H1 Interim Report

January – June 2023

The Retail Innovators

Summary of Consolidated Results

		30.6.2023	30.6.2022	31.12.2022	2023/2022 changes in %
Turnover	EUR K	78,054	75,123	152,054	3.9
Operating income	EUR K	78,054	75,123	152,054	3.9
Overall revenue	EUR K	80,215	77,841	158,220	3.1
EBIT	EUR K	(14,400)	11,278	16,779	(227.7)
EBIT margin (on turnover)	%	(18.5)	15.0	11.0	–
EBITDA	EUR K	(10,764)	14,652	24,764	(173.5)
EBITDA margin (on turnover)	%	(13.8)	19.5	16.3	–
EBT	EUR K	(14,280)	10,603	16,911	(234.67)
Net loss/profit for the year	EUR K	(13,738)	8,776	11,359	<(250)
Earnings per share (weighted)	EUR	(6.06)	3.87	4.99	–
Earnings per share (diluted)	EUR	(6.06)	3.71	4.84	–
Equity ratio	%	55.6	60.7	57.8	–
Employees		1,228	1,114	1,168	10.2

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To the Shareholders

Letter from the Management Board

Dear shareholders,

With this Interim Report, we are presenting you for the final time with a report that complies with Deutsche Börse regulations. GK Software SE Shares were delisted with effect from close of business on 1 August 2023 as requested by the Management Board and the Supervisory Board. The reason for this was that the Company has a new strategic investor in Fujitsu who, in the delisting agreement, assured sufficient financing to be able to achieve GK Software's targets, thus there was no longer sufficient added value to offset the costs associated with the public listing. That is why the Boards took the joint decision to stop listing on the Deutsche Börse.

We would like to thank all our long-term shareholders, particularly those who have been with us for many years – some even since our IPO – for trusting in and supporting the Company over such a long period of time. We are absolutely convinced, and have expressed this in the corresponding statements, that both bids from Fujitsu Ltd. were in the best interests of both the Company and its shareholders.

On 1 March 2023, ND Solutions AG, a wholly-owned subsidiary of the Japanese Fujitsu Ltd., had announced a voluntary public takeover bid to which 67.62 percent of the existing share capital and voting rights had been contributed by the close of business on the extended acceptance deadline of 9 May. In the public delisting purchase bid announced on 17 May, a further 3.61 percent of the share capital was contributed. The Company's new strategic investor now holds 72.07 percent of the Company's shares, taking into account additional share purchases.

Following the successful completion of both Fujitsu ND Solutions AG bids, the previous longtime CEO and Company founder, Rainer Gläß, retired from the Management Board. At the same time, he and the second Company founder, Stephan Kronmüller, contributed all of their shares to the voluntary public takeover bid. The Management Board and the Supervisory Board would expressly like to thank both founders for their great service to the Company and wish them all the best for their future endeavours. The Supervisory Board appointed new members to the Management Board on 1 June. Michael Scheibner was appointed as the new CEO and Michael Jaszczyk as the new Chief Digital Transformation Officer. André Hergert remains the Company's CFO.

Under this altered general setup, we now present you with the interim report for the 2023 fiscal year. We are generally satisfied with the developments, however there are clear indications in the retail sector meanwhile that the prospects for the general global conditions are still not good. For the first time, such difficulties are also affecting the Company's customers in the UK, where macroeconomic trends are being exacerbated by the effects of Brexit. The macroeconomic parameters indicate that the trend on our domestic German market tends to be negative too. However, decision-makers are again currently showing greater restraint in new customer business on a global level as well.

On this basis we can report that we have been able to increase revenue by almost 4 percent from EUR 75.12 million to EUR 78.05 million over the previous year. This meant that the previous year's growth could be continued. Even more so as the previous year's revenue was strongly influenced by the huge perpetual licence deal. On the earnings side, the Fujitsu transaction has brought substantial financial burdens in this fiscal year. As such, the EBITDA was negative at EUR (10.76) million in the first six months, after a surplus of EUR 14.65 million in the first half of 2022. The resulting EBIT of EUR (14.40) million (previously EUR 11.28 million) was negative. Factoring out the non-recurring effects of the Fujitsu transaction, the operating half-year EBIT lay at EUR 3.30 million in real terms. The comparable adjusted EBIT of the same period in the previous year (excluding the huge one-off licence) was EUR 4.53 million. As already announced in the annual report, on this basis we expect to slightly expand sales in the 2023 fiscal year, while the EBIT will be influenced by the Fujitsu transaction over the year as well and will be significantly lower than in the previous year. At operating level, i.e. excluding transaction costs, we still see the possibility of achieving a further improvement in adjusted EBIT compared with the previous year.

Regardless of the costs of the Fujitsu transaction, the Group's liquidity situation remains extremely strong and the Company continues to develop according to plan. The reason for this statement is that, despite a complicated market situation, we also have further interesting opportunities of various sizes in the pipeline for the second half of the year and expect to win even more customers.

In the last annual report, we gave a new forecast that extends to 2025. This forecast remains the same. Accordingly, we expect to achieve, on average, at least a double-digit growth rate in turnover by 2025. This means a sales target of between EUR 193 and 205 million for 2025. The margin could develop slightly above our previous target margin of 15 percent by the end of the forecast period.

The forecast is still subject to the condition that the ongoing international crises do not lead to any further negative developments, which would have a longer lasting impact on the willingness of the retail industry worldwide to invest.

Schöneck, 29 August 2023

The Management Board

Michael Scheibner
Chief Executive Officer

André Hergert
Chief Financial Officer

Michael Jaszczyk
Chief Digital Transformation Officer

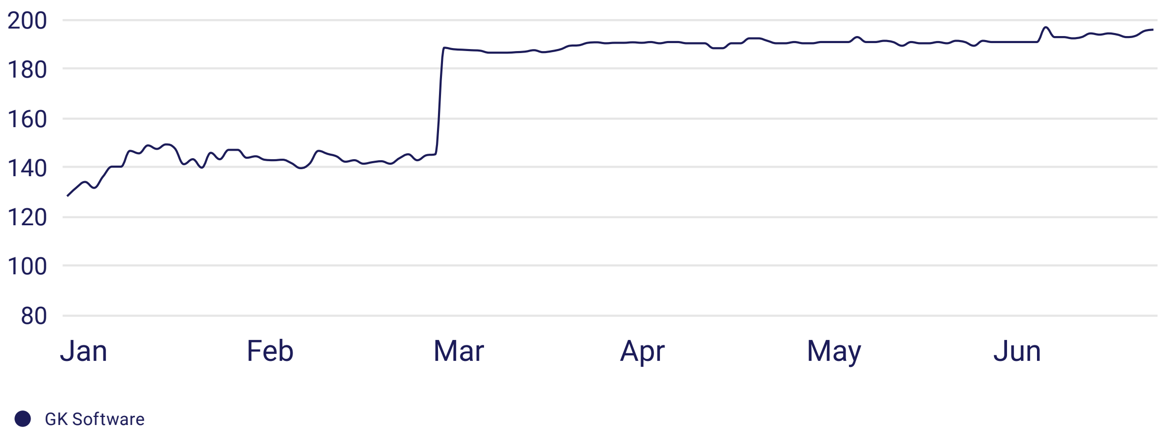
GK Software SE Shares

Basic data

T.01 Basic data

Securities Identification Number (Wertpapierkennnummer; WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19.6.2008
Delisting	1 August 2023
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated sponsor	ICF Bank AG
Number of shares	2,273,025
Share capital	EUR 2,273,025.00
Free float	27.90%
Highest price in 2023	EUR 196.50 (13 June 2023)
Lowest price in 2023	EUR 128.00 (2 January 2023)

Share price development (in %) in the first half of 2023



Summary / share performance

In the first half of 2023, GK Software SE shares, listed in the Prime Standard of the Frankfurt Stock Exchange up until 1 August 2023, reached new highs due to Fujitsu's voluntary public purchase bid and were trading at EUR 195.50 at the end of the reporting period.

