own sales organisation in Russia in the form of **OOO GK Software RUS**. **GK Software USA Inc.** was founded in the USA in December 2013 in order to support the expected expansion of our North American business locally through an organisation of our own. The retail segment of DBS Data Business Systems Inc., which was taken over in March 2015, has been incorporated into GK Software USA Inc. **GK Software Africa (Pty) Ltd** was set up in South Africa at the start of 2015.

GK Software SE (at the time still GK Software AG) took over the majority of shares in **prudsys AG** in **Chemnitz** on 1 November 2017. prudsys AG develops and sells a solution concentrated on personalisation and dynamic pricing and this is based on artificial intelligence methods. GK Software completely acquired **valuephone GmbH**, which has its headquarters in **Berlin,** in June 2018. The company is development mobile consumer solutions for the retail sector, which have already been sold by GK Software since 2017.

The Management Board of GK Software SE consists of Company founder Rainer Gläss (CEO, Strategy, Marketing & Sales) and André Hergert (Finances). The Management Board is supported by a Group Management Board, which consists of the following members: Stephan Kronmüller, Michael Jaszczyk (CTO), Harald Göbel (Customer Solutions & Services) and Stefan Krueger (Sales).

The three-man Supervisory Board at GK Software SE is led by the Chairman Uwe Ludwig. He has been a member of the Supervisory Board since 2001. Uwe Ludwig's period in office ends at the conclusion of the annual shareholders' meeting in 2021. Thomas Bleier was elected to the Supervisory Board in 2003. His period in office was confirmed at the annual shareholders' meeting in 2018 and he will remain a member until the annual shareholders' meeting in 2022. Herbert Zinn was first elected to the Supervisory Board at the annual shareholders' meeting in 2011. His current period in office ends with the annual shareholders' meeting in 2023.

Personnel

- **Further growth at almost all the business sites**
- **Trainee and further training programmes for members of staff**

A total of 1,147 people were employed within the Group on the reporting date of 30 June 2018 (excluding members of the Management Board and trainees). This means that there are 203 more employees than on the same reporting date in the previous year (944).

A large number of the Group's employees (366) continue to work at the business site in Schöneck (324 in H1 2017). The Berlin branch currently has 86 employees working in the sales & marketing, project and partner management, development and first-level support (hotline) departments (the figure was 64 at the end of the first half of 2017).

The number of people employed at the Czech subsidiary EUROSOFTWARE s.r.o. in Plzen was 223, 28 more than at the same time in the previous year (H1 2017: 195).

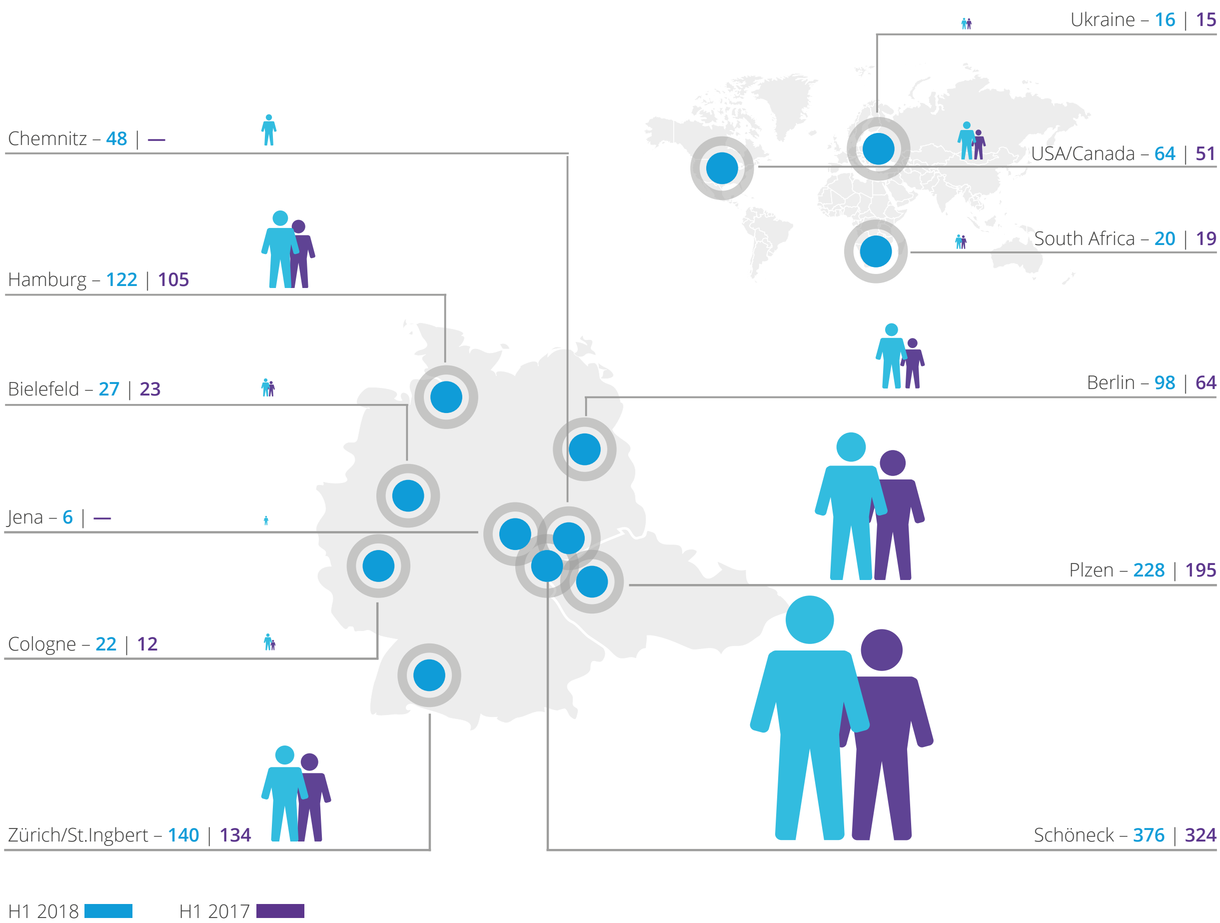
122 people were employed in the IT Services sector in Hamburg at the end of the first half of the year (105: H1 2017), including many mobile service technicians, who are spread across Germany. 27 people were employed at the second IT Services site in Bielefeld on 30 June 2018; they mainly work on software development (23: H1 2017). Overall, the IT Services division has 149 employees (H1 2017: 128).

135 people were working at the business site in St. Ingbert at the end of the reporting period (H1 2017: 129). 5 people were working in Dübendorf, the same number as twelve months ago.

The branch in Cologne had 22 members of staff at the end of the reporting period, in comparison with 12 at the end of the first half of 2017. At this time, one person was employed at the Russian branch (H1 2017: 2). 64 people were work-

Distribution of employees at group business locations (from 5 employees) on 30 June 2018

F.04



ing for GK Software in the USA (H1 2017: 51). The South African subsidiary employed 20 people on the reporting date (H1 2017: 19). 16 people were employed at the business site of the Ukrainian subsidiary in Lviv (H1 2017: 15).

The increase in the number of personnel was also due to the takeover of valuephone GmbH (27 employees) and the acquisition of the majority of shares in prudsys in Chemnitz (48 employees).

The Management Board expects the growth in employee numbers to continue at a moderate pace in future and the firm will primarily continue to look for highly qualified employees.

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost growth in turnover at GK Software from a human resources point of view too. 908 employees took part in training courses at the GK Academy during the first half of 2018, for example. New employees undergo extensive and standardised introductory courses, while a permanently adapted training programme is available for all employees too. The Company is also actively involved in training new or future employees. They include trainees on apprenticeship courses, students from universities of cooperative education or students on sandwich courses. Ten trainees and eight students (from the company training centre or on sandwich courses) are currently employed at GK Software SE. 12 student trainees are also working at the company, 21 students are completing a voluntary or compulsory placement and six of them are writing degree dissertations, which are being supported by GK Software. At least 26 school pupils from the region were also given the opportunity of getting to know the firm first-hand in the form of pupil placements or holiday jobs during the first half of 2018. These different measures are providing the first success stories in gaining new employees and the aim is to further intensify them in future.

The GK Software solution portfolio

- **GK Software — Simply Retail**
- **An extensive portfolio of omni-channel solutions**

The OmniPOS platform

GK Software is convinced that only innovative, marketing-driven retail companies with optimised logistics will be able to survive in the omni-channel world that is currently developing. Retail companies will therefore increasingly become technology-oriented companies, which have to be capable of mapping all their consumers' needs on one modern technological platform. At the same time, it will be necessary for them to ensure that they will not handle the increase in complexity with more and more solutions that are running in parallel alongside each other. The main task therefore involves reducing the complexity through a suitable platform solution again and creating solutions that remain operable and manageable for the users despite growing demands, particularly from consumers. The Company's current slogan "Simply Retail" takes this into account.

In line with this this aspiration, GK Software is following the idea of creating a unified and end-to-end technological platform, which pursues the goal of enabling a consistent and personalised consumer experience through all the so-called customer touch points. It must also be possible on this standard platform to create special expansion opportunities for each of the Company's customers in order to map the individual excellence and the creativity of each retail firm. For the latter forms the basis for the specific competitive benefits and unique characteristics of any retailer and ensures that it is perceived as a separate brand within the large number of providers in the retail sector.

The retail sector faces a number of major challenges for the future and this process is being driven by e-commerce. In order to cope with this digital transformation process, the retail sector has to find the correct answers to five main fields of digitalisation in GK Software's view. They are: customer-centredness, smart retail technologies, expansion, process automation and the consumer supply chains. A customer-centred approach has a very high priority and means that all the processes and functions always have to be considered from the point of view of customers. The rapid speed of technological developments enables new technologies and devices to be used permanently and checks need to take place to see whether they improve the shopping experience for customers and open up new opportunities. In contrast to the cut-throat competition created by online retailers, the classic retailers will have to seek to expand into new markets, enable franchise concepts or verticalise their business even more strongly than in the past. The optimisation of business processes on the basis of new technologies - artificial intelligence and machine learning should particularly be considered here - will also significantly strengthen efficiency in many fields of activities. Not least, the retail trade will have to extend and improve supply chains to customers by using omni-channel concepts in order to offer them the same experience as e-commerce traders. All these processes, which are relevant to competition, demand a far greater use of modern technologies, end-to-end concepts and innovative approaches - and they are exactly what have been included in the architecture of OmniPOS.

This is why the Company has made such significant investments during the last few years in order to enable the process of digital transformation with specific solutions. This has meant that significant parts of the range of solutions have been newly developed in order to safeguard the future viability of the GK range of solutions for years to come and not just rely on the status quo. The results of this fundamental management decision are not as clearly evident at first glance as the switch from DOS to Java was, for example. However, if we view the effects resulting from this, the expenditure associated with it and the dimension of this change in general terms, this step that has been taken in terms of software development is at least just as great as the former one.

The new solution platform known as OmniPOS (POS = Point of Sale), which emerged from these investments, was initially brought on to the market at selected customers in a ramp-up phase, starting in 2015. This solution platform is far more than the preceding solution, GK/Retail POS (version 12), which is in use at most customers. The fundamental architecture idea of OmniPOS is being able to use nearly all the functions in a modular and dispersed manner and with or without user interfaces. Each function must be usable as a central service, but also as a local instance and be secure across network boundaries. At the same time, the central services must be able to handle the simultaneous operation of very many clients at a data centre or in a (private) cloud. This is the only way to make it possible to guarantee operations at thousands of checkouts, calculate prices at a web shop or safeguard communications with a huge number of customer devices, all at the same time.

The various GK Software products are brought together in the OmniPOS platform with their specific features. The Mobile Customer Assistant solution is part of the OmniPOS platform and is used in the projects in a modular way, depending on what the customer wants. All the solution components are fully based on the same infrastructure, the same programming paradigms, Java and other modern programming languages as well as open standards. This means that they do not depend on any particular hardware or operating system.

OmniPOS was officially launched at the beginning of 2016. The company is continuing to maintain version 12 of the GK/Retail Business Suite, which was sold previously, and adapt it to special customer wishes. However, OmniPOS has been exclusively used in new projects since 2016.

The new cloud4retail operating model was introduced in February 2018. It complements the classic on-premises scenarios that can be used with OmniPOS by providing hybrid or pure options involving the use of a cloud. As a result of cloud4retail, GK Software is the first provider of a leading enterprise POS solution to make it available in a cloud as part of a full-service range of options. Using the SaaS solution offers a huge reduction in direct operating costs for retailers' own hardware and personnel. GK Software is responsible for the complete operations and maintenance work and this enables retailers to use one of the world's leading solutions and only create a very low technical footprint.

Almost the complete portfolio related to the OmniPOS platform is being sold by SAP with identical features using the SAP Omnichannel Point-of-Sale by GK and SAP hybris Mobile Customer Assistant by GK product names.

Suitable for any sector

The OmniPOS platform is not geared to any individual retail segment, but is equally suitable for all the formats and segments in the tax-based retail sector - ranging from small stores to department stores, from food retailers to fashion and even specialist retailers.

Suitable for any device

The architecture of the OmniPOS platform has been designed so that it is not just possible to use it with a particular type of device or class of device. The underlying open client concept ensures that nearly all standard devices can be used on the basis of the same cloud-enabled services. They include mobile and in-store checkouts on a wide variety of types of hardware, scales, self-checkouts, self-scanning devices, mobile data logging devices for employees, tablets or, not least, the broad variety of consumer smartphones.

For all store processes

OmniPOS not only takes over the classic checkout functions within a store, but is geared towards handling all the store-related business processes associated with goods, money and customers. As a result, the services on the platform handle all the functions necessary to operate stores, ranging from promotion management to in-store merchandising or price labelling and even cash management.

Secure operations

The daily operations involving thousands of devices and the central services associated with them are a huge challenge for any retailer. The issues of configuration and monitoring are therefore a central element in the OmniPOS platform. Operations can either be safeguarded by the retailer itself or by GK Software or a partner in the form of a cloud service.

Integrating the peripherals
The stores at retailers, particularly those in the food retail sector, are equipped with a wide range of different types of technology. The OmniPOS platform includes all these different peripheral items and handles the data supply and data removal in real time. This prevents any parallel flows of data and isolated solutions in stores, it simplifies operations for systems and reduces costs in the long term.

Central services for all the channels
One of the basic concepts of OmniPOS is that information for different channels and types of devices is made available centrally and can be requested by various data users. Price calculations (Central Pricing Engine), managing promotions (Central Promotions Engine) or storing and making available points or virtual credit (Stored Value Server) are crucially important in an omni-channel world. These solution components are core services of OmniPOS and are available for all the retailer's channels with the same quality.

Artificial intelligence
One unique feature of the OmniPOS platform of solutions is the use of artificial intelligence to optimise decision processes involving large amounts of data. By taking over the majority holdings in prudsys AG, the Company has been able to reinforce its capabilities with extensive expertise in the field of artificial intelligence and machine learning. prudsys has an in-house developed Realtime Decisioning Engine (RDE), which makes available various methods of artificial intelligence and they can be used for various purposes in the retail sector. The issues of dynamic pricing and personalisation are a particular focus in these systems. Personalisation supported by machine learning allows retailers to address customers at all the touch points in a precise and targeted manner - whether in a store, on a mobile device or at a web shop. A second major area involves dynamic pricing, where the prices are calculated using artificial intelligence in order to optimise the turnover in simultaneous cooperation with the margins. The prudsys solutions are being used by more than 50 customers in many countries and their significantly enhance the competitiveness of GK Software.

Ongoing product development
Investments were made in the ongoing development of the OmniPOS cloud solution and the Mobile Customer Assistant consumer platform during the first half of 2018. Both solutions have been successfully given premium qualification by SAP. New products and functions are checked by SAP as part of this kind of product test and in each case the current version was released for sale.