Number of shares issued

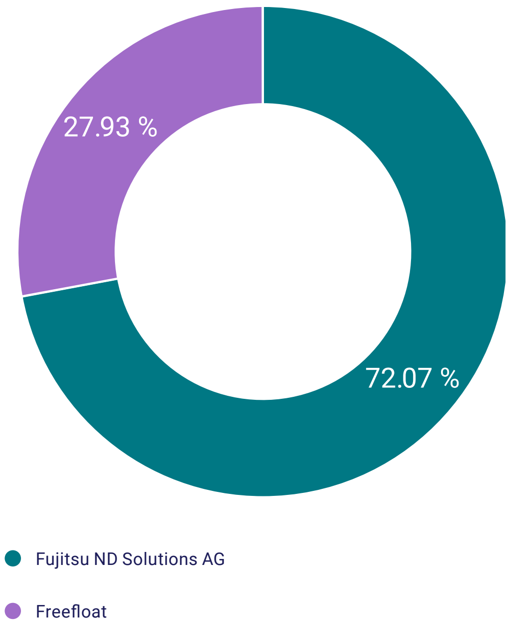
On 30 June 2023, the total number of voting rights was 2,273,025 shares at the end of the reporting period.

Shareholder structure

Fujitsu's two voluntary purchase bids have caused the Company's shareholder structure to shift significantly compared to the last announcement.

The shareholder structure on the reporting date (30 June 2023) was as follows, according to the information made available to us:

Shareholder structure on 30 June 2023



Both founders, Rainer Gläß and Stephan Kronmüller, have sold all of their shares.

The Company was informed about the following holdings in GK Software SE, which exceeded or did not meet the threshold of 3 percent:

T.02 Amounts exceeding / falling below the threshold value

Date of notification	Shareholder	Share in %
21.4.2023	JNE Partners Luxembourg S.à.r.l., Goldman Sachs & Co. LLC	10.05
20.4.2023	James Nicholas Barrie Smith	5.56
22.5.2023	Morgan Stanley, Wilmington, Delaware, USA	6.79
18.5.2023	Fujitsu ND Solutions AG	72.07
1.6.2023.	Sand Grove Opportunities Master Fund Ltd	3.62
2.6.2023.	Simon Davis	3.99

Directors' dealings in 2023

The following directors' dealings were made in the first half of 2023.

T.03 Directors' dealings

Date	Person trading	Position	Activity	Volume EUR
15.5.2023	Herbert Zinn	Supervisory Board	Sale	570,190.00
15.5.2023	Gläß, Rainer	CEO	Sale	101,135,480.00
15.5.2023	Hergert, André	CFO	Sale	2,696,290.00

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.

With the departure from the capital market as a result of the delisting, effective from 1 August 2023, the Company's investor relations activities will largely cease and the resources thus freed up will be utilised elsewhere. Therefore in future there will be, for example, no reporting geared to capital market regulations, no capital market-related news flow, no analysts' conferences or roadshows, and no explicit contact persons for such issues.

Products and Services

The CLOUD4RETAIL commerce platform

The CLOUD4RETAIL platform is the technological basis for the majority of GK Software's solutions. All solutions based on this cloud platform adhere to identical development paradigms and a comprehensive framework. The purpose of this is to enable software components to be used multiple times and resources to be shifted quickly between the various modules based on the platform. CLOUD4RETAIL's main goal is to further reduce the complexity of the various retail processes by way of a suitable platform solution and to create solutions that remain operable and manageable for the users despite growing demands, particularly from consumers. "The Retail Innovators" – the title claimed by the Company – symbolises the standard of market and innovation leadership that it practises. 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 were not as clearly evident at first glance as, for example, the switch from DOS to Java. However, if we consider the resulting effect, the expenditure associated with it and the dimension of this change in general terms, the step that has been taken in the field of software development is probably much bigger as it gives digitalisation a powerful boost and leads to large parts of the corporate IT being transformed into the cloud.

One unique feature of the CLOUD4RETAIL platform of solutions is the use of **artificial intelligence** to optimise decision processes involving large amounts of data. Using AIR (Artificial Intelligence for Retail), GK Software has developed the first specifically retail-oriented services based on artificial intelligence in order to optimise retail processes. This is based on a self-developed AI solution, which uses processes such as machine learning and other AI methods to analyse even large amounts of data in real time and generate recommended courses of action.

The CLOUD4RETAIL platform is not geared to any individual retail segment, but is equally (**not industry specific**) suitable for **all formats and segments in the retail sector**, ranging from small shops to department stores, from food retailers to fashion and even specialist retailers.

The architecture of the platform has been designed to be used not only with a particular type or class of device (**device independence**). 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 stationary checkouts using very different hardware, scales, self-checkouts, self-scanning devices, mobile data-logging devices for employees, tablets or, not least, the wide variety of consumer smartphones.

The CLOUD4RETAIL platform has been designed for use in very large and widespread branch networks. It is critical for the retail business to be able to ensure that the daily operations involving thousands of devices and the central services associated with these are not disrupted (**scalable**). Retailers operating internationally are faced with the additional challenge of meeting the legal and fiscal requirements that apply in each country (**internationalised for more than 60 countries**). Due to this complexity, only a few providers worldwide are able to implement large international investment projects.

Elements of CLOUD4RETAIL

Three essential elements form the basis of the CLOUD4RETAIL platform. The first element is the CLOUD4RETAIL platform, which focuses on the retailers' processes ranging from the local branch to the headquarters and the extensive omni-channel features. The second element is the Mobile Consumer Cloud, which is geared toward processes performed and initiated by the customer. The third segment involves power apps, which can be made available to all retailers independent of the other elements and cover special requirements.

CLOUD4RETAIL as a transaction processor for retail
Starting in 2015, a fundamental new development in the range of GK solutions was launched. The first new solution that emerged from these investments was OmniPOS (POS = point of sale). The experience gained from this and the basic groundwork carried out on it formed the basis for the CLOUD4RETAIL solution platform. At the time of its official launch in 2016, OmniPOS was therefore far better than the preceding solution GK/Retail POS (version 12), which was already being used by most customers at that time. The idea of the fundamental architecture behind OmniPOS was to enable all functions to be used in both a modular and distributed way, both with and 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 of guaranteeing operations at thousands of checkouts, calculating prices at a web shop or safeguarding communications with a huge number of customer devices, all at the same time.

The CLOUD4RETAIL platform has not only made it possible for GK Software to provide the first major enterprise-store solution entirely in the cloud, but also allows it to continue to make customised adjustments to the software at the same time. These specific characteristics for each individual retail company are just part of the industry-specific necessities being called for.

The elements of the GK/Retail range of solutions include various components such as the comprehensive omnichannel solution package OmniPOS and the data supply/removal infrastructure for large branch networks associated with it. Also included are other device-specific components, components that concentrate on certain functions such as OmniScale or Label&Poster Print, and special industry models, such as GK Drive and GK Hospitality. In 2021 the existing Scan & Go solution (with scanning and payment by smartphone) was complemented by GK GO to permit completely contactless shopping. Here, conventional scanning is carried out completely automatically using integrated lidar technology and intelligent scales. In addition, we pressed ahead with the development of our new GK SPOT solution, enabling us to distribute hyper-personalised offers in real-time, for example, based on big data.

With RETAIL7, the Company offers a completely new cloud product for small retailers and restaurateurs; this can be purchased on app stores and is offered purely as an SaaS product.

GK Engage
GK Engage (previously Mobile Consumer Cloud) is another element of the CLOUD4RETAIL platform. This combines all of the solutions that think through processes from the perspective of the (mobile) customers and place these at the head of the process chain. GK Engage was based on the mobile consumer solution Mobile Consumer Assistant (MCA), which is used modularly depending on the customer's needs. Over the past years, investments have been made in the further development of the solution, allowing us to offer an extensive range of self-scanning and buy-online/pick-up-in-store (BOPIS) products, as well as other mobile application scenarios. GK Engage follows a framework approach for this. Retailers can use the framework and other components and integrate them into their existing apps so that they can offer self-scanning and self-payment options to consumers directly on their smartphones, for example. The solution works together seamlessly with the modules of the CLOUD4RETAIL platform, significantly increasing its added value and thus its competitive ability. The focus is currently on integrating GK Engage into GK SPOT in order to realise the added value resulting from the real-time data analysis, particularly in the areas of personalisation and recommendations for all types of devices, for both retailer and customer. This will add more use cases for GK SPOT.