Other solutions in the portfolio

Payment services
In the field of payment services, GK Software offers a market-leading solution for handling payments in the USA in the form of TransAction+ and it is able to integrate a large number of point-of-sale systems and a large range of payment authorisation providers. It meets high data protection standards and supports credit and debit cards and gift vouchers, "electronic benefits" as well as cheque authorisation and accounting for more than 40 payment providers in the USA. The software manages customer-oriented payment devices at the highest level and is certified for the latest EMV transactions (chip and PIN).

The SQRS software package
When acquiring the assets of the former company known as Solquest GmbH, its range of solutions known as Solquest Retail Solutions (SQRS) was also taken over and they are still in use at eight customers with approx. 4,670 installations. The particular high-performance features of the software were in the areas of SAP integration and mobile solutions. The SQRS solutions were no longer marketed after the takeover of Solquest in order to keep the Group's portfolio of products slim. However, minor adjustments are still being made as part of existing customer relations and they are handled by StoreWeaver GmbH. Alongside this, a migration path has been developed in order to provide a long-term perspective for the customers of the former Solquest GmbH company.

The euroSUITE solution from AWEK
AWEK develops and markets software for medium-sized companies known as euroSUITE and it com-

plements the GK Software range; it is primarily geared towards the medium-sized retail sector and the company provides support for an earlier version of this software used by several customers in German-speaking countries.

Developing and adapting software
In addition to its products, GK Software also provides comprehensive software services. The most important component in this context involves customising and adapting software developments during the initial projects and subsequently introducing change requests, which are a permanent feature of most projects. They include, for example, adapting software that is already in productive use to broader customer requirements, such as integrating new bonus systems in the checkout environment. Classic issues like consulting, project management or training courses come under the heading of developing and adapting software too.

Maintenance and services
In addition to software maintenance that is subject to charges, where the aim is to eliminate errors and faults, GK Software is able to offer full services to the retail trade too. This means that GK Software can now provide maintenance for third-party software and hardware made by a wide variety of manufacturers. About 40 mobile service technicians are available for this work and they can reach any store in Germany within set times. In addition to providing classic services, the company can handle other options like rollout services or staging (the initial installation of systems). A customer care management department has been established as part of the further expansion of the Company's service portfolio; it supports existing customers in a wide variety of tasks related to operating and adapting the solutions that they use. A special services department has also been established to help customers continually optimise their productive applications and the way that they interact.

Partner training

The GK Academy continued its partner training work during the first six months of the year. 135 employees from 13 partners and customers were trained in this period alone so that they are able to introduce or adapt GK solutions. Alongside this, hardware from three manufacturers was tested and certified for use with GK Software solutions or the certification process was in the preparation stage.

Customers and projects

- **Gaining more major new international projects**
- **Sales successes with the omni-channel solution are continuing.**

Most of GK Software's customers continue to come from the retail sector. The market sectors for the Company are primarily the food retail sector, drugstores & household goods, fashion & lifestyle, DIY & furniture markets or technology & cars. The products and services are primarily geared towards large and medium-sized enterprises and are particularly suitable for customers with many stores in several countries.

GK Software currently has more than 250 customers. This figure includes about 100 customers at prudsys AG, which was taken over in 2017, 37 customers from the retail segment of DBS Data Business Inc., which was taken over in 2015, and 20 customers at the AWEK Group, which was taken over in 2012. The Company maintains business relationships with 11 customers that are numbered among the 50 largest retailers in the world (GlobalTOP50). The Company has productive installations operating in 51 countries.

New customer projects in 2018:
- A leading pharmacy chain in Australia (approx. 470 outlets in Australia)
- A leading electronics retailer in Scandinavia (about 400 stores)
- Hy-Vee/supermarket operator (approx. 250 outlets in the USA)
- A pharmacy chain (approx. 20 outlets in Egypt)
- A household goods retailer (approx. 30 outlets in Saudi Arabia)
- A leading luxury fashion retailer (approx. 300 outlets around the globe)

- An AWEK migration project for a DIY retailer (90 stores in Germany and Luxembourg)

In terms of existing projects, the first half of 2018 was dominated by successful pilot operations in several projects, rollouts and intensive change request business. OmniPOS was successfully rolled out at numerous customers in a wide variety of retail segments. Several existing customers are already testing a switch to OmniPOS at the moment. Three existing customers have already decided to introduce it and some of them have already rolled out the solution in several countries. Other country versions have already been handed over and rolled out in several current projects. This will create the conditions to ensure that we will be able to continue consolidating relations with our customers, which have existed for many years. We have also been able to sign further contracts with existing customers and they cover, for example, extensions to licencing agreements or developments to software or other services.

The fact that there are now more than 60 joint customer projects where SAP has sold GK solutions is evidence of the active partnership with SAP. The strategic relationship between both companies in the store sector was also reflected in their joint activities at the NRF in New York, the EuroCIS in Düsseldorf or the Retail Week in Paris, as well as numerous other coordinated activities.

Market and competitive environment

- **A positive first half of the year**
- **Growth of approx. 2.0 percent expected in 2018**
- **Investment needs for retail IT remain high**

Business developments at GK Software are significantly affected by the economic situation in the retail sector in Europe, the USA and other developed markets. Apart from the general need for investments in the retail sector and other factors, this forms an important basis for the forecasts covering the Company's ongoing opportunities. Following the successful year in 2017, the first six months of 2018 were positive for the retail sector in Germany too. Turnover in the German retail sector grew by 5.3% in nominal terms and 3.0% (adjusted for prices) during the first half of 2018 in comparison with the same period in the previous year. [1] Forecasts envisage growth of 2.0 percent for the year 2018. [2] The general economic conditions in GK Software's home market therefore continue to be positive. A glimpse at neighbouring countries reveals differing trends. Turnover in the first six months in Austria, for example, rose between 1.2 and 3.6 percent, compared to the previous year. Developments in Switzerland were much less consistent; turnover in the retail sector there varied between -0.5 and 3.1 percent during different months. [3]

The overall prospects for the European retail sector indicate an ongoing upward trend. Turnover adjusted for inflation rose, for example, by between 1.7 and 2.3 percent on average in the months from January until May, in comparison with the figures from the previous year. [4] This development could also be observed in the crisis-ridden countries in southern Europe. [5]

There has been a continual upward trend in retail sales in the USA since the middle of 2012 and this has ensured greater IT investments in the world's largest retail market. [6]

However, it is not possible to draw any linear conclusions from all these developments in terms of the readiness of retailers to invest, as they do not necessarily lead to higher IT budgets, as previous years have shown in Germany. However, they do form a basis, at least in the medium term, for making investments and no longer postponing them.

1 – Press review no. 280 dated 31 July 2018, https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/07/PD18_280_45212.html

2 – Developments in turnover in the retail sector, correct in February 2018, http://www.einzelhandel.de/index.php/presse/zahlenfaktengrafiken/item/110189-umsatzentwicklungimeinzelhandel

3 – Eurostat, Turnover in the Retail Sector Overall, http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teiis200&plugin=0 (annual comparison)

4 – Eurostatistics Data for Short-Term Economic Analysis, Issue Number 07/2018, p. 24 (Retail trade deflated turnover)
http://ec.europa.eu/eurostat/documents/3217494/8110550/KS-BJ-17-007-EN-N.pdf

5 – http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teiis200&plugin=0

6 – http://ycharts.com/indicators/retail_sales

The ifo business climate index for the retail sector reached figures between 10.4 and 19.3 in the first and second quarters.[1] This means that the majority of the approx. 9,000 retail companies questioned about their business situation responded in a positive manner at this time. On the consumer side, the data in Germany continued to move ahead in June 2018, according to the GfK consumer climate index; this was primarily due to higher prices and the good economic situation.[2]

Prospects continue to be very positive in the e-commerce sector; global turnover will continue to rise in 2018 and the HDE in Germany is expecting sales of EUR 53.4 billion.[3] The challenges associated with this for the retail sector also affect the solutions provided by GK Software, as the Company's customers have to face them when remodelling and introducing new elements in their IT landscapes. Other new issues like cloud services and artificial intelligence are acting as further driving forces. The EHI Retail Institute Study: "IT Trends in the Retail Sector" shows that 39 percent of those questioned felt that the importance of cloud services in the retail sector would grow significantly[4] and 38 percent are planning to use artificial intelligence in their CRM systems[5]. The RIS News "Store Experience Study 2018" also proves that artificial intelligence and machine learning are the second most important priority for retailers in terms of developing technologies and [6] cloud-based technologies will have a significant effect on the process of digital transformation[7]. Omni-channel retailing continues to be highly significant. There is much ground to be made up in Germany in fields like home delivery, for example. The market share of online retailing in the whole food market is only 3.8 percent in Germany[8], for example, while it is already 33 percent in Great Britain[9]. Test procedures are currently taking place in Germany to a greater degree and cover issues like store-based deliveries, click-and-collect or central warehouse-based deliveries. About 70 percent of German omni-channel retailers already offer two services like in-store returns or click and collect.[10] It is also clearly evident that omni-channel retailers can keep pace with the growth of pure online providers or even grow more strongly. Pure online market places grew, for example, by 9.8 percent during the second quarter and therefore accounted for half of the online business. Omni-channel retailers with their origins in the store-based business even grew by 10.5 percent. Their turnover accounted for about one third of the pure online retailers.[11] This shows clearly that in-store retailers, which also manage their business online, have been increasingly in a position to make use of their advantages arising from the combination of stores and web shops. GK Software has been preparing its solutions for this development by moving in the direction of omni-channel retailers for years and therefore believes that it is in an excellent position to meet the relevant demands. New and replacement investments continue to be generally subject to the proviso that they must equip firms for these future issues.

The need for investments by the retail trade remains high, as the study published by the EHI Retail Institute entitled "IT Trends in the Retail Sector in 2017" indicates. 95 percent of those companies questioned by the EHI at least expected their IT budget to remain constant, if not increase.[12] The RIS News "Store Experience Study 2018" show that the retailers questioned want to increase their IT expenditure by 5.6 percent annually on average in order to, for example, personalise the customer experience, make warehouse stocks

1 – Bottom lines in the ifo business climate for the retail sector in Germany (seasonally adjusted) from June 2017 until July 2018, https://de.statista.com/statistik/daten/studie/155602/umfrage/ifo-geschaeftsklima-fuer-den-einzelhandel/

2 – https://www.gfk.com/de/insights/news/consumer-index-juni-2018/

3 – http://www.einzelhandel.de/index.php/presse/zahlenfaktengrafiken/item/110185-e-commerce-umsaetze

4 – EHI Retail Institute, Study: IT Trends in the Retail Sector in 2017, p. 25

5 – Ibid., p. 28

6 – Ibid., p. 10

7 – RIS News, Study: Store Experience Study 2018, p. 10

8 – HDE: https://www.einzelhandel.de/index.php?option=com_content&view=article&id=11042

9 – https://de.statista.com/statistik/daten/studie/319099/umfrage/anteil-der-online-kaeufer-von-lebensmitteln-im-laendervergleich/

10 – EHI study: Omni-Channel Commerce 2017, p. 33

11 – For Q1, https://www.bevh.org/presse/pressemitteilungen/details/datum/2017/april/artikel/nachhaltiges-umsatzplus-im-online-handel-im-1-quartal-2017-lebensmittel-haushaltswaren-und-schuhe/,, für Q2, https://www.bevh.org/presse/pressemitteilungen/details/datum/2017/juli/artikel/weiteres-umsatzplus-im-online-handel-steigerung-von-111-prozent-im-1-halbjahr-2017-gegenueber-vor/

12 – EHI Retail Institute, Study: IT Trends in the Retail Sector in 2017, p. 34

visible, improve loyalty programmes or be able to use a standard customer database along all their channels. [1] These positive market trends are also an important element in the discussions that GK Software is holding with existing customers and potential interested parties. The IT departments at retailers are also focusing on other issues related to technologies and processes, for which GK Software is in an ideal position to cater with its new GK/Retail OmniPOS solution. Overall, the conditions for the course of business at GK Software remain positive for the second half of 2018. And this is all the more so, because the base of potential customers has been further expanded in the international arena through the partnership with SAP. But these trends are subject to the proviso that the global economy is not hugely disrupted by political or economic factors, which would have a negative effect on economic developments.

GK Software continues to assume that the necessary investments in new systems needed in the short and medium term and the introduction of new issues within the retail sector will continue to offer sales potential in Germany and in the other markets that are being actively processed. There is also an expectation that the partnership with SAP in particular will create further success stories in the international marketplace and reinforce the company's potential in the long term.

GK Software is currently in a very good position in several current tender procedures around the globe, both in direct sales and its partner business, and has significant advantages over its rivals through its broad portfolio of products, the internationality of its solutions and its proven ability to handle projects quickly.

Explanations on the target/ performance comparison

The Management Board had issued the following forecast for the financial performance indicators for the corporate Group combined under the umbrella of GK Software SE for the 2018 financial year.

"The goal of our previous medium-term strategy until 2018 remains unchanged. That is to say, we wish to return to the familiar profit margins of more than 15 percent (EBIT margin on operating performance) for our core business in the coming financial year and then maintain this level during the next few years. However, the expenses from tapping into new geographical markets could continue to impair developments designed to achieve this goal, as already mentioned .... Even short-term delays in existing customer projects can have a considerable impact on the Company's earnings situation. It is precisely the uncertainty about achieving individual sales prospects, which, in conjunction with the size of the Company, creates a forecast for the EBIT that is fraught with considerable uncertainties, as individual large-scale sales opportunities can involve a significant share of turnover revenues with particularly high profit margins.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the GK/Retail's turnover will continue to grow considerably again in 2018.

We are confident that we will be able to continue our growth in turnover during the next three years and have again set the goal of increasing our turnover compared to the figure in 2017 (EUR 90 million) by about fifty percent by 2020. We wish to increase our earnings in our core business to about 15 percent in 2018 and achieve this figure in the next few years too.

We are therefore maintaining our proviso that the expenditure for tapping into new markets, which continues to be a high priority, the postponement of customer projects with fairly large volumes or a general deterioration in the overall economic situation could impair the achievement of this goal."

Developments during the first half of 2018 both in the individual Company and within the Group proved that the expectations formulated by the Management Board are realistic. The Group was able to increase its turnover by more than ten percent from EUR 44.14 million to EUR 49.05 million compared to the previous year.

1 – RIS News, Study: Store Experience Study 2018, p. 8

The increased readiness on the part of possible customers, which was already registered in the previous year, has continued into this reporting period and is expressed in the huge level of interest in our OmniPOS cloud solution. It is true that interest has significantly increased because of the good reports about initial experiences with the OmniPOS solutions, which are now in productive use, but possible users still need to be convinced that the ranges of solutions provided by GK Software will support them in future too.

Access to the markets in North America and Africa has improved too. While it is possible to describe the organisation of GK Software in Africa as established, the situation in North America has improved significantly because of the measures that have been introduced, but it can still not be described as satisfactory. We are therefore continuing our efforts to improve the results from the business unit in North America without being diverted from our goal.

Explanation of the business results and an analysis of the assets, financial and earnings situation

Earnings situation

- **Turnover: EUR 49.05 million; EBITDA: EUR 2.39 million.**

The Group's total turnover rose by 11.1 percent from EUR 44.14 million to EUR 49.05 million in comparison to the same reporting period in the previous year. The Group's core segment, GK/Retail, continued to developed in a particularly gratifying way at a rate that was well above average: Turnover here rose by 17.5 percent from EUR 37.05 million to EUR 43.55 million. However, turnover declined in the IT Services business segment to the tune of 21.7 percent (EUR 5.24 million, following a figure of EUR 6.69 million in the first half of 2017); this was due to the ending of the business relationship with one customer.

In line with expectations, turnover in the SQRS (Solquest Retail Solutions) business segment continued to decline and fell from EUR 0.40 million to EUR 0.26 million.