GK GO
GK presented GK GO, a complete solution for self-service stores that does away with conventional scanning and traditional checkouts, for the first time at the EuroCIS 2022 in Düsseldorf. Items are registered fully automatically using lidar sensors and intelligent scales.

Checkout is also fully automatic and can be done using a variety of smartphone- or smartwatch-based methods. GK GO is a further development of the CLOUD4RETAIL platform and can be seamlessly integrated into existing concepts. Unlike computer-vision-based solutions, GK GO offers numerous advantages such as real-time communication with the consumers and the absence of camera recordings, which could cause privacy concerns. Combined with AI processes, GK GO enables direct communication with the shopper during the shopping trip (e.g., offering coupons or recommendations).

Power apps

Power apps form the third segment of the CLOUD4RETAIL platform. They share the same technological basis as the GK/Retail range of solutions and GK Engage, but can be used completely as stand-alones. Each power app is geared towards a specific retail-related topic. The main solutions are currently being used in the Deutsche Fiskal and AIR segments. All power apps are usually available as cloud solutions only in a Software-as-a-Service form.

Deutsche Fiskal

GK Software has been developing a solution to meet the new tax requirements that can be summarised under the heading of "German fiscalisation of till systems" since the end of March 2019, and has put this successfully on the market through its subsidiary, DF Deutsche Fiskal GmbH. GK Software is not only providing a cloud solution for customers of the corporate group, but for all operators of till systems through Deutsche Fiskal. As the requirements in Germany in terms of cryptography and the security architecture are more complex than in any other EU member state, an exclusive partnership has been established with the Bundesdruckerei [Federal Printing Office]. This cooperation resulted in the development of the cloud solution by Deutsche Fiskal, while Bundesdruckerei is making the certified technical security facilities available and is hosting them at its high-security data centre. GK Software has pooled its activities related to the German legal fiscal system in its subsidiary known as "DF Deutsche Fiskal GmbH".

Since April 2021, a large number of customers have activated their till and register systems. Transactions in the high double-digit million range are made every day in real time from the cloud, with an error rate of practically zero.

AIR – Artificial Intelligence for Retail

In the AIR – Artificial Intelligence for Retail segment, GK Software provides services based on artificial intelligence, each of which focuses on specific retail processes. Retailers can automatically introduce many processes by using AIR – ranging from dynamic pricing to personalisation and even fraud detection – on the basis of machine learning and other AI methods. The major solutions in this segment concentrate on dynamic pricing and personalisation/recommendations.

The AIR | Dynamic Pricing module determines the fair market value for each product at any time. The AI service reduces the workload for management, optimises the price strategy and makes the best pricing decisions for the product range taking into account the respective targets (for example, increased turnover or a higher margin). A number of factors are included such as competition, costs, product relationships, relationships between the various price categories and price sensitivity.

The aim of the real-time solution AIR | Personalisation is to address customers' current needs at any time by offering intelligent recommendations. Personalisation can be offered at a different place each time – it may be on a website, a smartphone or a printed invoice in a parcel. The goal is to offer the customer a personal, relevant and positive shopping experience along each step of their customer journey,

In the AIR segment, a new solution was developed that makes it possible to open up a new dimension of personalised offers on the basis of image similarity.

GK e-receipt

Another power app has emerged in the RETAIL7 segment. The slimline solution for all retailers makes it possible to issue completely digital receipts, saving cost and reducing environmental waste.

GK Software solutions under the SAP brand
SAP is also selling almost the entire portfolio related to the CLOUD4RETAIL platform with identical features using the SAP Omnichannel Point-of-Sale by GK, SAP Mobile Consumer Assistant by GK, SAP Store Inventory Management by GK, SAP Pricing by GK and SAP Frictionless Checkout by GK product names.

New customer acquisition in the first half of 2023

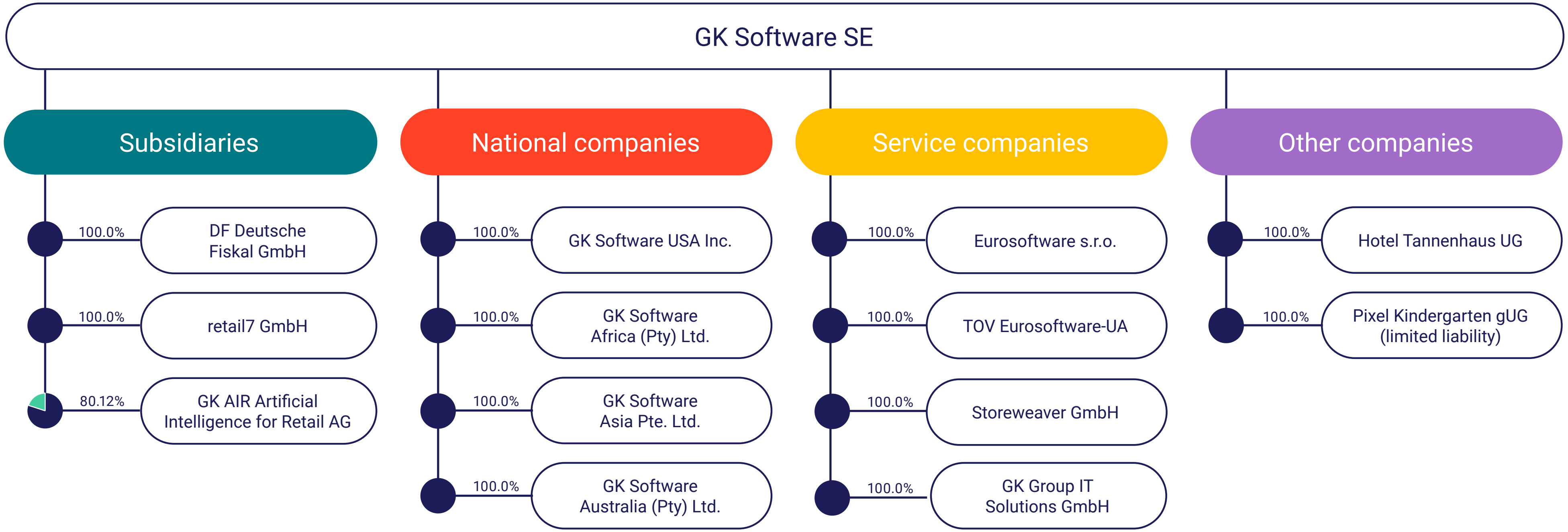
GK Software and its subsidiaries oversee a total of more than 400 customers. A distinction must be made between customers using the core solutions, which run today under CLOUD4RETAIL, and were primarily sold under the name OmniPOS or GK 12 until 2019, and customers using other solutions. This segment also includes customers who purchased GK solutions from SAP under the SAP brand. In most cases these solutions are still implemented and supported by GK Software. The core solutions segment covers all major and long-term customer projects. Overall, i.e., not only directly, but also in cooperation with SAP, in this segment GK Software supports mainly large and medium-sized customers on all continents and in many different retail sectors. SAP also sells a central solution for pricing and promotion, which was developed by GK directly and solely under its own brand. Taking into account this pricing engine, SAP and GK Software share around 100 customers.

Other customers are being supported by prudsys, GK Software USA and Deutsche Fiskal. The AI solutions offered by prudsys and the US company's payment solution TransAction+ are each being used by around 40 customers. Some of the solutions offered by Deutsche Fiskal are being used by the same customers that use the core solutions. Many other retailers and partners have opted to use them as well. We achieved further sales successes with e-receipt (previously eMailBon.de), our solution for digital receipts.