Because of the strong growth, the share of total turnover generated by the GK/Retail segment rose to 88.8 percent (83.9 percent in the previous year), while the shares for IT Services and SQRS only amounted to 10.7 percent (15.2 percent) and 0.5 percent (0.9 percent) respectively.

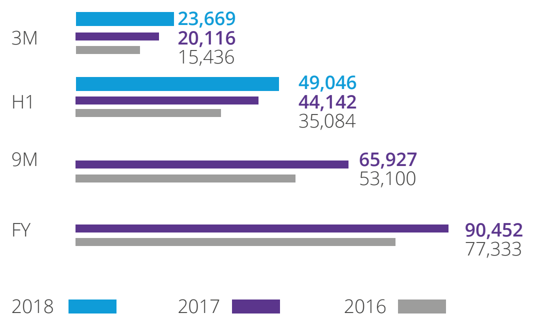
The development of licensing revenues for GK/Retail was particularly gratifying: The figure for granting product licences in the GK/Retail segment amounted to EUR 6.20 million (compared to EUR 4.98 million for the same period in the previous year). In addition, revenue was generated from granting usage rights to customised software and this amounted to EUR 4.03 million. Product licence revenues amounting to EUR 0.40 million were received for our small & medium enterprise solution known as "euroSUITE" in the IT Services segment; this was in line with our expectations.

It was possible to generate higher turnover than in the comparative period in the maintenance sector; the figure amounted to EUR 13.97 million and was 2.9 percent higher than during the comparative period in the previous year. This increase was registered in the GK/Retail segment; its maintenance revenues rose by 12.1 percent from EUR 9.06 million to a figure of EUR 10.15 million, while the turnover from maintaining hardware in the IT Services segment was EUR 0.55 million lower than in the previous year.

Turnover for software development work, which is the result of introductory and adaptation services in customer projects, remained slightly below the figure for the previous year at EUR 22.86 million (2017: EUR 23.47 million). The main reason for this can be found in customised programming that

Quartaly sales development compared to previous years
in EUR K

F.05



has been assessed as granting licence rights for software since the fourth quarter of 2017 - if it is accompanied by a maintenance agreement. This amounted to EUR 4.03 million during the first half of 2018. If we include this turnover, the revenues from software development rose by 14.5 percent compared to the previous year.

The Group's other turnover revenue rose by 13.0 percent to a figure of EUR 1.27 million. 54.2 percent of this turnover was generated by the IT Services segment and 45.8 percent by the GK/Retail segment.

It goes without saying that significant investments were made in improving and expanding the products at GK Software during the first half of the year in 2018. However, we assume that this work will no longer meet the conditions for capitalisation, so that we will not enter any revenues from capitalising own work in future.

As a result, operating performance matched the turnover and amounting to EUR 49.05 million, following a figure of EUR 44.14 million during the same period in the previous year (+11.1 percent). Other operating revenues (EUR 2.20 million) exceeded the previous year's figure of EUR 1.42 million by a considerable degree, primarily because of reversing accrued expenditure that was no longer required and uncertain liabilities. Total operating revenues at EUR 51.25 therefore exceeded the previous year's figure by 12.5 percent.

Total operating revenue

T.04

	30.6.2018		**30.6.2017**		**Change**	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales	49,046	95.7	44,142	96.9	4,904	11.1
Operating revenues	**49,046**	**95.7**	**44,142**	**96.9**	**4,904**	**11.1**
Other operating revenues	2,199	4.3	1,422	3.1	777	54.6
Total operating revenues	**51,246**	**100.0**	**45,564**	**100.0**	**5,681**	**12.5**

Expenditure on unfinished and finished goods and purchased services rose by EUR 0.26 million to a total figure of EUR 3.93 million. While expenditure for goods used and semi-finished products declined by EUR 0.18 million and was largely due to the reduced need for goods in the IT Services segment, expenditure on project-related services increased by EUR 0.44 million to a total figure of EUR 3.10 million. The increase is an expression of the constant efforts to keep capacity reserves flexible. Fairly small, insubstantial work packages are therefore passed on to third parties in order to parallelise and therefore accelerate production processes, but still not allow any relevant expertise to be created outside the corporate Group.

The continual increase in the volume of incoming orders, the requirements for developing the overseas market regions and the ongoing projects to expand the solution created a situation where the capacities for product development and project handling and completion were increased once again. As a result, the average number of employees rose from 915 to a figure of 1,073. The growth in personnel resulted in an overall increase in personnel costs from EUR 27.68 million in the previous year to EUR 33.16 million in the reporting year. The increase amounted to EUR 5.48 million or 19.8 percent. The personnel ratio was therefore 3.9 percentage points above the previous year's figure at 64.7 percent.

Other operating expenditure rose by EUR 2.85 million to EUR 11.77 million. The main reasons for this were increased expenditure in order to expand the different business sites in line with the increase in employee numbers and enable general improvements in the working environment (EUR +0.68 million), increased expenditure to gain and tie employees (overall now EUR 0.69 million, which represents an increase of EUR +0.11 million) and the ongoing intensification and geographical expansion of the business activities (EUR +0.76 million for travel and sales activities).

Turnover by segments

T.05

	H1 2018		H1 2017		Change		FY 2017	
	EUR K	in %	EUR K	in %	EUR K	in %	EUR K	in %
Turnover with								
GK Retail	43,550	88.8	37,054	83.9	6,496	17.5	74,784	82.7
SQRS	256	0.5	400	0.9	(144)	(36.0)	811	0.9
IT-Services	5,240	10.7	6,688	15.2	(1,448)	(21.7)	14,857	16.4
Total	**49,046**	**100.0**	**44,142**	**100.0**	**4,904**	**11.1**	**90,452**	**100.0**
Licenses	**6,605**	**13.5**	**5,557**	**12.6**	**1,048**	**18.9**	**9,831**	10.9
GK Retail	6,202	12.6	4,979	11.3	1,223	24.6	8,964	9.9
SQRS	—	—	—	—	—	—	—	—
IT-Services	403	0.8	578	1.3	(175)	(30.3)	867	1.0
Licenses	**4,035**	**8.2**	**—**	**—**	**4,035**	**—**	**6,892**	**7.6**
GK Retail	4,035	8.2	—	—	4,035	—	6,891	7.6
SQRS	—	—	—	—	—	—	—	—
IT-Services	—	—	—	—	—	—	1	0.0
Maintenance	**13,975**	**28.5**	**13,576**	**30.8**	**399**	**2.9**	**29,196**	**32.3**
GK Retail	10,152	20.7	9,058	20.5	1,094	12.1	19,412	21.5
SQRS	256	0.5	399	0.9	(143)	(35.8)	797	0.9
IT-Services	3,567	7.3	4,119	9.3	(552)	(13.4)	8,987	9.9
Services	**22,858**	**46.6**	**23,466**	**53.2**	**(608)**	**(2.6)**	**47,367**	**52.4**
GK Retail	22,278	45.4	22,847	51.8	(569)	(2.5)	45,902	50.7
SQRS	—	—	1	0.0	(1)	(100.0)	14	0.0
IT-Services	581	1.2	618	1.4	(37)	(6.0)	1,451	1.6
Other Business	**1,271**	**2.6**	**1,462**	**3.3**	**(191)**	**(13.0)**	**3,605**	**4.0**
GK Retail	582	1.2	89	0.2	493	554.3	115	0.1
SQRS	—	—	—	—	—	—	—	—
IT-Services	689	1.4	1,373	3.1	(684)	(49.8)	3,490	3.9
GK Academy	**301**	**0.6**	**81**	**0.2**	**220**	**271.6**	**452**	**0.5**
GK Retail	301	0.6	81	0.2	220	271.6	390	0.4
SQRS	—	—	—	—	—	—	—	—
IT-Services	—	—	—	—	—	—	62	0.1

Overall, this development led to EBITDA of EUR 2.39 million, following a figure of EUR 5.29 million in the previous year.

Depreciation and amortisation amounted to EUR 2.32 million during the reporting period, following a figure of EUR 1.71 million in the previous year. The rise in amortisation was primarily due to the scheduled amortisation of the assets identified as part of the takeover of prudsys AG and amounting to EUR 0.26 million. The results of the increases in thresholds for the immediate amortisation in low-value assets created further effects.

As a result, GK Software achieved an EBIT figure of EUR 0.07 million, following a figure of EUR 3.58 million in the previous year.

The financial results were negative again at EUR (0.59) million, following a figure of EUR (0.21) million in the previous year. Interest revenues amounting to EUR 0.10 million (EUR 0.5 million in the previous year) were countered by interest-bearing liabilities of EUR 0.69 million (EUR 0.26 million in the previous year).

Earnings figures

T.06

	30.6.2018		30.6.2017		Change	
	EUR K	in % [1]	EUR K	in % [1]	EUR K	in %
EBITDA	2,392	4.9	5,293	12.0	(2,901)	(54.8)
EBIT	72	0.1	3,578	8.1	(3,507)	(98.0)
EBT	(519)	(1.1)	3,365	7.6	(3,884)	(115.4)
Group result	(172)	(0.4)	2,296	5.2	(2,468)	(107.5)

1 - on turnover

Overall this led to consolidated net results of EUR (0.17) million, following a figure of EUR 2.30 million in the previous year. This amounted to undiluted earnings per share of EUR (0.06) and diluted earnings per share of EUR 0.00 during the first half of 2018. These figures were still EUR 1.21 (undiluted) and EUR 1.16 (diluted) per share in the previous year.

Assets situation

The consolidated balance sheet total amounted to EUR 108.61 million on the reporting date and was therefore EUR 2.01 million higher than the figure of EUR 106.60 million on 31 December 2017.

The development of capital appropriation can be summarised as follows: Non-current assets rose by EUR 9.87 million in total compared to the balance sheet total on the reporting date of 31 December 2017, while current assets, excluding cash and cash equivalents, declined by EUR 0.29 million. Stocks of cash and cash equivalents, however, amounted to EUR 22.90 million and fell by EUR 7.58 million compared to the figure for 31 December 2017 (EUR 30.48 million).

On the funding side of the balance sheet, it should be noted that equity remained almost unchanged with a slight increase of EUR 0.04 million to EUR 38.71 million. The equity ratio therefore amounted to 35.6 percent, after it had stood at 36.3 percent on 31 December 2017.

GK Software's debts rose by EUR 1.97 million compared to the reporting date in the previous year - while non-current liabilities fell by EUR 1.76 million to a figure of EUR 27.90 million and current liabilities increased by EUR 3.72 million to EUR 42.00 million.

T.07 Assets situation

	30.6.2018 (not audited)		30.6.2017 (not audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	54,598	50.3	44,724	42.0	9,874	22.1
Current assets without cash and cash equivalents	31,111	28.6	31,396	29.4	(285)	(0.9)
Cash and cash equivalents	22,896	21.1	30,479	28.6	(7,582)	(24.9)
Assets	**108,605**	**100.0**	**106,598**	**100.0**	**2,007**	**1.9**
Equity	38,706	35.6	38,669	36.3	38	0.1
Non-current liabilities	27,903	25.7	29,657	27.8	(1,755)	(5.9)
Current liabilities	41,996	38.7	38,272	35.9	3,724	9.7
Liabilities	**108,605**	**100.0**	**106,598**	**100.0**	**2,007**	**1.9**

The development in non-current assets was the result of the increase in property, plant and equipment by EUR 5.26 million (including investments in buildings of EUR 4.67 million for the expansion of the headquarters of GK Software SE) and the increase in intangible assets by EUR 4.42 million arising from the acquisition of valuephone GmbH.

The current assets remained almost unchanged compared to the figures at the end of 2017 thanks to a reduction of EUR 0.29 million and a carrying amount of EUR 31.11 million on 30 June 2018. This resulted from two contrary developments: While current assets, which resulted from relations with the market place (trade accounts receivable, receivables from ongoing work and stocks of unfinished work or goods and finished goods) fell by a total figure of EUR 0.98 million, the secondary current assets (other receivables and receivables from income tax refund claims) rose by EUR 0.80 million.

Stocks of liquid funds (cash and cash equivalents) amounting to EUR 22.90 million were below the value at the end of the 2017 financial year by EUR 7.58 million; for further details on this development, see the statements on the financial situation.

Non-current debts fell by EUR 1.76 million in comparison with the balance sheet reporting date in 2017 and this was mainly due to the decline in non-current bank liabilities by EUR 1.35 million. This development is the balance from making use of longer-term loans, which are being used to fund the expansion of the business premises at the headquarters of GK Software SE and reclassify repayments that are due within one year on these kinds of long-term loans. Deferred tax liabilities also declined by EUR 0.92 million to a figure of EUR 3.93 million. However, other non-current liabilities (arising from the convertible bond) rose by EUR 0.44 million.

The main driving force behind the increase in current debts by EUR 3.72 million was the increase in other current bank liabilities by EUR 4.45 million; this was largely explained by the purchase price for the full acquisition of valuephone GmbH. Other significant factors were found in the increase in deferred liabilities by EUR 1.43 million and the renewed overpayments by customers amounting to EUR 0.77 million - and in some reductions through reimbursing debts owed to employees through making bonus payments to employees because of their work in the previous year.

Financial situation

The cash flow from operating activities amounted to EUR 0.22 million during the first half of the year, following a figure of EUR 10.63 million during the same period in the previous year. The cash flow from operating activities in the narrower sense during the first half of 2018 amounted to EUR 2.00 million (while the figure had been EUR 5.59 million in the same period in the previous year). While the relief for the cash flow had amounted to EUR 5.87 million due to the change in net current assets in the previous year, this development weighed on the operating cash flow during the reporting period to the tune of EUR (1.19) million. The cash flow from operating activities was also negatively affected to the tune of EUR (0.16) million by the negative balance in interest received and paid (EUR (0.12) million) and the income taxes paid (EUR (0.43) million). This influence had been even slightly greater during the same period in the previous year (EUR (0.72) million). The net influx of cash and cash equivalents from operating activities therefore amounted to EUR 0.22 million.

Investment activities weighed on the Group's cash flow at EUR (6.91) million to a greater degree than in the same period in the previous year, when payments for investments were made to the tune of EUR 3.68 million.

The funding activities led to outflows of EUR (1.79) million, which were the result of repayments of loans, but this figure was countered by inflows arising from the issue of new shares from the contingent capital as part of the share option programmes and amounting to EUR 0.55 million and taking out loans amounting to EUR 0.52 million.

Overall, stocks of cash and cash equivalents at EUR 19.40 million were higher than the figure of EUR 10.91 million on 30 June 2017.

Non-financial performance indicators.

Financial performance indicators. It should be noted that the key indicators, on which the financial data is based, are very much connected to each other. As a result, the development of these figures largely depends on the development of two key indicators. These are turnover and earnings. In order to normalise tax effects, GK Software uses earnings before income taxes and the financial results (EBIT) and the margin on operating performance derived from this to determine earnings. In this sense, we refer to the forecast report for the development of these key figures.

T.08 Financial performance indicators

		30.6.2018	30.6.2017
Gross earnings margin on turnover	%	96.5	94.9
Personnel ratio	%	67.6	62.7
EBITDA margin on operating performance	%	4.9	12.0
EBIT margin on operating performance	%	0.1	8.1
Equity ratio	%	35.6	36.3
Investment ratio I	%	50.3	42.0
Excess in cash and cash equivalents over interest-bearing liabilities	EUR K	5,159	11,305

The key performance indicators listed above help to analyse developments and discrepancies from plans. For example, the personnel ratio is an important figure for analysing the development of the earnings situation. On the other hand, this largely depends on the "Turnover" key performance indicator and any deterioration in its value may express both wrongly established production apparatus and the failure in the target figure to meet the "Turnover" key performance indicator. However, this can be directly deduced. In this sense, these key indicators are important aids in analysing the development, but are not control parameters in themselves.

If we assume that the forecast for the key performance indicators will be met, we can expect that the key performance indicators cited here for analysing the earnings, financial and assets situation will develop positively and will again move towards the figures quoted in the medium-term forecast for 2018 - 2020.