The majority of the Company's customers are retailers, with a focus on large, internationally leading companies. Of the Global TOP 50 retailers alone, GK Software SE counts twelve among its customers.

In the reporting period, the Group won three new customers for CLOUD4RETAIL, including a major retailer. Besides the new projects, revenue was generated by most of the existing customers through the platform or smart extensions.

Consolidated Management Report


GK Software SE
Subsidiaries
100.0%
DF Deutsche Fiskal GmbH
100.0%
retail7 GmbH
80.12%
GK AIR Artificial Intelligence for Retail AG
National companies
100.0%
GK Software USA Inc.
100.0%
GK Software Africa (Pty) Ltd.
100.0%
GK Software Asia Pte. Ltd.
100.0%
GK Software Australia (Pty) Ltd.
Service companies
100.0%
Eurosoftware s.r.o.
100.0%
TOV Eurosoftware-UA
100.0%
Storeweaver GmbH
100.0%
GK Group IT Solutions GmbH
Other companies
100.0%
Hotel Tannenhaus UG
100.0%
Pixel Kindergarten gUG (limited liability)

Consolidated Interim Management Report

The Company's Business Model

Subject matter and purpose

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 in 1990 by Rainer Gläß and Stephan Kronmüller and changed its name to GK Software AG in 2001, have been successfully operating in the marketplace for over 30 years. The Company's flotation took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008. GK Software AG was transformed into GK Software SE on 19 January 2018.

Group structure and holdings

The Group companies can basically be divided into four groups. National companies provide sales and distribution services and support customers in the further development of the standard software platforms used in various international regions. In addition, the company has subsidiaries that are responsible for the development, sales and distribution of special portfolio components of the overall product range of the GK Software Group and have direct market relationships, as well as those that take care of development work within the Group and general services without having relationships with external customers. All subsidiaries are wholly owned by GK Software SE. The sole exception is GK Artificial Intelligence for Retail AG (previously prudsys AG), in which GK Software SE holds more than 80 per cent of the shares. A fourth group comprises other companies that provide services for the company that are not related to the Group's range of solutions.

The Group'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. GK Software SE also has a business site in **Berlin** which is primarily responsible for 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. There are also other sites located in St. Ingbert, Cologne, Hamburg and Chemnitz.

GK Software's core solution is our CLOUD4RETAIL platform, which is now marketed outside the European Union by four companies. The largest of these companies is **GK Software USA, Inc.**, founded in December 2013, which takes charge of CLOUD4RETAIL sales in North and South America and at the same time is responsible for specific solutions for the US market such as our Payment solution or the US version for the standard supplementary solution GK Drive. **GK Software Africa (Pty) Ltd.** in South Africa has been taking care of of these activities for CLOUD4RETAIL since 2015. GK Software SE has another wholly owned subsidiary in Dübendorf in Switzerland called **StoreWeaver GmbH**, which takes care of the Group's Swiss-based clients. In the 2021 fiscal year, GK Software SE in France was launched as another (legally independent) foreign branch. In addition, **GK Software Asia Pte. Ltd.** in Singapore (back in 2021) and **GK Software Australia (Pty) Ltd.** in Melbourne were established as two further national companies. The latter two companies are still in the process of being established, and their purpose is both to further develop sales in the respective countries and their environments and to build up local project organisations. **OOO GK Software RUS**, located in Russia, is in the process of liquidation at the time of the preparation of this report.

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

Add-on solutions (so-called 'power apps') for CLOUD4RETAIL are developed by **GK Artificial Intelligence for Retail AG (formerly prudsys AG)** in Chemnitz and **DF Deutsche Fiskal GmbH** in Berlin. **GK Artificial Intelligence for Retail AG**, in which GK Software SE holds more than 80 per cent of the shares, develops the Group's solutions, which are based on the application of artificial intelligence methods and are connected to power apps according to customer requirements via the AIR (Artificial Intelligence for Retail) platform concept. With the Fiskal Cloud, **DF Deutsche Fiskal GmbH** offers a cloud-based core solution to automatically satisfy the requirements of the legislation on so-called "German fiscalisation".

The subsidiaries that take care of software development and research and development exclusively on behalf of the Group form an essential part of the corporate Group. **Plzen**, Czech Republic, for example, has been the Group's second-largest location for more than 20 years. The subsidiary company **Eurosoftware s.r.o.**, which is located there, carries out the essential parts of the CLOUD4RETAIL product development, as well as research and development work. This is complemented by the development of enhancements to the platform (so-called extensions) for the Group's customers. Since the beginning of 2016, **TOV Eurosoftware-UA** in **Lviv** has also been working on developing platform extensions.

The previous, externally orientated, business operations of **AWEK GmbH**, which focused on services, were discontinued in the 2022 fiscal year. At the end of 2022, this company was renamed **GK Group IT Solutions GmbH** in order to consolidate IT services within the group and to make them available to the GK Software Group worldwide. These services include operating IT infrastructures and collaboration tools as well as security and software solutions. In this context, GK Group IT Solutions GmbH is also responsible for coordinating cross-site IT infrastructures and applications.

Berlin is also home to the subsidiary **RETAIL7 GmbH**, founded in 2020, which develops and sells a cloud solution for small retailers in a wide range of industries, the marketing of which began in 2021.

The Management Board of GK Software SE consists of the Company founder Rainer Gläß (CEO, Strategy, Marketing & Sales) and André Hergert (Finances). The Management Board is supported by a Group Management Board.

The three-man Supervisory Board at GK Software SE has been chaired by Nicolas Fraser since 29 June 2023. At the 2023 annual shareholders' meeting, Dr Anke Nestler and John Pink were also appointed to the Company's Supervisory Board.

Control parameters for the Group

Management of the Group is largely determined by two control parameters, turnover and revenue; the latter is determined primarily from earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortisation (EBITDA) as well as the relationship between these two revenue factors and turnover (operating performance).

Alongside these two group control parameters, we continue to use the margin of gross profits on turnover. We view gross profits as the surplus achieved by turnover for services purchased from third parties, semi-finished products and goods, which are used to directly provide this turnover, in order to be able to view the effect and degree of outside services on the turnover that is achieved.

This system of key performance indicators, which is geared towards earnings capacity, is accompanied by KPIs, which deal with the funding for the group. The issue here is the ability of the Group to be able to service its financial obligations at any time, both in the long and short term. The key performance indicators used here concern the equity ratio and the capitalisation ratio in different variants as a measure of matching the maturities of assets and the capital used to fund them. Another major aspect concerns the Group's ability to be able to make use of investment opportunities that arise at very short notice. A central KPI here is the surplus of cash and cash equivalents over interest-bearing liabilities. Depending on the goal of the approach, there are variants for this KPI too.

These key indicators are regularly monitored and are the subject to reporting to the management and the Supervisory Board, and any deviations from the set targets trigger the introduction of countermeasures.