Non-financial performance indicators. Management largely observes key figures in sales activities when it comes to non-financial performance indicators. There are two key values here: customer satisfaction and the number of customer contacts. They are not observed in a formalised manner, but are documented and assessed through regular reports about existing projects and sales activities with possible new customers and are presented to the responsible members of the Group Management Board and the Management Board and then assessed. Decisions about ongoing actions and procedures are made at an individual case level. Overall, we expect customer satisfaction to continue to improve.

Report on Key Events

after the end of the first half of the year

The Company was able to gain two more US customers after the end of the reporting period.

Report on the Risks, Prospects and Outlook for the GK Software Group

During its recent examination of the current risks and opportunities, the Management Board did not discover any notable change to the statements made in previous years. The risk and opportunities report therefore matches the estimates provided in the financial statements for the year 2017.

Risks

Risk management system

The risk management system focuses on recognising risks. It attempts to pick up any possible risks that might pose a threat to the company's existence and those that might not. The risk management scheme does not register any positive opportunities.

Due to the nature of the risk management system, the focus is on early recognition and reporting of any emerging risks. For this purpose, deliberately informal discussions between the members of the Group Management Board and employees, who are responsible for the risk classes described below, are encouraged in order to eliminate any avoidance strategies in communications as far as possible. This is because the management team is aware that the early recognition of risks requires open communications between top managers and those responsible, but at the same time, people tend to avoid communicating unpleasant news and managing risks by monitoring key figures alone is not possible. Nevertheless, the risk management system is being further developed with a view to the expansion of economic key figures in particular, in order to facilitate the verification of informal information.

The most serious risk among the following ones is the risk of damage to the company's reputation if an individual project should go wrong. The risks that influence customer behaviour, such as the effects on demand because of a perception that the company has performed inadequately or delays in investments because of new market conditions or regulatory measures, follow this in terms of their significance. There may well be connections between the two types of risks mentioned: changes in market conditions or regulatory requirements may increase the complexity of projects, making it more likely that problems will arise during them.

The risks presented in the following section can be summarised as follows:

risks resulting from changes in the requirements of potential customers must first be summarised. These lead to extended sales cycles and therefore to a reduction in the number of realisable sales opportunities. At the same time, new requirements increase the complexity of projects and increase the risk that project plans might fail. These risks increase the risk of damage to the Group's reputation because the lack of sales opportunities, above all caused by extended sales cycles, raises the significance of individual projects for the overall reputation of GK Software. Another risk group is related to external risks such as macroeconomic developments, the development of regulatory framework conditions and shifting focuses in the customer and competitive environments. These risks cannot be controlled by the Group and can in part have the effect of enhancing the risks in the first group. A third group of risks relates to the development, usage and management of project capacities. The solution to the usage risk lies in increasing the flexibility of capacities; increased risks for project quality may result from this flexibility because more flexible capacity can only be accessed fairly indirectly. Further risks are individual risks that are the result of major individual measures such as company acquisitions and their integration. Alongside these aforementioned operational risks, there are financial risks, but their impact on forecasts is not believed to be very significant at the moment.

We are summarising the individual case risks, which result from the acquisition of other companies, for example, in our own risk category, which is not subject to any general assessment sequence.

There is also a separate risk category related to the issue of tying employees to the company and gaining new ones.

GK Software deliberately takes entrepreneurial risks in order to benefit from the opportunities presented by the market in the appropriate manner. A risk management system has been introduced during the past few years to recognise, manage and minimise risks at an early stage. Among other things, the Management Board meets once a month to discuss possible identified risks and introduce countermeasures. In order to give all the business units the opportunity to outline their concerns, a Group Management Board was formed where the business units can continually report on their development and any risks and opportunities that arise. The Supervisory Board is informed of the results of these discussions. The documentation for the risk management system is being continually updated.

Risks and overall picture of the risk situation

Customer and market-related risks One major risk that cannot be influenced by the Group involves the business developments of GK Software's customers due to the development of the general economy and consumer sentiment. The actual developments in 2018 and previous years and also the prospects for 2019 and thereafter are therefore assumed to subject to generally steady and constant growth prospects in the economic and political situation in many parts of the world. The direct and indirect effects of the crises, which have already broken out or are smouldering, on the specific markets where GK Software is active, are still unclear. They include the unresolved Ukraine/Russia conflict and the effects of latent terrorism risks in Germany and Europe, the ongoing development of the situation in the civil war regions in the Middle East and North Africa and the refugee crisis - all of them with the potential for effects to increase. Then there are the ongoing political uncertainties about the political direction in the USA in almost every respect. The actual ongoing developments in this situation and the associated uncertainties could exert an influence on economic developments in Europe, but it is impossible to specify any details at the moment.

It is true that the forecasts presented by associations and analysts tend to suggest that the retail sector will enjoy relatively steady developments in a significantly calm, overall economic environment again, but the psychological factors of any contradictory news situations on the investment behaviour of customers of GK Software can only be guessed in an environment that is hard to assess - as was the case last year.

In the light of this general uncertainty, the Management Board continues to make every effort to provide itself with room to manoeuvre by keeping costs as flexible as possible and only deliberately incurring them if they are necessary.

One major argument for the successful sales of GK Software solutions and the long-standing customer relationships in many cases is the consistently successful completion of customer projects in the past. However, any failures in the project business could do long-term damage to this positive reputation and even lead to a reversal of this positive sentiment towards GK Software. This kind of situation could pose a threat to the company's long-term existence. As a result, the relevant project managers inform the responsible members of the Group Management Board about any possible risks during the course of ongoing projects in order to enable an appropriate and timely response to these kinds of risks. The main tool for preventing objective errors and undesirable developments has been the increasing use of general project approaches during the past few years, which are designed to ensure that all the major general conditions are established in conjunction with each customer and are then taken into account accordingly in the project work. However, as objective factors are not the only criteria in assessing the quality of project work, GK Software also makes use of subjective factors. GK Software views the degree of customer satisfaction and the number of new customer contacts as an important indicator for assessing risks of this kind. These two factors are therefore subject to particular monitoring and are regularly checked as part of the sales controlling processes.

On the basis of its customer structure and the structure of its target market, the Group business is repeatedly dominated by individual major projects with a relatively small number of customers, with the result that these business relations provide significant contributions to turnover and results within any financial year. The Management Board anticipates that this will continue to be the case in future too. If one business partner breaks off a project or drifts into payment difficulties, this can have financial consequences for GK Software too. However, this risk is restricted by regular payment plans or agreements for payments according to so-called project milestones.

Another new risk arises from the development of omni-channel approaches in the retail sector. This fundamentally new way of thinking and the opportunity of introducing it can extend the sales cycles in comparison to current periods, as customers view these developments as strategic and have to introduce an appropriate process to achieve the full potential. Then there are still the existing uncertainties with decision-makers regarding the use of cloud solutions, particularly with regard to the general commercial conditions of SaaS models. There are still many uncertainties in the field of artificial intelligence too and they could thwart the general huge interest in this topic. This can extend the times required for making decisions with the corresponding effects on sales opportunities for GK Software.

The ongoing consolidation of the retail sector market may lead to a reduction in the number of store networks in the long term, which could lead to an increase in buying power by the retail sector. The retail sector in Germany is generally dominated by strong competition in terms of prices. Retail companies therefore seek to pass on the resulting pressure on prices to their suppliers and contractual partners. This process is also felt in the field of investments in IT equipment and may have an effect on manufacturers of software for the retail sector. However, as GK Software makes available strategically significant solutions to retail groups, these risks are not classified as a threat to the company's existence.

The process of consolidation taking place on the customer side is continuing, similar to that encountered at rival companies. This concentration is marked by the acquisition of direct competitors of GK Software by major global manufacturers of hardware, which are therefore becoming universal providers for the retail sector. This combination could cause possible customers to purchase all their services from these rival firms. Although the Management Board assumes that the market development seen in the past leads to hardware and software being purchased separately, it is impossible to fully exclude a reversal in this trend and therefore adverse effects on the sales opportunities at GK Software.

The planned expansion is also associated with certain financial risks. These mainly arise from preliminary payments for customer acquisition for the Group. This risk is increased by the extensions in sales cycles already mentioned above. The increase in sales expenditure associated with longer sales cycles plays a role in part. However, the need to maintain the ability to deliver products when agreements are signed is of special importance. This can lead to idle capacity costs of a significant magnitude. In addition to these general risks emerging from market operations, internal organisational risks occur based on the internationalisation aspect and they concern protecting the parent company from possible risks arising from actions by the domestic and international subsidiaries or recognising those risks that pose a threat to the existence of the subsidiaries at an early stage and introducing suitable countermeasures. The Group is continuing to develop its controlling operations for holdings for this purpose.

The project business also needs to be increasingly scaled as part of any further expansion and this take places by involving partners. There are, however, other risks here, in particular quality risks, due to a lower level of control over partners. GK Software has therefore set up a partner programme to certify integration partners and so-called project coaches. This is designed to guarantee the quality of project operations and continually develop this work.

Customer projects in Germany and abroad, which are increasingly becoming more complex, as described in the analysis of the market and competitive environment, also contain risks for the ongoing development of GK Software and could lead to higher provisions for warranties and fair dealing arrangements, not only for individual projects, but for all of them. The Management Board is, however, confident that it has steered the development work for software in a direction that generally guarantees the quality standards achieved in the past. This quality risk in individual projects is managed by regular reporting by the responsible project managers to the responsible Group Management Board Members. A summary report of recognised risks is communicated to the Management Board at the standard monthly Board meetings.

GK Software cannot exclude the possibility that it will expand its product and sales base by the deliberate acquisition of companies with a view to expanding its business activities during the next few years. The Group will exercise the maximum possible degree of prudence when preparing for and checking acquisitions. However, it is impossible to fully exclude the risk that an acquisition may have negative effects on the results at GK Software.

To ensure further growth, the Company needs to attract additional, highly qualified employees. At the same time, it is impossible to rule out the possibility that members of staff in key positions will leave the Company. For this reason, it will be an ongoing challenge for the Company to retain current staff in the firm and attract new, motivated specialists at the same time. The Company is making efforts to be and become an interesting employer for its existing employees in the jobs market by providing a combination of interesting tasks, international fields of operation and innovative products. The flotation and the Company's reputation as an innovative IT corporation have made the Company considerably more attractive in the jobs market. The aim is to further increase the existing attractiveness by completing the introduction of share option schemes for managers and senior employees in the Company. In addition to competence management, which aims to further increase the skills and abilities of employees in line with their tasks, we have initiated other measures like our "Active Balance" programme, which promotes a variety of joint activities by employees including minor services designed to make everyday life easier; this aims to increase the attractiveness of the Company as an employer. We wish to reinforce this even more by planning and designing our corporate campus at the Company's headquarters in Schöneck.

Overall, GK Software analyses these risks, which could have considerable effects on the company's financial and earnings situation in the long term. However, no indicators or only weak ones, which could point to these risks occurring, can be seen at the moment.

In the light of the fact that the Group manages its capital with the aim of guaranteeing that it will be able to service its loans and debts at all times and have adequate liquidity available to secure investment projects and therefore place the highest priority on maintaining capital, it is important to state the following risks to business developments within the Group too.

The **financial risks** not only involve credit default risks **and** liquidity risks, but also market risks. We understand a credit default risk to be the risk of a loss for the Group if one contractual party does not meet its contractual obligations. In principle, the Group only maintains business relations with those contractual parties where any deviation from the contractual obligations does not appear to be probable.

Trade receivables exist with the Group's customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability of any default on account of the impossibility of meeting the obligations agreed with the Group is therefore slight. This situation is monitored closely by observing the customer's payment behaviour, the market environment and drawing on external sources such as reports from the relevant specialist press. If this monitoring process gives rise to an assumption that the general economic situation for individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible losses. Value adjustments may also occur if customers believe that work has not been complete or is inadequate. In these cases, the Group basically carries out individual value adjustments for precautionary reasons to the degree that there is some expectation that settlements on a goodwill basis – without any recognition of legal grounds – might be made. Interest revenues have not been entered from these depreciated financial assets.

The default risk with regard to cash and cash equivalents is slight, as the banks holding the accounts are all members of the German deposit protection scheme or they have an outstanding reputation with a corresponding credit rating.

The Group is also exposed to credit risks that are the result of financial guarantees granted to banks. The maximum default risk for the Group in this regard corresponds to the maximum sum, which the Group would have to pay if a claim was made against a guarantee.

The Group controls the liquidity risks by having appropriate cash and cash equivalents, credit lines and similar credit facilities available and by monitoring the deviations between forecasts and actual cash flows. The maturity dates of financial obligations are monitored, as is the Group's fundamental ability to generate adequate finances from its operating business in order to be able to meet these obligations at any time. The Group typically accepts so-called "covenants" in addition to the general loan conditions when funding projects with loans that are provided by banks and they relate to general financial performance figures or other constraints. Failure to meet these additional conditions normally entitles the bank concerned to make the loans in question due for payment in full immediately, regardless of whether the main loan obligations are being met and probably can continue to be met or not. The Group handles this risk by monitoring the covenants and communicating with the banks concerned in an appropriate manner.

Based on the current structure of liabilities and the actual liquidity situation, the Management Board has not identified any liquidity risks.

Overall, GK Software assesses these financial risks as operational risks, which may have a significant effect on the firm's financial and earnings situation. However, no indicators or only weak ones, which could point to these risks occurring, can be seen at the moment.

The situation in 2018 only changed gradually in comparison with the risk situation in 2017. In particular, the major operational risks did not increase to a significant degree. It is true that the complexity of projects is increasing, but the Group is also learning how to better cope with these risks. At the end of the first half of 2018, the Management Board believed that there were no risks that could prove to be a threat to the existence of GK Software.

Risk reporting in relation to the use of financial instruments

Financial market risks The Group is exposed to risks associated with exchange rates and interest rates as a result of its business activities. The exchange rate risks result from the business sites maintained in different currency areas and increasingly from customer relations that go beyond the eurozone. The interest risks are the result of selected types of financing to enhance the Group's financial leeway.

In order to guard against these market risks, the Group is making increasing use of derivative financial tools like interest-capping arrangements or currency hedging tools to provide safeguards against rising interest on debit balances and a possible devaluation of the euro. This hedging business is always closely related to the Company's actual fundamental business and is exclusively used to maintain, as far as possible, the bases for calculations used for this business.

Exchange rate risks arise from the Group's exposure to Czech crowns, Swiss francs, Russian roubles, South African rand, US dollars as well as Canadian dollars and Ukrainian hryvnia. The Group therefore enters into payment obligations arising from work, renting and leasing contracts in all these currencies. GK Software with its companies therefore not only issued invoices for sales and services in euros on the balance sheet reporting date, but also in Swiss francs, US dollars, Canadian dollars and South African rand. In order to be able to handle the Group's currency risks in a standard manner, GK Software SE tries to combine the currency risks internally. The Group carried out a sensitivity analysis to determine its risk of exposure to foreign currencies. The results of this analysis show that exchange risks amounting to EUR 489 K arise if there is a ten-percent increase and/or decline in the value of the euro in comparison with these currencies (EUR 204 K in the previous year). In the view of the Management Board, the sensitivity analysis, however, only reflects part of the exchange rate risk, as the risk at the end of the reporting period only reflects the risk during the year to a certain extent. Risks exist in possible changes in exchange rates for services, which the Group companies settle in local currencies every month. Services with a total value of EUR 7.38 million were provided by Group companies in 2017, which were either paid for in a currency other than the euro or not billed in the currency in which the services were provided for the third parties. These service invoices were settled in Czech crowns, Russian roubles, Ukrainian hryvnia, Swiss francs or US dollars.