Human resources

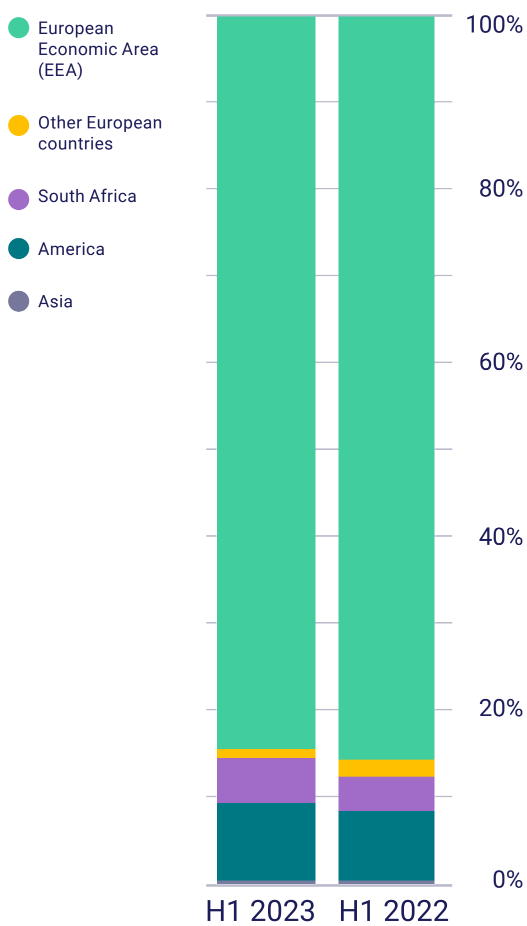
1,228 people in all were employed within the Group on the reporting date of 30 June 2023 (excluding members of the Management Board and trainees). This means that there are 114 more employees than on the same reporting date in the previous year (1,114). The increase is due to the intake of 37 new employees from GK Group IT Solutions GmbH. A large number of the Group's employees, 398, (364 in the previous year), continue to work at the business site in Schöneck. The Berlin branch of GK Software SE currently has 84 employees working in the sales & marketing, project and partner management and development fields (the figure was 79 in the previous year). The number of people employed at the Czech subsidiary Eurosoftware s.r.o in Plzen increased to 259 (as against 245 in the previous year). 33 Group employees were employed at the Hamburg site at the end of the first half-year (32 in the previous year). 80 people were working at the business site in St. Ingbert at the end of the reporting period (94 in the previous year). 7 workers are currently employed in Dübendorf, Switzerland (5 in the previous year). DF Deutsche Fiskal GmbH has employed 6 workers. The branch in France has 5 employees. GK Software Asia Pte. Ltd in Singapore has two employees.

Nine people were employed at the Cologne business site (17 in the previous year). 110 people were working for GK Software in the USA (2022: 91). The South African subsidiary employed 63 people on the reporting date (43 in 2022). The number of people employed at the Lviv site, the registered office of TOV Eurosoftware UA, has dropped from 21 to 14 since mid 2022. On the reporting date, 18 people were employed at the Jena business site (21 in the previous year).

On the reporting date, 38 people were employed in Chemnitz at the registered office of GK Artificial Intelligence for Retail AG (in 2022, 37). The Group pools its expertise in the field of artificial intelligence at this business site.

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. Most of our employees attended training courses at the GK Academy (some of them on more than one occasion), for example. New employees undergo extensive

Distribution of employees by region as at 30 June 2023



and standardised introductory courses, while a permanently adapted training programme is made available to all employees too. The range of online training courses has also been extended, and this increases the potential number of those attending them. The Group 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. These different measures are already providing the first success stories in attracting new employees and the aim is to further intensify them in future.

T.04 Change in employee structure

	6M 2023	6M 2022	Change in %
Schöneck	441	397	11.1
Berlin	90	84	7.1
Hamburg	70	32	118.8
St. Ingbert	80	94	(14.9)
Chemnitz	49	47	4.3
Cologne	9	17	(47.1)
Jena	18	21	(14.3)
Czech Republic	259	245	5.7
Ukraine	14	21	(33.3)
Switzerland	7	5	40.0
France	5	4	125.0
Russia	0	2	(100.0)
Other European countries	11	10	10.0
South Africa	63	43	46.5
US	110	91	20.9
Singapore	2	1	200.0
Total	**1,228**	**1,114**	**10.2**

The GK Software business model

GK Software essentially sells software and services to retail companies. The range of solutions is grouped around the CLOUD4RETAIL core business. Following the structure of this software platform, this can be further differentiated into the central process control (GK/Retail solution world – including all processes for controlling the branch processes of a retailer as well as their integration with the eCommerce activities) and the Power Apps, which serve to automate and optimise the process landscape of both downstream processes and central tasks, such as the pricing of the goods on offer. These two blocks are complemented by a product that enables retailers to enter into direct contact with their customers – the end consumers – and allows the latter to influence the initiation, the process and the conclusion of trade transactions (Mobile Consumer Cloud).

CLOUD4RETAIL

In the CLOUD4RETAIL sector, sales are generated primarily by the transfer of use of standard software platforms, the special development of software enhancements at the customer's request (so-called ‘extensions’) and services related to the introduction of the software platforms and their operation.

The solution is completely designed for operation in the cloud, but can be operated in a private, hybrid or public cloud at the customer's choice.

Revenue from software arises either from the collection of fees from the granting of licences for an unlimited period of time (so-called “perpetual licences”) or from subscription agreements that limit the granting of use to a certain period of time. The fees for perpetual licences are paid in one lump sum. For the subscriptions, payments are usually agreed in equal amounts over the period of use, with a minimum payment agreed for the period following the introduction of the application. Where GK Software also takes over the operation of the applications, the entire solution is made available as software as a service (SaaS) and remunerated through a correspondingly increased subscription price.

CLOUD4RETAIL is a platform consisting of various solution components that customers select according to their needs and priorities. At the core of this platform, which is geared towards the needs of medium and large retailers, is an application suite that brings together the retailer's processes. Examples of this platform core – the GK/Retail portfolio of solutions – are the processes for cash registers, scales, store merchandise management including the associated infrastructure, and the management and monitoring functions. Also part of the CLOUD4RETAIL sector is the Mobile Consumer Cloud – to be marketed under the name GK Engage in future – which enables direct communication between the customer and the retailer, but also offers the customer the possibility, as required, to initiate (click & collect), continue and also complete (e.g., through products such as Scan & Co) the retail processes that are offered in the GK/RETAIL range of solutions. Implementation takes place with apps branded to the retailer, which end consumers keep available on their mobile devices.

To accommodate the retailers' many ideas, CLOUD4RETAIL is designed as a standard platform that can be quickly adapted to new situations. This is all the more relevant when applications like CLOUD4RETAIL are used over longer periods of time. CLOUD4RETAIL has therefore been especially designed with this need in mind and allows for a quick enhancement of the solutions through extensions. It is necessary to distinguish between extensions that are relevant for the customer on a permanent basis, which as platform extensions are linked with maintenance contracts that guarantee the release capability of the extension even over long release cycles, and smart extensions that are only of temporary importance for the customer. In the past, we have observed that the sales for these services maintain a very constant level and represent a reliable foundation for sales expectations in the coming years.

CLOUD4RETAIL contracts based on perpetual licences also generate a permanent revenue stream through maintenance services. These maintenance services result as a fraction of the remuneration for the right of use and are payable for the duration of the use of the respective platform. These maintenance services are included in the subscription payments in the SaaS contracts.

Because of the customary project size, implementation support is always necessary when implementing the project, thereby generating consulting turnover. The normal course of the project therefore usually consists of an initial project, after the successful completion of which the customer can roll out the solution. Even during the initial project, but especially afterwards, additional or new requirements (smart or platform extensions) arise to extend the solution.

These main groups are complemented by the power apps. By these means, further process steps that do not belong to the immediate core of the branch processes can be presented, or main processes can be automated or optimised. The **Deutsche Fiskal** solutions constitute one block of these power apps. Deutsche Fiskal offers its services exclusively as software as a service. The Fiskal Cloud range of solutions based on the CLOUD4RETAIL platform offers as a service the generation and storage of the legally required electronic signature as well as the associated storage of various receipt-related transactions. Other management and monitoring functions are also available to the customers. Fiskal Cloud Archiv is likewise a pure SaaS offering, enabling the storage and provision of the data required by the tax authorities in the prescribed format. The "Email-Bon" solution for the digital implementation of the legal receipt obligation also belongs in this context. CLOUD4RETAIL provides AI solutions for the automation and optimisation of the main trading processes. These are developed by **prudsys AG** and are offered to brick-and-mortar retailers under the AIR (Artificial Intelligence for Retail) brand as part of the CLOUD4RETAIL platform. The prudsys brand continues to be used for pure e-commerce. The solutions from the AIR platform are also mostly positioned as SaaS offerings and flanked by advisory and introductory offers.

Transaction+

GK Software USA offers the Transaction+ solution exclusively in the USA. Up to now, this has been sold in the classic licensing business, for which maintenance is incurred accordingly. On top of this comes regular extension business that also requires maintenance as an extension of the licence. The US organisation is currently converting the solution so that it can be offered as software as a service and thus be integrated into CLOUD4RETAIL as a power app.

retail7

retail7 GmbH has developed a completely new solution for small and micro retailers, which had its market launch in 2021. It will primarily generate SaaS revenue only, since as few as possible individual changes to the solution are planned for individual customers. retail7 GmbH has also developed the eReceipt solution (previously emailbon.de), which is also marketed by GK Software.

GK Academy

The GK Academy generates sales through the sale of training and the provision of certifications.

Sales via partners

The most important partner generating sales for GK Software is SAP, which sells a considerable part of the CLOUD4RETAIL platform under its own brand. A corresponding agreement on the sharing of licence and maintenance revenues exists in this connection. In addition, there are implementation partners who purchase services from GK Software that they cannot provide themselves.

Research and development

GK Software has always focused on the ongoing development of existing products and the development of new software solutions during the past financial years and they will be strategic competitive factors in the future too. This is also reflected in the ongoing increase in the number of employees working in this field.

GK Software is continually investing in research and development in order to maintain its leading technological position in the long term too. A distinction is to be made here between applied research, which is handled by its own innovation and research teams, and application-oriented product development. The expenditure for research amounted to EUR 1.51 million during the reporting period. The research teams are based at several of the Group's business sites. Application-related product development work is primarily conducted in Germany and the Czech Republic. Overall, about EUR 11.02 million was spent on this work during the reporting period.

Overall, GK Software spent EUR 12.53 million on research and development work during the reporting period, which amounted to about 16% of the Group's turnover.

Economic report

General assessment of the course of business

In terms of the development of the 2023 fiscal year, the Executive Board had forecast that the Group would record a similar increase in turnover as in 2022 and a further slight improvement of the EBIT margin towards achieving the medium-term target for 2023 (15 percent EBIT margin on turnover). In the course of the fiscal year so far, GK Software has been able to increase its sales as forecast, compared to the same period of the previous year, and the earnings situation, adjusted for non-recurring effects, has developed according to expectations.

Revenue increased by almost 4 percent from EUR 75.12 million to EUR 78.05 million over the previous year. This meant that the previous year's growth could be continued. Major drivers of this development are the business relationships with existing customers that continue to develop consistently and the growing subscription business. When drawing a comparison with the same period in the previous year, it should also be noted that a huge perpetual licence deal resulted in a significant development during that period. Leaving the revenue associated with this deal (EUR 6.75 million) out of the equation, core earnings have grown by more than 14 percent compared to the previous year.

Due to the financial burdens of the Fujitsu transaction, the EBITDA – at EUR (10.76) million – was negative in the first six months of the year, following a figure of EUR 14.65 million in the previous year. This resulted in an EBIT of EUR (14.40) million compared with EUR 11.28 million in the same period of the previous year. However, if the non-recurring effects of the Fujitsu transaction and the huge perpetual licence deal concluded in the previous year, which is to be regarded as a special effect, are included in the analysis, the half-year EBIT lies at EUR 3.30 million compared with EUR 4.53 million in the same period of the previous year.

Regardless of the costs of the Fujitsu transaction, the Group's liquidity situation remains extremely strong and the Company continues to develop according to plan.

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

Earnings situation

- **Sales at EUR 78.05 million**
- **EBITDA at EUR (10.76) million**

Despite the general situation, GK Software was again able to significantly expand its business in the first half of 2023. Revenue now amounts to EUR 78.05 million (up from EUR 75.12 million in the previous year). It should be noted, however, that the same period of the previous year was marked by a very substantial sales success. Due to the fact that, currently, most new contracts - including those in the pipeline - are or will be subscription agreements, the huge perpetual licence deal of the previous year must already be seen as a one-time effect. Adjusted for this effect of EUR 6.75 million, sales growth on a half-yearly comparison would have been 14.2 percent.

The Group's major share of sales was achieved in the **EMEA** (Europe, Middle East and Africa) and **Americas** (North, Central and South America) segments. Sales that are currently already being generated in the **APAC** (Asia and Pacific) region will be included in the EMEA segment until further notice. In addition, there is a third segment – **Other Business Activities** – that is not based on a regional affiliation but records turnover from other business activities that cannot be allocated to the core business.

The Group recorded EUR 48.80 million generated from the development and maintenance of software, 2.8 percent more than in the same period of the previous year. This compensated for the significant decline in traditional licence fees associated with perpetual licences. This means that practically all of the EUR 7.01 million decline can be attributed to the major success of the previous year. Fortunately, recurring revenues from software subscriptions and repeatable revenues from platform extensions (Extension Licences and Smart Extensions) alone were able to make a significant contribution towards compensating for this decline. Software subscriptions increased by EUR 1.42 million (up 18.19 percent) to EUR 9.24 million, and extensions increased to EUR 25.77 million after EUR 20.03 million in the first half of the previous year. However, conventional maintenance revenues increased again by EUR 1.20 million to EUR 13.32 million (up 13.12 percent).

We recorded turnover of EUR 21.29 million (EUR 20.62 million in the previous year) for services provided for product launches (Retail Consulting Integration) and turnover of EUR 5.82 million (EUR 5.62 million in the previous year) for services we provide to help our customers operate our platforms.

In total, this results in recurring (contractually fixed) or repeatable (not contractually agreed but – based on experience – highly likely to recur) sales of € 48.33 million compared to € 39.97 million in the previous year. This corresponds to a 61.9% proportion of the total sales of all segments (H1 2022: 53.2%).

In the first half of the year, the EMEA segment achieved sales of EUR 61.55 million (H1, 2022: EUR 61.82 million), fully compensating the loss of the strong perpetual licence sales of the previous year. Sales in the Americas segment rose to EUR 15.55 million (H1 2022: EUR 12.62 million).

The 'Other business activities' segment includes revenue in the amount of EUR 0.96 million from the Tannenhaus UG hotel business (H1 2022: EUR 0.9 million). Other sales total EUR 2.14 million after six months (H1 2022: EUR 1.44 million) as a result of the increased sales in this segment.

T.05 Turnover according to segments

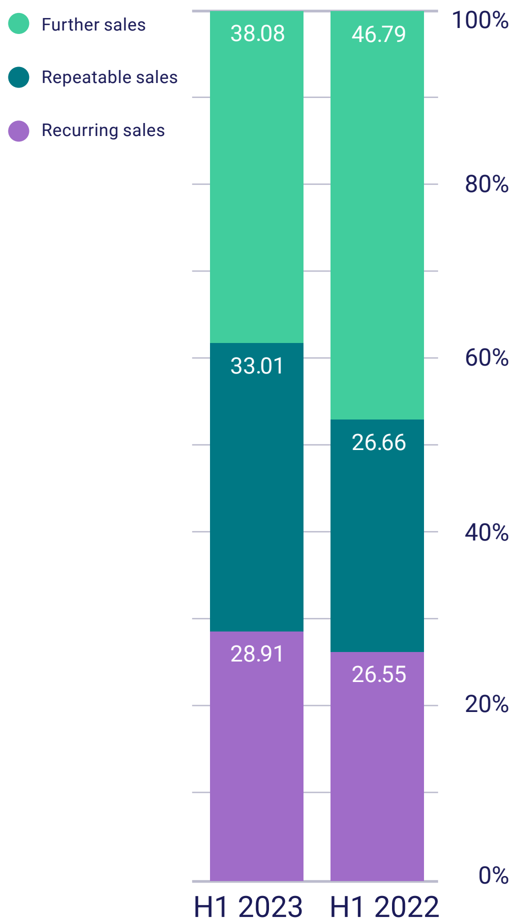
EUR K	EMEA H1 2023	EMEA H1 2022	Americas H1 2023	Americas H1 2022	Other Business Activities H1 2023	Other Business Activities H1 2022	Group H1 2023	Group H1 2022
Sales with third parties	**61,546**	**61,819**	**15,552**	**12,618**	**956**	**686**	**78,054**	**75,123**
Licences and software	**27,199**	**28,328**	**8,280**	**6,995**	**–**	**–**	**35,478**	**35,323**
Platform licences	199	6,911	268	564	–	–	467	7,476
Platform-extension licences	4,658	3,579	139	129	–	–	4,797	3,707
Smart extension	13,829	10,735	7,141	5,584	–	–	20,970	16,319
Platform licences from subscription agreements	8,513	7,103	731	718	–	–	9,244	7,821
Maintenance	**10,344**	**9,687**	**2,978**	**2,439**	**–**	**–**	**13,322**	**12,127**
Software maintenance	10,344	9,687	2,978	2,439	–	–	13,322	12,127
Retail consulting	**22,914**	**23,077**	**4,201**	**3,158**	**–**	**–**	**27,115**	**26,235**
Retail consulting	17,152	17,514	4,138	3,105	–	–	21,291	20,619
(Cloud) operations support	5,762	5,563	62	53	–	–	5,824	5,617
Others	**1,090**	**726**	**94**	**26**	**956**	**686**	**2,139**	**1,438**

As in the previous year, no own work has yet been capitalised.