An interest and currency swap was taken out to safeguard the cash flow arising from the acquisition of the Retail & Programming division of DBS Inc. in the USA in order to repay the investment loan at IKB. The interest and currency swap started on 31 December 2015 and ends on 31 March 2021. Quarterly repayments amounting to USD 529 K and approx. USD 100 K in interest have had to be paid to IKB from the first half of 2016 onwards. Bank assessments were used to determine the fair value on the balance sheet reporting date. The market value of this interest and currency swap covering a nominal volume of EUR 6,000 K (USD 6,357 K) amounted to a total figure of EUR 608 K on the balance sheet reporting date - derived from the mid-market price. This amount was entered on the balance sheet under "Other liabilities". No valuation unit was formed.

The Group is exposed to interest risks, as it takes out financial resources with fixed and variable interest rates. The risk is managed by maintaining an appropriate ratio of fixed and variable interest rates on funds. This takes place by using interest rate caps. The interest risks are the result of interest payments agreed within the loan contracts. There is no link with the exchange rate risk here, because all the loans are nominated in euros. Interest payments amounting to EUR 690 K were made during the current year and were entered in the income statement. The interest rate on the loan with the DZ Bank is fixed for the complete term so that no interest risks arise from this contract. A fixed interest rate also exists for the complete term of the loan taken out with IKB Industriebank AG to fund the acquisition of the Retail & Programming division of DBS Inc. The interest rate is set quarterly at a rate of 1.5 percentage points above the three-month EURIBOR rate in the case of the investment loans taken out with the Commerzbank with a value of EUR 750 K and EUR 450 K (value on the reporting date: EUR 203 K). The interest risk has been restricted by an interest rate cap of 1.5 percent p.a. The loan of EUR 180 K from the Commerzbank in Plauen (value on the reporting date: EUR 23 K) also attracts an interest rate that is set quarterly at 1.6 percentage points above the three-month EURIBOR rate. Once the existing interest rate cap has expired, no further interest rate hedging will be used because of the low loan debt. There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are used.

There are no other risk categories, because of the type of financial instruments used.

In the view of the Management Board, there were no risks, which could prove to be a threat to the existence of GK Software and its Group at the end of the first half of 2018 or on the publication date of 30 August 2018.

Opportunities

There are growth opportunities for the Group both in Germany and abroad. The issues targeted by the products of GK Software are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be successful in the international market, the Group is well placed with references, not only from the German retail sector, but from having a technically well-developed product. GK Software is already very well represented internationally with more than 279,000 installations in over 46000 stores in more than 50 different countries. GK Software also has several major partners with excellent networks in the retail sector. The partnership with SAP in particular should make it easier to gain access to new customers in international markets like the USA and Africa. The Group can make use of the experience that it has gained with its German and international customers, as the solutions have already been successfully introduced in 50 countries and can therefore be quickly transferred to other foreign customers.

The growth prospects in Germany have not yet been exhausted by a long way either. The focus of the Group will primarily be on new areas in future. Fairly small and medium-sized chain stores, which have not been a prime target in the past, provide further huge potential, particularly if standardised solutions are sold.

One of the major issues for retailers during the next few years will be to integrate their in-store business with other channels like web stores or mobile apps. Then there are the latest trends like home delivery, mobile payments or social networks, which need to be integrated on one platform. Other long-term issues like integrated and automated processes for optimising stocks, scheduling and efficient customer management systems will continue to play an important role in reducing costs and increasing customer loyalty. As a result, the retail trade will almost certainly invest in solutions that integrate all the business processes. Without standardisation and the simplification of processes, retail companies' margins will come under even greater pressure. Homogenised checkout systems and centralised data flows will therefore be very important for retailers in future. GK Software can benefit from this investment behaviour by the retail sector.

The consolidation process in the software industry with sector solutions for the retail trade has already started. GK Software plans to play an active role in this process with its attractive range of products and solid financial basis.

Internal monitoring and risk management systems with regard to the Group's accounting process

The instruments related to the accounting for the internal checking system and risk management pursue the goals of completing accounting tasks according to the statutory provisions and recognising potential risks in the economic development of the Group in good time. The focus not only particularly relates to the internal checking system for accounting, but also on complying with the relevant stipulations in accounting law.

The internal checking system is being continually developed by the Management Board and monitored by the Supervisory Board. The Management Board dictates the design and scope of the requirements placed on the internal checking system. It must be noted that any internal checking system related to accounting procedures - regardless of its scope and type - cannot provide any absolute certainty, but has to be designed in such a way that any major incorrect statements about the Company's or Group's earnings, asset and financial situation can be prevented.

This task is the responsibility of the finance department at GK Software, which is constantly developing the existing tools, strictly taking into account the development of the Company's business operations and the legal and accounting standards. The tools cover general instructions and individual rules, which are designed to guarantee that accounting processes are handled properly. The members of staff in the finance department are being continually trained on how to comply with internal rules and legal stipulations.

The constant increase in the speed of amendments to European international accounting laws and additions - which often contradict and compete with national law and standards - is proving to be an additional burden on any presentation of accounts and involves a number of risks with a view to conforming to standards; this goes far beyond what was normal in the past. In order to keep this conformity in terms of appropriate expenditure for the Company in proportion to the information benefits for those who will read the balance sheet, the Company is not only trying to train employees who are familiar with accounting practices by consulting external service providers, but also obtain the necessary information about adjustments to accounting law in good time and include them in the accounting processes in the appropriate manner.

Compliance with instructions and individual rules is supported by unified notification processes and IT-supported reporting procedures and the ongoing further integration of accounting processes within standardised IT systems. Defined, internal checks are embedded in the accounting process and they include measures like manual balancing, separating functions and the principle that four eyes are better than two.

The Group accounts and the accounts of the individual companies are organised and handled in-house, as are the accounts of GK Software and all the individual companies. GK Software SE completes the accounts for the German subsidiaries or branches of subsidiaries as a service, with the exception of prudsys AG, AWEK GmbH and AWEK Microdata GmbH. The independent accounting procedures for the German companies mentioned here are (or are being) closely integrated in the central accounting structures at GK Software SE. The accounting procedures for the foreign Group companies are handled locally. The increasing importance of the subsidiaries - particularly the companies overseas - made it necessary to set up a holding management department in the past and this is designed to guarantee through information obligations placed on the holding companies that the parent company receives all the necessary information about the earnings, asset and financial situation promptly, but also about the companies' major non-financial indicators. The holding management department is being continually developed.

The accounts for GK Software SE are handled with IT support and displayed on Microsoft Navision. The technical equipment and the provision of personnel for the department have been selected in such a way that all the tasks associated with a company of this size can be handled appropriately.

Outlook

Developments at GK Software on the half-yearly reporting date were in line with expectations for this period. Management therefore believes that it will reach the targets that it has set for 2018. In this sense, there is no change to the forecast for the ongoing course of business in 2020 compared to the forecast made in the financial statement for 2017.

We are confident that we will be able to continue our growth in turnover during the next three years and have again set the goal of increasing our turnover compared to the figure in 2017 (EUR 90 million) by about fifty percent by 2020. We wish to increase our earnings in our core business to about 15 percent in 2018 and achieve this figure in the next few years too.

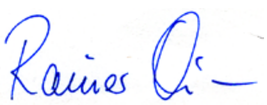
If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the GK/Retail's turnover will continue to grow considerably again in 2018. However, the expenses from tapping into new geographical markets could continue to impair developments designed to achieve this goal, as already mentioned above. Even short-term delays in existing customer projects can have a considerable impact on the Company's earnings situation. It is precisely the uncertainty about achieving individual sales prospects, which, in conjunction with the size of the Company, creates a forecast for the EBIT that is fraught with considerable uncertainties, as individual large-scale sales opportunities can involve a significant share of turnover revenues with particularly high profit margins.

We are therefore maintaining our proviso that the expenditure for tapping into new markets, which continues to be a high priority, the postponement of customer projects with fairly large volumes or a deterioration in the overall economic situation could impair the achievement of this goal.

As regards the non-financial performance indicators in the area of customer satisfaction compared to the reference year of our medium-term forecast, 2017, we are expecting a further steady improvement during the next few years; this will be based on product improvements and the addition of local employees in the project-customer interfaces. However, we would like to emphasise that the expansion into new geographical markets may cause friction due to cultural differences and this could temporarily prevent us from reaching this target. Based on our expectations, the number of customer contacts will not change significantly, but will lead to better qualified opportunities.

We would explicitly repeat here once again that these estimates are only realistic if no external political or economic shock situations take place. The volatility of the general conditions has constantly increased over the past few years and will at least remain at this heightened level. These kinds of problems, which affect the whole economy, could lead to a curb on the readiness of the retail sector to make investments and this could logically have a negative effect on the turnover and earnings potential at GK Software.

The Management Board



Rainer Glaess
Chief Executive Officer

André Hergert
Chief Financial Officer

C

Consolidated accounts

Consolidated Balance Sheet

on 30 June 2018

Assets

T.09

EUR K	Notes No.	30.6.2018 (not audited)	31.12.2017 (audited)
Property, plant and equipment	2.1.; 3.1.	19,445	14,183
Intangible assets	2.2.; 3.2.	29,774	25,359
Financial assets	2.4.	33	33
Active deferred taxes	2.12.; 3.13.	5,346	5,149
Total non-current assets		**54,598**	**44,724**
Goods	2.3.; 3.3.	610	798
Auxiliary materials and supplies	2.3.; 3.3.	202	192
Initial payments made	3.3.	47	54
Trade accounts receivable	2.5.; 3.4.	17,339	17,711
Trade accounts receivable from ongoing work	2.13.; 3.5.	4,707	5,129
Income tax claims	2.12.; 3.7.	797	450
Accounts receivable with associated firms	3.6.	0	0
Other accounts receivable and assets	2.4.; 2.5.; 3.7.	7,409	7,062
Cash and cash equivalents	2.6.; 3.8.	22,896	30,478
Total current assets		**54,007**	**61,874**
Balance sheet total		**108,605**	**106,598**

Liabilities

T.10

EUR K	Notes No.	30.6.2018 (not audited)	31.12.2017 (audited)
Subscribed capital	3.9.	1,925	1,903
Capital reserves	2.7.; 3.9.	21,183	20,488
Retained earnings	3.9.	31	31
Other reserves (OCI from introducing IAS 19 2011, IAS 21)	3.9.	(1,211)	(704)
Profit brought forward		15,881	11,998
Shortfall for period minorities interests		(172)	3,882
Equity attributable to GK Software SE stockholders		37,637	37,598
Equity attributable to noncontrolling interest		1,069	1,071
Total equity		**38,706**	**38,669**
Provisions for pensions	2.8.; 3.10.	1,983	1,880
Non-current bank liabilities	2.9.; 3.11.; 3.20.	7,514	8,867
Convertible bond	3.12.	13,591	13,149
Deferred government grants	2.10.; 3.13.	886	910
Deferred tax liabilities	2.12.; 3.14.; 4.9.	3,928	4,851
Total non-current liabilities		**27,902**	**29,657**
Current provisions	2.11.; 3.15.	915	1,346
Current bank liabilities	2.9.; 3.11.	10,223	10,307
Liabilities from trade payables	2.9.; 3.16.	1,987	1,835
Initial payments received	2.9.; 3.17.	578	858
Income tax liabilities	2.12.; 3.18.	402	488
Other current liabilities	2.9.; 3.19.	27,892	23,438
Total current liabilities		**41,997**	**38,272**
Balance sheet total		**108,605**	**106,598**

Consolidated Results Accounts and Other Results

for the financial year from 1 January until 30 June 2018

Consolidated results accounts

T.11

EUR K	Notes No.	H1 2018	H1 2017	2017
Ongoing business operations				
Turnover revenues	2.13.; 4.1.	49,047	44,142	90,452
Own work capitalised		—	—	—
Other operating revenues	4.2.	2,199	1,422	5,197
Turnover and other revenues		**51,246**	**45,564**	**95,649**
Materials expenditure	4.3.	(3,927)	(3,667)	(8,530)
Personnel expenditure	4.4.	(33,158)	(27,683)	(57,809)
Depreciation and amortisation	3.1.; 3.2.; 4.5.	(2,321)	(1,715)	(3,780)
Other operating expenditure	4.6.	(11,768)	(8,921)	(20,537)
Total operating expenses		**(51,174)**	**(41,986)**	**(90,656)**
Operating results		**72**	**3,578**	**4,993**
Financial income	4.7.	99	49	133
Financial expenditure	4.7.	(690)	(262)	(786)
Financial results		**(591)**	**(213)**	**(653)**
Income tax results		**(519)**	**3,365**	**4,340**
Income taxes	2.12.; 4.8.	347	(1,069)	(456)
Consolidated surplus/ shortfall for the period		**(172)**	**2,296**	**3,884**
of which attributable to noncontrolling interest		(51)	—	2
of which attributable to GK Software SE stockholders		(121)	2,296	3,882
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	1.7.;4.10.	(530)	(379)	87
Items, which will not be reclassified in the consolidated profit and loss statement in future				
Actuarial gains/ losses from defined benefit pension plans	2.8.	24	(116)	61
Overall results		(678)	1,801	4,032
of which attributable to noncontrolling interest		(51)	—	2
of which attributable to GK Software SE stockholders		(627)	1,801	4,030
Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted	4.9.	**(0.06)**	**1.21**	**2.05**
Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted	4.9.	**0.00**	**1.16**	**2.00**

Consolidated Statement of Changes in Equity

for the financial year from 1 January until 30 June 2018

Consolidated statement of changes in equity

T.12

EUR K	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Earnings attributable to GK Software SE stockholders	Equity attributable to GK Software SE stockholders	Equity attributable to non-controlling interest	Total
Figures on 30 June 2018	**1,890**	**18,588**	**31**	**(853)**	**11,998**	**31,654**	**0**	**31,654**
Share option scheme	0	111	0	0	0	111	0	**111**
Convertible bond	0	0	0	0	0	0	0	**0**
Corporate mergers	0	0	0	0	0	0	0	**0**
Allocation based on IAS 19	0	0	0	(116)	0	(116)	0	**(116)**
Allocation based on IAS 21	0	0	0	(379)	0	(379)	0	**(379)**
Consolidated profit/ loss for the period	0	0	0	0	2,296	2,296	0	**2,296**
Figures on 30 June 2017	**1,890**	**18,699**	**31**	**(1,348)**	**14,294**	**33,566**	**0**	**33,566**
Share option scheme	13	506	0	0	0	519	0	**519**
Convertible bond	0	1,284	0	0	0	1,284	0	**1,284**
Corporate mergers	0	0	0	0	0	0	1,069	**1,069**
Allocation based on IAS 19	0	0	0	203	0	203	0	**203**
Allocation based on IAS 21	0	0	0	440	0	440	0	**440**
Consolidated profit/ loss for the period	0	0	0	0	1,586	**1,586**	2	**1,588**
Figures on 31 December 2017	**1,903**	**20,489**	**31**	**(705)**	**15,880**	**37,598**	**1,071**	**38,669**
Share option scheme	22	694	0	0	0	716	0	**716**
Convertible bond	0	0	0	0	0	0	0	**0**
Corporate mergers	0	0	0	0	0	0	0	**0**
Allocation based on IAS 19	0	0	0	24	0	24	0	**24**
Allocation based on IAS 21	0	0	0	(530)	0	(530)	0	**(530)**
Consolidated surplus/ shortfall for the period	0	0	0	0	(121)	(121)	(51)	**(172)**
Figures on 30 June 2018	**1,925**	**21,183**	**31**	**(1,211)**	**15,759**	**37,687**	**1,020**	**38,707**