Other operating revenues amounted to EUR 2.16 million in the reporting period and was thus significantly above the previous year's value of EUR 2.72 million. This change is the result of the change in the development of exchange rates against each other. The item for exchange gains of EUR 0.46 million (previous year: EUR 1.74 million) included in the current figure of EUR 2.16 million is largely neutralised by the relatively lower exchange losses (EUR 0.41 million as opposed to EUR 1.20 million in the previous year) recorded under Other operating expenses.

In total, this results in a total operating revenue of EUR 80.22 million, compared to EUR 77.84 million in the previous year.

Percentage comparison of sales by sales type H1 2022 - H1 2023



T.06 Total operating revenues

	30.6.2023		30.6.2022		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales	78,054	97.3	75,123	96.5	2,931	3.9
Operating revenues	78,054	97.3	75,123	96.5	2,931	3.9
Other operating earnings	2,161	2.7	2,718	3.5	(557)	(20.5)
Total operating revenue	**80,215**	**100.0**	**77,841**	**100.0**	**2,374**	**3.1**

The expenditure on semi-finished products, goods and purchased services increased from EUR 7.14 million to EUR 8.10 million in the first half of 2023. This rise is attributable to a EUR 0.22 million increase in purchased goods and products and other purchased project services (up EUR 0.54 million). The latter increased particularly as a result of the consistently high demand for cloud infrastructure services due to the increasing number of go-lives from SaaS customers in the CLOUD4RETAIL environment, as well as purchased IT security services.

Personnel costs now amount to EUR 56.04 million, a year-on-year increase of 27.7 percent. This remarkable increase can be attributed to costs of EUR 8.43 million relating to the Fujitsu transaction. Adjusted by this amount, the increase is still 8.5 percent compared to the same period in the previous year. This increase can be largely explained by the rise in employee numbers. While there was an average headcount of 1,105 in the Group in the first half of 2022, this figure rose to 1,189 in the first half of 2023. This is equivalent to an increase of 7.6 percent. At the half-year reporting date, the number of employees in the Group increased from 1,114 to 1,228 (10.2 percent).

Other operating expenditure amounted to EUR 26.84 million, exceeding the previous year's figure by EUR 14.67 million (120.5 percent). The non-recurring effect of the corporate transaction is clearly reflected here too. The costs associated with this amounted to EUR 9.27 million, the vast majority of which were legal and consultancy fees. This left cost increases from the operating business of EUR 5.47 million. The main drivers can be found in general sales expenditure (mainly travel expenses and company vehicles (up EUR 1.44 million; approx. EUR 1.1 million of these cost increases are attributable to the expansion of the business, the remainder is of a non-recurring nature)), participation in trade fairs (up EUR 0.80 million)), and a further EUR 0.71 million can be attributed to the shifting of typical procurements for IT services from purchases to subscriptions, already commented on in the annual financial statement. Additionally, the remaining Other operating expenses increased by a further EUR 1.91 million compared with the same period in the previous year; this can be attributed to the reclassification of external development services for product development. In the previous year, this figure was reported as a "purchased service".

In summary, this led to a negative EBITDA of EUR (10.76) million, after EUR 14.65 million in the previous year. Adjusted for non-recurring effects, this figure now lies at EUR 6.94 million after EUR 7.90 million in the previous year.

Depreciation and amortisation amounted to EUR 3.64 million and were down EUR 0.26 million on the previous year's figure of EUR 3.37 million, which is mainly due to expiring rights of use according to IFRS 16.

Consequently, this results in an EBIT of EUR (14.40) million compared to EUR 11.28 million in the same period of the previous year. However, in order to paint a realistic picture of how the Company's operating business is developing, the one-off effects of the Fujitsu transaction in the ongoing fiscal year and the huge perpetual licence deal in the previous year, to be viewed as a single event, must be factored out. Without the former, the half-year EBIT would be EUR 3.30 million. The comparable result for the first half of 2022 would be EUR 4.53 million. We are therefore satisfied with the overall results of the first six months, especially as the general macroeconomic conditions for our business as mentioned above tend to have deteriorated.

The first half of 2023 brought a positive financial result of EUR 0.12 million, whereas the burden from the previous year's financial result still stood at EUR (0.67) million. The increase can be mainly attributed to the EUR 0.57 million rise in interest income, the discontinuation of charges from interest charges due to credit balances ("custody charges", EUR (0.12) million) and the further EUR 0.11 million reduction in interest charges (due to a reduction in interest-bearing liabilities).

EBT (earnings before taxes) in the reporting period thus amounted to EUR (14.28) million (previous year: EUR 10.60 million); income taxes totalling EUR (0.54) million were calculated and recorded for these pre-tax earnings (previous year: EUR 1.83 million, resulting in a net loss for the period of EUR (13.74) million.

T.07 Earnings figures

	30.6.2023		30.6.2022		Change	
	EUR K	in %[1]	EUR K	in %[2]	EUR K	in %
EBITDA	(10,764)	(13.8)	14,652	19.5	(25,416)	(173.5)
EBIT	(14,400)	(18.5)	11,278	15.0	(25,678)	(227.7)
EBT	(14,280)	(18.3)	10,603	14.1	(24,883)	(234.7)
Group result	(13,738)	(17.6)	8,776	11.7	(22,515)	<(250)

Assets situation

The development of the balance sheet since the previous year's balance sheet date is, of course, mainly influenced by the business transaction.

Overall, the balance sheet total has dropped since 31 December 2022 from EUR 166.65 million to EUR 150.34 million as of the balance sheet reporting date for the first half of 2023. On the assets side, this drop of EUR (16.31) can be attributed to the reduction of cash and cash equivalents by EUR (3.73) and of current assets by EUR (13.80). The main development in this area was particularly in the securities held for the purpose of short-term disposition (remaining terms of currently 3 months or less). This position fell from EUR 24.92 million to EUR 9.93 million. On the other hand, non-current assets increased slightly by EUR 1.08 million. Cash and cash equivalents now amount to EUR 33.92 million, other current assets to EUR 62.02 million and non-current assets to EUR 54.40 million.

On the capital side, there was a corresponding decrease in equity by EUR (12.77) million to EUR 82.66 million. The main reason for this is the Group's development (profit for the period EUR (13.74) million), which was influenced by the non-recurring effect of the Fujitsu transaction, with further effects coming from exchange rate impacts and effects of assumptions made when evaluating the pension plans as well as the distribution of dividends for the 2022 fiscal year (all together: EUR (0.36) million, see the Statement of Changes in Equity). The exercise of mature share options that increased the equity by EUR 1.34 million had a positive effect. Non-current liabilities were reduced further to EUR 23.17 million and are thus EUR (4.34) million lower than at the end of 2022. The reasons for this development include the drop in non-current liabilities to credit institutions (EUR (1.40) million) due to scheduled repayments and the resulting shift to current liabilities. In contrast, current liabilities increased by EUR 0.77 million to EUR 43.52 million. Whereas income tax liabilities sank (EUR (1.93) million) here, contractual liabilities from payments received rose (EUR 2.38 million).