Consolidated Cash Flow Statement

for the financial year from 1 January until 30 June 2018

Cash flows from operating business

T.13

EUR K	H1 2018	H1 2017
Cash flows from operating business		
Surplus/ shortfall for period	(172)	2,296
Share option scheme (non-cash expenditure)	171	111
Income taxes affecting results	(347)	1,069
Interest expenditure affecting results	866	262
Interest income/ expenses affecting results	(100)	(49)
Profit/ loss from the sale or disposal of property, plant and equipment	(4)	(3)
Reversals of deferred public sector subsidies	(24)	(20)
Write-downs recognised for receivables	—	—
Write-ups recognised for receivables	—	—
Depreciation and amortisation	2,321	1,715
Actuarial gains/ losses	24	(116)
Net foreign currency losses /gains	(978)	840
Net profits from financial tools assessed at their fair value	248	(512)
Other non-cash revenues and expenditure	(1)	(1)
Cash flow from operating business	**2,004**	**5,592**
Changes in net current assets		
Changes in trade accounts receivable and other receivables	205	962
Changes in inventories	185	(171)
Changes in trade accounts payable and other liabilities	(952)	5,504
Changes in initial payments received	(280)	(52)
Changes in provisions	(349)	(375)
Interest paid	(157)	(116)
Income taxes paid	(434)	(715)
Net inflow of funds from operating activities Amount carried forward	**222**	**10,629**

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

T.14

EUR K	H1 2018	H1 2017
Amount carried forward **Net inflow of funds from operating activities**	**222**	**10,629**
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(6,998)	(3,803)
Proceeds from disposals of fixed assets	4	3
Investment subsidies used	—	—
Incoming payments as part of the company acquisition	—	—
Disbursement as part of a company acquisition	—	—
Interest payments received	81	54
Disbursed loans	—	—
Proceeds from the repayment of loans	0	64
Net cash outflow for investment activities	**(6,913)**	**(3,682)**
Cash flow from financing activities		
Taking out equity	545	—
Taking out loans	520	2,451
Repayment of loans	(2,853)	(1,367)
Issue of convertible bond	—	—
Net inflow (previous year: net outflow) in cash from financing activities	**(1,788)**	**1,084**
Net outflow of cash and cash equivalents	**(8,479)**	**8,031**
Cash and cash equivalents at the beginning of the financial year	27,958	2,812
Cash and cash equivalents at the end of the financial year	19,397	10,913
Impact of changes in exchange rates on cash and cash equivalents	(82)	70
Limited available funds	—	974

Summary of outflow of cash and cash equivalents

T.15

EUR K	H1 2018	H1 2017
Liquid assets	22,896	13,206
Utilisation of current account credit/ credit card/ exchange rate	(3,499)	(2,293)
Cash and cash equivalents at the end of the financial year	**19,397**	**10,913**

Notes on the Consolidated Accounts

for the first half of the 2018 financial year

1. Principles of Reporting

1.1. General information

GK Software SE is a public limited company based in Germany. The address of the registered headquarters and head office for business operations is Waldstrasse 7, 08261 Schöneck.

GK SOFTWARE SE is entered in the Commercial Register at Chemnitz Local Court under reference number HRB 31501 (HRB 19157 until 31 December 2017).

The announced change in the legal form of GK Software from a public limited company (AG) to a European public limited company (Societas Europaea/SE) was formally completed with the entry into the Commercial Register on 19 January 2018. The annual shareholders' meeting on 22 June 2017 had opted for the change in line with the suggested ruling by the Management Board and the Supervisory Board.

The Group's business involves the development and production of software and hardware and sales and trade in this field.

The Group manages its capital – which not only includes equity, but all accounts receivable and accounts payable – with the aim of guaranteeing the Group's ability to service its loans and debts and provide sufficient liquidity to maintain collateral for investment projects at all times.

These goals are monitored by tracking financial indicators (e.g. the equity ratio, capitalisation ratio I, surplus of liquid funds over interest-bearing liabilities) for the target corridors. The aim of maintaining adequate capital is supported by investing cash and cash equivalents in a non-risk manner. Derivative financial instruments are only used to the extent that they are needed to hedge actual business deals.

If there are any references to last year's financial statement in the following information, you can find this at https://investor.gk-software.com in the "Publications" section in the "Financial Reports" submenu.

1.2. Principles of presentation

The consolidated accounts for GK Software SE on 30 June 2018 were prepared in line with the accounting standards of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) and the provisions needing to be applied in line with Section 315e Para. 1 of the German Commercial Code (HGB). The Company's consolidated accounts were also prepared, taking into account the Interpretations (IFRIC, SIC) of the International Financial Reporting Standards Interpretations Committee (IFRS IC), as they have to be applied in the European Union. IAS 34 in conjunction with the German Securities Trading Act should be particularly mentioned as the basis for preparing the accounts.

The following summary shows the new standards and interpretations needing to be applied for the first time during the reporting period and changes to standards and interpretations, which are relevant for the 2018 financial year.

New IFRS Standards

T.16

IFRS	Amendment	Amendment for the financial year from
IFRS 2	Classification and Assessment of Share-Based Payments	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15[1]	Revenue from Contracts with Customers	1 January 2018
Improvements	Improvements to IFRSs 2014-2016: Amendments to IFRS 1 and IAS 28	1 January 2018

1 – including clarification of IFRS 15

Further information on standards, interpretations and changes, which have been published, but not yet used, and details on the formation and the assessment of balance sheet items and also arbitrary decisions and uncertainties about estimates can be found in chapter 1.2. "Principles of presentation" in the notes on the consolidated accounts in the 2017 financial statement (2017 Financial Statement, pages 68ff). The estimates made in the aforementioned financial statement and discretionary decisions on the new standards have changed significantly within the last six months.

We are therefore expecting the use of IFRS 15 to have an effect on turnover of up to almost EUR 1 million, but it will only have a small effect on the EBIT figure. GK Software SE also assumes that there will be minor changes to the balance sheet and additional quantitative and qualitative details in the consolidated notes.

1.3. Consolidated companies

The consolidated accounts include GK Software SE and all the companies where GK Software SE has majority voting rights, either directly or indirectly, or has the opportunity to gain control.

Reference is made here to chapter 1.3. "Consolidated companies" in the notes on the consolidated accounts in the 2017 financial statement (2017 Financial Statement, pages 70ff).

valuephone GmbH was also included for the first time in addition to the subsidiaries listed there; we refer you to chapter 6 Corporate Mergers for more details.

All the companies in the consolidated group are either directly or indirectly and exclusively owned by GK Software SE.

1.4. Principles of consolidation

The consolidated interim statement has been prepared on the basis of internal group balance sheet and assessment methods.

Internal profits and losses within the Group, sales, expenditure and earnings or the accounts receivable and payable, which exist between the consolidated companies, have been eliminated. The effects of taxes on profits have been taken into account in the consolidation procedures that affect the results and deferred taxes have been included in the calculations, if necessary.

1.5. Currency conversions

The interim consolidated accounts have been presented in euros, the Group's functional and reporting currency. Each company within the Group establishes its own functional currency. The items included in the annual accounts for each company are assessed using this functional currency. Foreign currency transactions are converted into the functional currency at the spot rate that is valid on the month of the business transaction. Monetary assets and monetary liabilities in a foreign currency are converted into the functional currency at the rate that applies on the balance sheet date.

1.6. Report on key events

There were no major events to report after 30 June 2018.

2. Balance Sheet and Assessment Principles

The same balance sheet and assessment principles were used as in the consolidated accounts on 31 December 2017. Reference is made here to chapter 2, "Balance sheet and assessment principles" in the notes on the consolidated accounts in the 2017 financial statement (2017 Financial Statement, pages 74ff).

3. Notes on the Consolidated Balance Sheet

3.1. Property, plant and equipment

Property, plant and equipment

T.17

EUR K	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Technical equipment and machines	Total
Purchasing or production costs					
Figures on 1 January 2018	8,737	11,282	3,273	6	**23,299**
Accruals	20	1,859	4,666	0	**6,545**
Accruals through corporate mergers	0	0	0	0	**0**
Disposals	0	106	0	6	**112**
Figures on 30 June 2018	**8,757**	**13,035**	**7,939**	**0**	**29,731**
Accumulated depreciation					
Figures on 1 January	1,606	7,509	0	0	**9,115**
Accruals	134	1,131	0	0	**1,265**
Accruals through corporate mergers	0	0	0	0	**0**
Disposals	0	94	0	0	**94**
Figures on 30 June 2018	**1,740**	**8,546**	**0**	**0**	**10,286**
Carrying amounts on 30 June 2018	**7,017**	**4,489**	**7,939**	**0**	**19,445**

Procurement obligations for office and business equipment amounted to approx. EUR 1,802 K (previous year: EUR 1,255 K).

3.2. Intangible assets

Intangible assets

T.18

EUR K	Capitalised development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Orders in hand	Total
Purchasing or production costs						
Figures on 1 January 2018	7,988	8,175	15,677	7,867	1,585	**41,292**
Accruals	0	192	0	12	0	**204**
Accruals through corporate mergers	0	304	4,551	0	0	**4,855**
Changes caused by exchange rates	0	52	256	140	0	**448**
Disposals	0	(35)	0	(12)	0	**(47)**
Figures on 30 June 2018	**7,988**	**8,688**	**20,484**	**8,007**	**1,585**	**46,752**
Accumulated depreciation						
Figures on 1 January 2018	7,438	3,538	870	2,502	1,585	**15,933**
Accruals	142	597	0	348	0	**1,087**
Accruals through corporate mergers	0	5	0	**0**	**0**	**5**
Disposals	0	(35)	0	(12)	0	**(47)**
Figures on 30 June 2018	**7,580**	**4,105**	**870**	**2,838**	**1,585**	**16,978**
Carrying amounts on 30 June 2018	**408**	**4,583**	**19,614**	**5,169**	**0**	**29,774**

3.3. Stocks

T.19 Stocks

EUR K	30.6.2018	30.6.2017
Goods	609	798
Auxiliary materials and supplies	203	192
Advance payments on inventories	47	54
Total	**859**	**1,044**

3.4. Trade accounts receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. The total value adjustments amounted to EUR 0 K (previous year: EUR 0 K). The value adjustments were entered under "Other expenditure". Revenue from the reversal of value adjustments in previous years was entered under "Other revenue" and amounted to EUR 33 K (previous year: EUR 34 K). Value adjustments amounting to a total of EUR 285K (previous year: EUR 422 K).

There were foreign currency trade receivables in Czech crowns amounting to EUR 1K (previous year: EUR 16 K), in US dollars amounting to EUR 2,524 K (previous year: EUR 2,851 K), in South African rand amounting to EUR 984 K (previous year: EUR 1,006 K) and in Russian roubles amounting to EUR 1 K (previous year: EUR 1 K) on the balance sheet reporting date.

3.5. Trade accounts receivable from ongoing work

Customer orders, for which turnover revenues were realised according to IAS 15, must be shown as assets. This item amounted to EUR 4,707 (previous year: EUR 5,129 K) on the balance sheet reporting date.

3.6. Accounts receivable with associated firms

On the balance sheet date, there were accounts receivable owed by associated firms amounting to EUR 1 K (previous year: EUR 1 K) to GK Software Holding GmbH, the main shareholder of the parent company.

3.7. Other accounts receivable, assets and income tax assets

T.20 Other accounts receivable, assets and income tax assets

EUR K	30.6.2018	30.06.2017
Income tax claims	797	450
Intermediate total	797	450
Loans paid to third parties	156	2,237
Accounts receivable from members of the Management Board	34	33
Accounts from value-added tax	571	839
Accounts from asset deferrals	1,944	1,703
Accounts from interest/currency hedging business	647	895
Others	**4,057**	**1,355**
thereof down payment company acquisition	1,800	–
Intermediate total	7,409	7,062
Total	**8,206**	**7,512**

The receivables from income tax claims largely contained receivables from corporation tax, plus the solidarity surcharge and business tax advance payments.

The accounts receivable with members of the Management Board largely concerned payments in advance for travel expenses, which are granted free of interest.

There were other receivables in Czech crowns amounting to EUR 131 K (previous year: EUR 156 K), in Swiss francs amounting to EUR 7 K (in the previous year: EUR 4 K), in Russian roubles amounting to EUR 9 K (previous year: EUR 15 K), in US dollars amounting to EUR 1,488 K (previous year: EUR 749 K), in South African rand amounting to EUR 308 K (previous year: EUR 45 K) and in Ukrainian hryvnia amounting to EUR 4 K (previous year: EUR 2 K) on the balance sheet date.

3.8. Cash and cash equivalents (liquid funds)

Cash and cash equivalents are assessed at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. Bank deposits amounting to EUR 11K (previous year: EUR 11K) were pledged as part of rent collateral to the bank providing the guarantee. The Management Board is not expecting this security to be used.

3.9. Equity

We refer you to the statement of changes in the Group's equity for more information on changes to the equity at GK Software on the balance sheet reporting date on 30 June 2018.

The company's share capital amounted to EUR 1,903,200.00 on 1 January 2018 and was divided into 1,903,200 individual share certificates.

The subscribed capital on the reporting date of 30 June 2018 amounted to EUR 1,924,875.00 and was subdivided into 1,924,875 individual share certificates.

No shares were owned by the Company on the balance sheet date.

Authorised capital On 28 August 2014, the annual shareholders' meeting passed a resolution authorising the Management Board to increase the ordinary shares of the Company by issuing new, no-par value bearer shares (individual share certificates) in exchange for cash contributions and/or assets in kind by up to a total of EUR 945,000 on one or more occasions until 27 August 2019, provided that the Supervisory Board approves (authorised capital in 2014).

In principle, the subscription right must be granted to shareholders. However, the Management Board is entitled to exclude the subscription right to one or several increases in capital as part of authorised capital in order to balance out fractional amounts or in the case of increases in capital in return for assets in kind, particularly when acquiring companies, if the increase in capital takes place in exchange for cash deposits and the issue price does not fall far below the stock exchange price for shares that have already been issued and the ratio of new shares issued does not exceed 10 percent of the nominal capital to the exclusion of the subscription right according to Section 186 Paragraph 3 Sentence 4 of the German Companies Act and if the new shares have been offered for sale to persons, who have a working relationship with the Company, or have been transferred to them.

Contingent capital. According to Section 4a (1) and (2) of the articles of association, the Management Board was entitled to grant purchase options on up to 37,000 individual share certificates to members of the Management Board, managers of companies in which GK Software already has a direct or indirect shareholding ("associated firms"), and managers at the Company and its associated firms on one or more occasions until 14 May 2013, provided that the Supervisory Board approved these measures.

According to Section 4a (4) of the articles of association, authorisation was given to increase the nominal capital by a further EUR 75,000, divided into 75,000 individual share certificates. The increase in equity capital is only performed if holders of share options, which are issued in the period up to 28 June 2020 on the basis of the resolution passed at the annual shareholders' meeting on 29 June 2015, exercise their subscription rights to Company shares and the Company issues new shares to service them. Members of the Management Board, managers of companies in which GK Software has an indirect or direct majority holding ("associated firms") and managers of the Company and its associated firms are entitled to participate in the share option scheme.

There were no changes in relation to the share option programme in 2018.

The revenue reserves item not only contains the adjustment to the statutory reserve funds, but also differences in amounts due to the initial switch to IFRS.

Extra charges arising from the issue of shares are shown in the capital reserves.

Currency exchange differences arising from the conversion of foreign business operations and the actuarial profits/losses from defined benefit schemes are entered under "Other income".

3.10. Statutory provisions for pensions

GK Software and the subsidiaries AWEK GmbH and AWEK microdata GmbH have issued pensions benefit plans in the form of defined benefit plans.

The pension benefit plans have been organised so that they form a life-long, fixed retirement pensions, which are to be paid once employees reach the age of 65 or 67 or 68. As this involves fixed pension sums, no adjustments are made in line with the final salary paid or the preceding salaries or the length of services or revenues in the fund. No fixed pension adjustment has been agreed. A contingent right to a widow's pension amounting to 60 percent of the old-age pension exists if the member of staff suffers invalidity or dies.

The plans in Germany mean that the Group is normally exposed to the following actuarial risks: investment risks, risks associated with changes in interest rates, longevity risks, salary risks and risks from inflation and pension increases.

Investment risk. The cash value of the defined benefit obligation in the plan is determined by using a discount rate. This is determined on the basis of the profits of high-grade corporate bonds with a fixed interest rate. As soon as the yields from the plan asset fall below this interest rate, this creates a shortfall in cover for the plan. The plan currently has a relatively balanced investment portfolio of equity instruments, debt instruments and property. Because of the long-term nature of the plan liabilities, the administration board of the pension fund believes that it is advisable to invest an appropriate part of the plan asset in equity instruments and property in order to increase the chances of increasing profits.

Risk associated with changes in **interest** rates. A reduction in the loan interest rate will lead to an increase in the plan liability, but this is partially offset by an increased yield from the plan asset investment in debt instruments with fixed interest rates.

Risk arising from **longevity.** The cash value of the defined benefit obligation in the plan is determined on the basis of the best possible estimate of the probability of death for the employees benefiting from the scheme, both during their working relationship and also after this ends. Any increase in life expectancy on the part of the employees benefitting from the scheme leads to an increase in the plan's liability.

The cash value of the defined benefit obligation and the associated current service costs are determined using the current single premium method.

The calculations are based on the following assumptions:

T.21 Assumptions for calculating cash values

	H1 2018	FY 2017
Pensionable age (m/f)	60-68/60-68	60-65/60-65
Discount factor(s) on 1 January	1.95% p.a.	1.40% p.a.
Discount factor(s) on 30 June	1.95% p.a.	1.95% p.a.
Rate of pension increase	1.50% p.a.	1.50% p.a.

The calculations are based on the "2005G Guideline Tables" published by Klaus Heubeck.

The assets of the associated plan assets in question here are 100 percent insurance policies (reinsurance policies). In this respect, it is not possible to provide any other information on investment categories.

A reconciled financial statement of the opening and final balances of the cash value of the defined benefit obligations with the reasons for changes provides the following picture:

T.22 Reconciliation account to determine the cash value

EUR K	H1 2018	FY 2017
Figures on 1 January:	3,523	3,698
+ Interest expenditure	34	51
+ Working period costs	223	96
+ Working period costs to be additionally calculated	0	305
− Benefits paid out	(46)	(93)
+ Actuarial profits (losses in the previous year)	(12)	(534)
of which adjustments based on experience	(12)	(216)
of which changes in financial assumptions	0	(318)
Figures on 30 June	**3,722**	**3,523**

The development of the plan assets is shown as follows:

T.23 Development of the plan assets

EUR K	H1 2018	FY 2017
Figures on 1 January	1,643	1,931
+ Expected yields from plan assets	13	24
+ Contributions	95	190
− Benefits paid out	(42)	(55)
− Actuarial losses (-)/ profits	30	(447)
Figures on 30 June	**1,739**	**1,643**

This therefore gives rise to a planned deficit of EUR 1,983 K (previous year: EUR 1,880 K) , which was entered as a pensions provision.

The following amounts were entered in the overall results with regard to the defined benefit plans:

T.24 Statutory provisions for pensions

EUR K	2018	2017
Current service costs	223	96
Past service costs		
Net interest expenditure	21	27
Components of the defined benefit costs entered in the profit and loss statement	**244**	**123**
Reassessment of net debt from the defined benefit plan		
Gains from plan assets (with the exception of the amounts contained in the net interest)	30	(447)
Actuarial gains and losses from the change in financial assumptions	12	534
of which adjustments based on experience	12	216
of which changes in financial assumptions	0	318
Components in the defined benefit costs entered under "Other income"	(24)	87
Total	**220**	**210**

Of the current expenditure of EUR 244 K at the end of the six months (previous year: EUR 123 K), interest income amounting to EUR 13 K (previous year: EUR 24 K) and interest expenditure amounting to EUR 34 K (previous year: EUR 51 K) was entered in the interest results and the remaining expenses amounting to EUR 223 K (previous year: EUR 96 K) as "Expenditure for old-age pensions".

The reassessment of net debt from a defined benefit plan was entered under "Other income".

The cash value of the defined benefit obligation and the fair value of the plan assets developed as follows:

T.25 Development of the cash values of defined benefit obligations and plan assets

EUR K	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (−) surplus (+)
HJ 2018	**3,722**	**1,739**	**(1,983)**
FY 2017	3,523	1,643	(1,880)
FY 2016	3,698	1,931	(1,767)
FY 2015	3,232	1,772	(1,460)
FY 2014	3,277	1,613	(1,664)
FY 2013	2,444	1,532	(912)
FY 2012	3,188	1,480	(1,708)

3.11. Non-current and current bank liabilities

T.26 Contingent liabilities

	30.6.2018		31.12.2017	
EUR K	Balance	Thereof short term	Balance	Thereof short term
Loan Commerzbank	203	23	214	23
Loan Sparkasse	4,384	616	4,645	616
Loan IKB	5,500	2,000	6,500	2,000
Loan DZ-Bank (variable)	3,640	3,594	5,187	5,094
Other loans	41	21	71	17
cCurrent account credit and credit card	3,969	3,969	2,557	2,557
Account balance	**17,737**	**10,223**	**19,174**	**10,307**

In order to provide security, there is a blanket assignment of the receivables from goods deliveries and services owed by third-party debtors.

This included securing liabilities amounting to EUR 2,928 K through a mortgage on 30 June 2018. This share of repayment for the following year is entered under "Current bank liabilities."

3.12. Convertible bond

The change in the balance sheet item was largely due to interest effects.

3.13. Deferred public sector grants

This item concerns investment subsidies subject to tax from the Free State of Saxony (provided by the Sächsische AufbauBank) as part of its regional business stimulus programme and investment grants that are not subject to tax.

The amortisation of the subsidies and grants takes place in a linear fashion over the serviceable life of the assets that have been supported by public funds.

3.14. Deferred taxes

Please refer to Section 4.8.

3.15. Provisions

T.27 Provisions

EUR K	Personnel department	Production-department	Other departments	Total
Situation on 1 January 2018	246	920	180	**1,346**
Amounts used	222		128	**350**
Liquidation	28	351	0	**379**
Additional funds	118	107	73	**298**
Figures on 30 June 2018	**114**	**676**	**125**	**915**

The total current provisions in the personnel department primarily concern bonuses, while they are exclusively warranties in the production department.

The calculations for warranty provisions are based on warranty costs in the past and estimates regarding future costs. An amount totalling EUR 0 K was used from provisions additionally formed in previous years for projects.

Trade accounts payable

Trade payables are still due for settlement within one year.

There were foreign currency trade payables amounting to EUR 34 K in Czech crowns (previous year: EUR 47 K), in Ukrainian hryvnia amounting to EUR 2 K (previous year: EUR 1 K), in US dollars amounting to EUR 148 K (previous year: EUR 167 K), in South African rand amounting to EUR 5 K (previous year: EUR 5 K) and in Swiss francs amounting to EUR 2 K (previous year: EUR 0 K).

3.16. Initial payments received

As in the previous year, the initial payments received have a term of up to one year. Advance payments received amounted to USD 215 K on the balance sheet reporting date.

3.17. Income tax liabilities

This item includes liabilities arising from corporation tax, the solidarity surcharge and trade tax in Germany, the Czech Republic, Switzerland, Russia, the USA, South Africa and Ukraine.

3.18. Other current liabilities

T.28 Other current liabilities

EUR K	30.6.2018	31.12.2017
Tax liabilities	763	1,295
Liabilities from wages and salaries	7,312	9,714
Other liabilities towards members of staff	0	5
Liabilities from the acquisition of companies	558	542
Others	19,259	11,882
of which an overpayment by customers	7,813	7,048
of which from deferrals	4,043	2,614
Total	**27,892**	**23,438**

The tax liabilities cover outstanding income tax payments and value-added tax. There were other foreign currency liabilities amounting to EUR 692 K in Czech crowns (previous year: EUR 661 K), EUR 88 K in Swiss francs (previous year: EUR 146 K), EUR 1 K in Ukrainian hryvnia (previous year: EUR 1 K), EUR 2,530 K in US dollars (previous year: EUR 3,368 K) and EUR 340 K in South African rand (previous year: EUR 63 K). on the balance sheet reporting date.

4. Notes on the Consolidated Profit and Loss Statement

4.1. Turnover revenues

The turnover revenues are exclusively the result of the sale of hardware and software and the provision of services for international and national customers.

During the six months of the financial year, deferred revenue amounting to EUR 4,600 K (previous year: EUR 4,690 K) was entered, after it had been determined according to IAS 15.

Overall, all the customer orders had an assets-side balance and were entered with a figure under "Trade accounts receivable from ongoing work" (cf. 3.4). Advance payments made by customers amounting to EUR 3,644 K were entered on the balance sheet.

As regards the make-up of the significant categories of revenues, we would refer to Section 7 entitled "Segment Reporting". Overall, warranty provisions amounting to EUR 139 K were reversed and EUR 81 K were newly added for these amounts during the financial year and therefore the figure entered for expected warranties amounted to a total of EUR 665 K (previous year: EUR 723 K).

4.2. Other revenues

T.29 Other revenues

EUR K	H1 2018	H1 2017
Reversals of other uncertain liabilities and provisions	699	16
Vehicle benefits in kind	605	529
Earnings from reversals of deferred public grants	18	14
Reductions in value adjustments	35	35
Others	842	828
Total	**2,199**	**1,422**

4.3. Expenditure on materials

T.30 Expenditure on materials

EUR K	H1 2018	H1 2017
Cost of auxiliary materials and supplies	832	1,008
Expenditure on purchased services	3,095	2,659
Total	**3,927**	**3,667**

4.4. Expenditure on personnel

T.31 Expenditure on personnel

EUR K	H1 2018	H1 2017
Wages and salaries	27,955	23,583
Social security contributions	5,203	4,100
of which expenditure on retirement benefits	367	186
Total	**33,158**	**27,683**

On average, 1,073 people were employed during the first half of the 2018 financial year (previous year: 961). 1,147 people were employed on the reporting date of 30 June 2018 (previous year: 1,011).

4.5. Depreciation and amortisation

As in the previous year, this item exclusively covers scheduled depreciation on property, plant and equipment and the amortisation of intangible assets.

4.6. Other expenditure

This item largely covers legal and consultancy expenses amounting to EUR 1,004 K (previous year: EUR 922 K), advertising and travel expenses amounting to EUR 3,316 K (previous year: 2,556 K), costs for premises and operating costs amounting to EUR 1,691 K (previous year: 1,008 K), expenditure on vehicles amounting to EUR 1,507 K (previous year: 1,475 K), IT expenditure amounting to EUR 1,027 K (previous year: 903 K), as well as administration and sales costs amounting to EUR 1,294 K (previous year: EUR 707 K).

4.7. Financial results

T.32 Financial results

EUR K	H1 2018	H1 2017
Interest income	99	49
Interest expenditure	(690)	(262)
Account balance	**(591)**	**(213)**

4.8. Income taxes

T.33 Income taxes

EUR K	H1 2018	H1 2017
Current tax liabilities	342	367
Deferred tax expenditure	(689)	702
Account balance	**(347)**	1,069

Deferred taxes were determined according to the individual company tax rates in Germany, which were 29.5 percent, 29.1 percent, 28.4 percent and 31.6 percent as a result of corporation tax, the solidarity surcharge and the business tax. The deferred taxes in the individual companies were based on a tax rate of 25.8 percent in Switzerland, 19 percent in the Czech Republic, 39 percent in the USA, 20 percent in Russia, 28 percent in South Africa and 18 percent in Ukraine. An average Group tax rate of 29.7 percent was used to determine the deferred taxes on changes arising from the elimination of Group interim profits.

4.9. Earnings per share

The earnings per share are determined as a quotient of the total results and the weighted average of the number of shares in circulation during the financial year. The average number of shares in circulation during the first six months of the 2018 financial year was 1,915,876 (previous year: (1,890.000) The consolidated shortfall in the first half of 2018 amounted to EUR (172) K (previous year: (previous year: EUR 2.296 K). As a result, earnings per share amounted to EUR (0.06) for the first half of 2018 (previous year: EUR 1.21).

When calculating the diluted results per share, the total number of shares, i.e. 2,130,186, from the existing and possible new shares from the share options programmes and the convertible bond, were taken into consideration. The earnings from the period were also increased by the interest-rate advantage from the convertible bond and reduced by the resulting tax effect.

The diluted earnings per share amounted to EUR 0.00 (previous year: EUR 1.16).

5. Notes on the Cash Flow Statement

We have entered any interest and taxes that have been paid in the cash flow from operating business. Any interest received has been entered under the cash flow from investment activities. Any dividends paid are taken into account in the cash flow from financing activities.

Cash accruals amounting to EUR 294 K were included on the cash flow statement as a result of the acquisition of valuephone GmbH.

6. Corporate Mergers

6.1. Acquisition and taking control

GK Software SE took over all the business shares in valuephone GmbH by means of the notarised purchase agreement dated 18 May 2018. valuephone GmbH is entered in the Commercial Register at Chemnitz Local Court under number HRB 22883 and the company was founded in 2006. The company's nominal capital was assigned to three shareholders, the last of which declared its consent for the agreement on 29 May 2018. One of the shareholders of valuephone was a closely related party in the sense of IAS 24 at the time of the acquisition and this situation is being maintained in line with a current estimate of up to EUR 2,220 K.

6.2. Background to the transaction

The platform developed and operated by the company for individual customer loyalty and "one-2one" marketing forms the basis. This "360-degree mobile loyalty" platform particularly enables retailers to use permanent mobile marketing and the system can be used as a high-speed retail solution in an extensive manner and without depending on any provider. Retail companies can offer their customers a wide variety of mobile services with their own brand via this platform: shopping apps, promotions, mobile couponing, mobile payments, mobile bonus points programmes, "shop & go" (self-scanning and checkout operations), a mobile dashboard or mobile terminals. The white label applications can be easily integrated in existing marketing strategies. Retailers can optimise their loyalty management with the company's solutions as part of their omni-channel strategy. The software solutions are made available as cloud-based software-as-a-service systems (SaaS). The company also offers system integration and advice for mobile customer loyalty strategies. This range of solutions complements the omni-channel solutions provided by GK Software in an ideal manner.

6.3. Transferred trade-offs

The business shares have been acquired in cash for a purchase price, which is composed of an absolute amount, which will be reduced according to particular developments in accounts receivable and accounts payable, and a conditional amount. The conditional amount is determined by the turnover generated by the software solution used by valuephone GmbH. The agreed absolute purchase price amounted to EUR 4,400,000 and will probably be reduced by EUR 1,980,000. An advance payment amounting to EUR 1,800,000, which can be recovered, will be made on the conditional amount, if the agreed conditions occur for the conditional payments. The payments were made after the balance sheet reporting date and were entered on the credit side on the reporting date. The purchase-related costs amounting to approx. EUR 35 K were entered directly as expenditure. The final determination of the purchase price, particularly the assessment of the conditional purchase price, is still not available.

6.4. Purchase price allocation

We conducted a provisional purchase price allocation on account of the time that was available and the complexity of the assessment, and largely attributed the purchase price to the goodwill of valuephone GmbH. We are expecting to discover a surplus in net assets in the final purchase price allocation because of the technologies and customer relations that have been acquired. The assessment of these intangible assets is still incomplete at the moment. The final goodwill that remains after this will be composed of the employees who are working for valuephone GmbH. These benefits were not entered separately, as they do not meet the relevant recognition regulations for intangible assets. We do not expect any tax deductibility from the goodwill resulting from the acquisition. The information according to IFRS 3.67 (i), 70 ff. will be provided in the consolidated annual accounts related to 31 December 2018 too, because of the very limited time available and the complex process of obtaining the information.

6.5. Net outflow in cash and cash equivalents from financing activities

There was no outflow of cash and cash equivalents on the balance sheet reporting date. We are expecting an outflow of up to EUR 4,407 K because of the rules in the purchase contract. Stocks of funds amounting to EUR 294 K were acquired so that the expected outflow of funds will total EUR 4,113 K.

7. Segment Reporting

The SQRS product line joined the main software solution marketed by the Group – GK/Retail – when the operating business of Solquest GmbH was taken over in 2009; dedicated resources ensure that the former product is available in the market place.

The key components needing to be checked include the segment sales with third parties and the total operating performance of a segment and its earning power, which is determined on the basis of earnings before income taxes (EBIT).

The Group sells its GK/Retail and Solquest Retail Solutions (SQRS) products within a licensing framework and provides introductory and adjustment services as well as services related to maintaining these products. The Group also sells hardware for store IT solutions to a limited degree, but this is manufactured by third parties. The subdivision of turnover according to fields of work is part of the reporting process.

The IT Services segment offers services for operating IT systems at store-based retailers. The software services include user support and monitoring and maintaining hardware and software.

A subdivision of turnover in terms of products and fields of work provides the following general overview:

Work based on software servicing contracts, which imitate the normal segment revenues in their outside markets, is charged between the segments. Administrative work is accounted for on the basis of general service contracts. The amount cross-charged corresponds to the original costs of providing the administrative work based on our experience of estimating the time involved.

The company generated turnover amounting to EUR 22,133 K with customers that have their administration headquarters located outside Germany (previous year: EUR 17,353 K). The share of turnover from the SQRS business segment amounted to EUR 0 K (previous year: EUR 0 K) and EUR 77 K for IT Services (previous year: EUR 127 K).

Turnover by segments

T.34

	GK/Retail			SQRS			IT Services			Eliminations			Group		
EUR K	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017
Turnover with third parties	43,550	**37,054**	**74,784**	**256**	**400**	**811**	**5,240**	**6,688**	**14,857**	**—**	**—**	**—**	**49,046**	**44,142**	**90,452**
Product licences	6,202	4,979	8,964	—	—	—	403	578	867	—	—	—	6,605	5,557	9,831
Customer individual development (Services incl. Maintenance)	4,035	—	—		—	—		—	—		—	—	4,035	—	
Sum of licences	10,237	4,979	8,964	—	—	—	403	578	867	—	—	—	10,640	5,557	
Maintenance	10,152	9,058	19,412	256	399	797	3,567	4,119	8,987	—	—	—	13,975	13,576	29,196
Services	22,278	22,847	45,902	—	1	14	581	618	1,451	—	—	—	22,859	23,466	47,367
GK Academy	301	81	390	—	—	—	—	—	62	—	—	—	301	81	452
Other business	596	105	141	—	—	—	713	1,402	3,550	—	—	—	1,309	1,507	3,691
Revenue reductions	(14)	(16)	(26)	—	—	—	(24)	(29)	(60)	—	—	—	(38)	(45)	(86)
Turnover with other segments	**21**	**39**	**68**	**—**	**—**	**—**	**314**	**304**	**608**	**(335)**	**(343)**	**(676)**	**—**	**—**	**—**
EBIT segment	**148**	**2,026**	**1,510**	**107**	**229**	**464**	**(47)**	**1,316**	**3,204**	**(137)**	**7**	**(308)**	**71**	**3,578**	**4,871**
Assets	**115,738**	**74,682**	**107,844**	**2,903**	**2,643**	**2,712**	**11,642**	**11,217**	**11,037**	**(21,679)**	**(9,567)**	**(15,116)**	**108,604**	**78,975**	**106,477**
Debts	**82,092**	**44,646**	**74,166**	**181**	**185**	**75**	**7,068**	**7,937**	**6,589**	**(19,442)**	**(7,357)**	**(12,901)**	**69,899**	**45,411**	**67,929**
Cash and cash equivalents	**18,325**	**9,543**	**25,218**	**85**	**1,382**	**1,473**	**4,486**	**2,281**	**3,788**	**—**	**—**	**—**	**22,896**	**13,206**	**30,479**

Depreciation and amortisation in the GK/Retail segment amounted to EUR 2,216 K (previous year: EUR 1,543 K), EUR 0 K for SQRS (previous year: EUR 0 K) and EUR 105 K for IT (previous year: EUR 172 K) for IT Services.

The Company is standing by its decision to no longer sell the SQRS software solutions in future, in order to streamline the Group's product portfolio.

In addition, there were sales with customers, which have their headquarters in Germany, but which asked the Company to render accounts to the relevant national firms receiving the services. This turnover amounted to EUR 574 K (previous year: EUR 838 K). However, this is valued as domestic turnover because of the contractual basis and was fully assigned to the GK/Retail business segment.

Turnover with customers in 2018, which each have a share of sales that is greater than 10 percent, amounted to approximately EUR 5,661 K (previous year: EUR 6,935 K) or 11.7 percent (previous year: 15.7 percent) of total turnover.

8. Other Information

8.1. Contingent liabilities

Contingent liabilities cover possible obligations, but their existence is only confirmed if one or several uncertain future events actually take place and there is no possibility of exercising complete control over these factors. However, this term also covers existing obligations, which will probably create no outflow of assets. According to IAS 37, contingent liabilities are not entered on the balance sheet.

Contingent liabilities include one guaranteed credit amounting to EUR 60 K (previous year: EUR 60 K) to provide security for rented property. The Management Board does not expect it to be necessary to make use of the guarantee.

GK Software USA Inc. currently faces compensation claims from one customer. The risk of possibly having to make use of funds as a result of this dispute cannot be precisely assessed at the current time. The management of GK Software USA Inc. is disputing all the claims that have been asserted and assumes that it will not be possible to enforce them.

8.2. Operating leasing agreements

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the first six months of the 2018 financial year amounted to EUR 761 K (previous year: EUR 698 K).

There were payment obligations arising from operating leasing contracts amounting to EUR 3,607 K (previous year: EUR 2,193 K). This included EUR 1,677 K, which is due within one year) (previous year: EUR 1,207 K) and EUR 1,931 K, which is due within five years (previous year: EUR 986 K). There were no finance leasing agreements.

8.3. Subsidiaries

Subsidiaries of GK Software SE

T.35

Name of the subsidiary	Headquarters	Voting right share in %	Capital share in %	Main business
Eurosoftware s.r.o.	Plzen/Czech Republic	100.0	100.0	Software development, software programming
StoreWeaver GmbH	Dübendorf/Switzerland	100.0	100.0	Software development, software programming
1. Waldstraße GmbH	Schöneck	100.0	100.0	Software development, software programming
OOO GK Software RUS	Moscow, Russian Federation	100.0	100.0	Software development, software programming
AWEK GmbH	Barsbüttel	100.0	100.0	IT Services
AWEK microdata GmbH	Barsbüttel	100.0	100.0	Software development, software programming
GK Software USA Inc.	Raleigh/USA	100.0	100.0	Software development, software programming
GK Software Africa (Pty) Ltd	Bryanston/South Africa	100.0	100.0	Software development, software programming
TOV Eurosoftware-UA	Lviv, Ukraine	100.0	100.0	Software development, software programming
prudsys AG	Chemnitz	80.12	80.12	Software development, software programming
valuephone GmbH	Berlin	100.0	100.0	Software development, software programming

All the companies named here have been fully consolidated in these consolidated accounts.

valuephone GmbH, Berlin, was acquired as a wholly-owned subsidiary on 18 May 2018 and fully consolidated for the first time on 01 June 2018 and was entered for one month.

Due to materiality considerations, PIXEL Kindertagesstätte gUG (limited liability) was not included as a subsidiary in the Group consolidated figures.

GK Software has also had a 50 percent holding in the nominal capital of Unified Experience UG amounting to EUR 1 K since 25 November 2016; this is not included in the consolidated accounts for reasons of materiality. An initial contribution (EUR 25 K) is also being held for Fuel Retailing GmbH, which is being set up, but has not yet started operating as a business and has therefore not been treated as a holding.

8.4. Fee in line with Section 37w Paragraph 5 Page 6 of the German Securities Trading Act

The Group's interim accounts and the Group's interim progress report have not been subjected to any auditing or checked in line with Section 317 of the German Commercial Code.

8.5. Details of associated persons and firms

There was no need for any expenditure on value adjustments or irrecoverable debts with related persons or these items did not exist.

Business transactions between GK Software and its consolidated subsidiaries have been eliminated as part of the consolidation process.

8.5.1. Parent company

The direct parent company of GK Software SE is GK Software Holding GmbH, Schöneck. Commercial relationships existed as part of an agency agreement during 2018. Revenue of EUR 1 K from this was included under "Other income".

8.5.2. The Management Board

The following people are members of the Management Board:

- Mr Rainer Gläss, Schöneck, CEO, engineering graduate
- Mr André Hergert, Hamburg, CFO, business graduate

Their current due benefits amount to EUR 786 K in all. This included EUR 420 K in fixed earnings, EUR 330 K in variable earnings and monetary benefits amounting to EUR 36 K. The variable earnings relate to the degree to which targets were met in the financial year and the previous year.

Forfeitable share provisions (share options) are granted as long-term share-based remuneration. If they are exercised, the options are serviced by the issue of new non-par value company shares made out to the holder with a calculated share in the nominal capital of EUR 1 from the authorised capital without any additional payment. In terms of the organisation of the stock awards, the same general conditions apply to the Management Board as to leading members of staff. Reference is made to this in section 2.7 “Share option scheme”. The Management Board members held a total of 31,000 options on 31 December 2017. 6,000 of these were allocated to the share option scheme dating from 2014, 5,000 options from 2015, 10,000 from 2016 and 10,000 from 2017; each option had a fair value of EUR 11,929, EUR 6,240, EUR 6,420, EUR 8,302, EUR 9,202 and EUR 28,370 on the date of issue. The share-based remuneration for the half year in 2018 therefore totalled EUR 54 K. 9,500 options are held by two former members of the Management Board.

Therefore, the total remuneration for the Management Board amounted to EUR 840 K., including options.

The annual shareholders' meeting on 29 June 2015 decided in line with Sections 286 Paragraph 5 and 314 Paragraph 2 Sentence 2 of the German Commercial Code to forego the disclosure of the individual salaries according to Sections 285 No. 9 Letter a) Sentences 5 – 8 and 314 Paragraph 1 No. 6 Letter a) Sentences 5 – 8 of the German Commercial Code for the financial years 2015 to 2019. As a result, no detailed information is made available here.

The company created pension provisions amounting to EUR 404 K for former members of the Management Board and their surviving dependents (previous year: EUR 312 K) were made. The sum required to cover this provision amounted to EUR 727 K (previous year: EUR 649 K) and the net planned assets had a fair value of EUR 322 K (previous year: EUR 337 K).

The past service costs for the members of the Management Board therefore amounted to EUR 0.1 million and for former members of the Management Board EUR 0.1 million.

We would refer you to section 3.10 for the form of the pension commitments.

People, who were or are members of the company's Management Board or Supervisory Board, held the following direct shareholdings in GK Software during the first half of the 2018 financial year on 30 June 2018:

Shareholdings held by members of the Management Board and Supervisory Board

T.36

Name	Number of shares	in %
Rainer Gläss	52,792	2.74
Herbert Zinn.	1,000	0.05
André Hergert	3,351	0.17

Mr Gläss and Mr Kronmüller indirectly held a further 468,350 shares through GK Software Holding GmbH on 30 June 2018.

8.5.3. The Supervisory Board

The following people are members of the Supervisory Board:

- Mr Uwe Ludwig, Neumorschen, management consultant, Chairman of the Supervisory Board
- Mr Herbert Zinn, Ebersburg, business administrator
- Mr Thomas Bleier, Oelsnitz, savings bank economist

The total salaries for the Supervisory Board of GK Software SE for the first six months of the 2018 financial year amounted to EUR 40 K (previous year: EUR 40 K) and they represent current due benefits.

No other claims for remuneration exist.

No agreements exist between members of the Supervisory Board and the parent company, which envisage severance payments or other benefits for the members of the Supervisory Board when they finish their membership of this body. There are no conflicts of interest between their obligations towards the Company and their private interests or other obligations at the moment.

There are no agreements with the Company regarding pensions for the members of the Supervisory Board.

T.37 Accounts receivable from associated firms and persons

EUR K	30.6.2018	31.12.2017
Loans to associated firms, which are not part of the consolidated group	0	1,982
Other claims from members of the management team in key positions (Management Board members)	33	59
Accounts receivable from associated firms, which are not part of the consolidated group	156	254
Total	**189**	**2,295**

The loan to a closely associated firm was granted for an indefinite period with a current account credit line of up to EUR 20 K and is subject to an interest rate of 6%. The current balance amounts to EUR 0 K (previous year: EUR 0 K).

The other accounts receivable from members of the Management Board amounted to EUR 33 K (previous year: EUR 59 K) and included various advance payments for purchases, travel expenses and similar items and they are therefore not subject to interest. These accounts receivable can be recovered at any time.

In addition, there are tenancy arrangements with another closely related firm. Lease expenditure incurred during the financial year amounted to EUR 26 K (previous year: EUR 26 K).

Expenses for outside services were also incurred with closely associated firms and these amounted to EUR 132 K (previous year: EUR 229 K). In addition to this, income was generated with closely related firms in connection with providing vehicles and other services. This amounted to EUR 51 K (previous year: EUR 88 K), and there were also expenses for additional services amounting to EUR 52 K (previous year: EUR 132 K). There were also earnings generated from pension schemes amounting to EUR 364 K (previous year: EUR 34 K) and expenditure for the provision of project services amounting to EUR 224 K (previous year: EUR 388 K). The outstanding accounts receivable with this company were worth EUR 96 K (previous year: EUR 98 K).

All the business transactions with closely related firms involved other related companies in line with the categorisation in IAS 24.19.

8.6. Declaration of compliance

The declaration on the German Corporate Governance Code according to Section 161 of the German Companies Act has been submitted and has been published on GK Software SE's home page at https://investor.gk-software.com in the "Corporate Governance" section.

8.7. Information after the annual accounts reporting date

Any information about circumstances, which was available on the accounts reporting date, was taken into account, provided that the Management Board knew about it by 29 August 2018.

The purchase price payment for the takeover of valuephone GmbH took effect on 2 July 2018.

The payment of the nominal capital contribution for the PIXEL Kindertagesstätte gUG (limited liability) was made on 2 July 2018.

8.8. Details of Group affiliation

GK Software SE, and therefore the GK Software Group, are subject to the direct control of GK Software Holding GmbH (HRB 24111 Chemnitz), which has its headquarters in Schöneck and is the senior parent company.

8.9. Date on which the accounts were approved for publication

The Management Board cleared the Group accounts for forwarding to the Supervisory Board on 29 August 2018. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 29 August 2018

The Management Board

Guarantee by the Legal Representatives

We guarantee to the best of our knowledge that the consolidated accounts present a realistic view of the actual circumstances in the assets, financial and earnings situation at GK Software SE in line with the relevant accounting principles and that the consolidated annual report reveals the course of business, including the business results and the situation within the Group, in such a way that it communicates a view, which reflects the actual circumstances, and describes the main opportunities and risks for probable developments at the Company.

Schöneck, 29 August 2018

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

Financial Calendar

26 – 28 November 2018
Analyst conference in Frankfurt/M.

26 November 2018
Interim statement as of 30 September 2018

26 April 2019
Annual report as of 31 December 2018

30 May 2019
Interim statement as of 31 March 2019

20 June 2019
Annual shareholders‘ meeting 2019 in Schöneck/V.

29 August 2019
Interim report as of 30 June 2019

November 2019
Analyst conference in Frankfurt/M.

26 November 2019
Interim statement as of 30 September 2019

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Notes

Note to the Interim Report

This Interim Report is the English translation of the original German version. In case of deviations between these two the German version prevails. This Interim Reports 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.

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This Interim Report includes statements concerning the future, which are subject to risks and uncertainties. They are estimations of the Board of Management of GK Software SE 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 SE could vary from those, which are expressed or implied in these forecasts. The Company assumes no obligation to update such expressions or forecasts.