1 Margin on turnover
2 Margin on turnover

T.08 Assets situation

	30.6.2023		31.12.2022		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	54,400	36.2	53,182	31.9	1,219	2.3
Current assets without cash and cash equivalents	62,017	41.3	75,813	45.5	(13,797)	(18.2)
Cash and cash equivalents	33,919	22.6	37,654	22.6	(3,735)	(9.9)
Assets	**150,336**	**100.0**	**166,649**	**100.0**	**(16,313)**	**(9.8)**
Equity	83,652	55.6	96,396	57.8	(12,744)	(13.2)
Long-term liabilities	23,166	15.4	27,505	16.5	(4,339)	(15.8)
Current liabilities	43,518	29.0	42,749	25.7	769	1.8
Liabilities	**150,336**	**100.0**	**166,649**	**100.0**	**(16,313)**	**(9.8)**

Regarding non-current assets (excluding Deferred taxes, which are still at EUR 0.34 million) the following details should be noted. The increase in non-current liabilities by EUR 1.08 million is due to the increase in the carrying amounts of assets under construction by EUR 0.84 million and the general operating and business equipment by EUR 1.31 million. On the other hand, on the decline are the carrying amounts of intangible assets (EUR (0.27) million), rights of use in accordance with IFRS 16 (EUR (0.51) million), and land and buildings (EUR (0.34) million).

The rights of use in accordance with IFRS 16 and the intangible assets amount to EUR 30.90 million as of the reporting date, which represents 56.8 percent of the non-current assets; at the end of the 2022 fiscal year, EUR 31.67 million were tied up here (59.6 percent of the non-current assets at that time). Apart from the consequences of the decision taken in the 2022 fiscal year to reduce office space requirements, this quota will largely remain constant due to the additions to the rights of use within the meaning of IFRS 16, based on the premise of the intended extension of use for the leased office property.

Property, plant and equipment and real estate held as a financial investment (IAS 40) include assets with a carrying amount of EUR 23.12 million (end of 2022: EUR 21.30 million). Yet, due to the sales decisions made in the first quarter of 2023, no IAS-40 real estate has been shown on the balance sheet since the 2022 balance sheet reporting date.

In current assets, receivables from deliveries and services in particular rose by EUR 1.37 million compared to the figure at the end of 2022, while contractual assets (those services that have not yet been invoiced to customers) dropped by EUR (0.69) million.

For the development of cash and cash equivalents, we refer you to the comments on the financial situation.

The main changes on the liabilities side are due to the Fujitsu transaction. This reduced the equity by a total of EUR (12.74) million.

Factors for the decrease in non-current liabilities include the drop in deferred public-sector subsidies by EUR (2.07) million, the decline in non-current leasing liabilities by EUR (0.65) million and the reduction of non-current bank liabilities due to scheduled repayments by EUR (1.40) million. These decreasing effects are offset only by the EUR 0.03 million increase in provisions for pensions and similar obligations.

Current liabilities increased primarily due to an increase in contractual liabilities. These are EUR 2.38 million higher than the figure at the end of 2022, particularly due to the renewed increase in deferred revenue in connection with new maintenance contracts and the further increase in the number of subscription contracts. In contrast, the recorded income tax liabilities decreased by EUR (1.93) million compared to the 2022 balance sheet reporting date. Current provisions were also reduced, falling short of the figure at the beginning of 2023 by EUR (0.15) million; current bank liabilities also decreased by EUR (0.07) million.

Financial situation

The development of the financial situation in the first six months is, of course, substantially influenced by the corporate transaction.

In the first half of 2023, cash inflows from **operating activities** before cash flows from the change in working capital, adjusted by the transaction costs of EUR (7.79) million, were recorded; for the first half of 2022, we were still recording inflows of EUR 14.86 million here. This development corresponds to the development of the results.

The change in the net working capital burdened the operational cash flow by EUR (5.94) million, whereas it was still relieved by EUR 3.94 million in the previous year. In addition to the expansion of business with existing customers, the reasons are to be found in the low level of the previous year. As of the half-year reporting date, the royalty income from the perpetual license agreement for 2022, which has already been mentioned several times, had already been recognized. On the other hand, two longer-term receivables were added in the II quarter of 2023, which will be settled in the course of the III and IV quarters of 2023. Receivables from deliveries and services, contractual assets and other receivables were up by a total of EUR 4.38 million (i.e., a cash-flow decrease) compared to the start of the year, while this value for the previous year still showed a EUR 3.63 million decrease in the amount of receivables compared with the initial balance. Liabilities from deliveries and services and other liabilities decreased by EUR (3.82) million (previous year: EUR (2.01) million) compared to the start of the year and acted likewise as a cash outflow. On the other hand, contractual liabilities, consisting of advance payments received and deferred revenue from the CLOUD4RETAIL business such as Deutsche Fiskal, increased by EUR 2.38 million, thereby decreasing the overall effect of the cash outflow.

This brings the **cash flow from operating activities** since 1 January 2023 to EUR (12.50) million as at 30 June 2023 (for the first half of 2022 the amount was EUR 18.62 million).

Cash flows from investing activities saw payments for additions to non-current assets of EUR (4.07) million (compared to EUR (1.23) million in the first half of 2022). The Group received income of EUR 0.12 million from interest. In addition, securities worth EUR 14.98 million were liquidated, whereas in 2022 a total of EUR 10.00 million was still being invested in such securities. This generated a total EUR 11.11 in investment activities for the Group.

Financing activities resulted in an outflow of funds totalling EUR (2.34) million in the first half of 2023 (same period in the previous year: EUR 3.70 million). This was due to the repayment of loans and lease liabilities as well as interest payments.

Overall, cash and cash equivalent funds decreased by EUR 3.73 million to EUR 33.92 million. As of 30 June 2023, the Group had unused credit lines of EUR 29.96 million for operating equipment.

The Group's financial managers are seeking to meet the goal of guaranteeing that the company is able to service its loans and debts at all times and have adequate liquidity to secure investment projects; it therefore places the highest priority on maintaining capital.

Starting from 1 July, 2023, EUR 43.52 million in liabilities will have to be serviced in the following twelve months. These liabilities are offset by cash and cash equivalents of EUR 33.92 million and current liquid assets of EUR 62.02 million.

The Management Board believes that it has established an adequate funding framework and funding opportunities for the Group's current potential in normal circumstances. The general conditions for funding need to be constantly compared with investment opportunities and adjustments have to be made, if necessary.

The Group's performance to date during the ongoing crises, particularly regarding the effects of these crises on GK Software's financial situation, has proved to be robust. In the present situation, the steering and budgeting processes developed as part of the 2019 efficiency programme continue to provide a stable foundation. Despite this, commercial prudence dictates that we continue to explore and, if possible, pursue all possible avenues to secure financing.

Financial and 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 and figures derived from these like earnings before interest taxes, depreciation and amortisation (EBITDA).

T.09 Financial performance indicators

		30.6.2023	30.6.2022
Gross profits margin on turnover	%	92.4	94.1
Personnel ratio	%	71.8	58.4
EBITDA margin on operating performance	%	(13.8)	19.5
EBIT margin on operating performance	%	(18.5)	15.0
Equity ratio	%	55.6	60.7
Investment ratio I	%	36.2	34.9
Net debt	EUR K	(19,636)	(48,983)

The inclusion of substantial non-recurring transactions is, however, of crucial importance when assessing these key indicators and control parameters. These non-recurring transactions may very well be part of the ordinary course of business, but their magnitude may lead to incorrect conclusions, especially in a year-on-year comparison, or they may be transactions that occur outside the operating business. Overall, the key indicators need to be adjusted by way of explanation. If such adjustments are made, the underlying transactions should be specified.

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 missing the target figure for the “turnover” key performance indicator. However, this can be directly deduced. In this sense, these key indicators are important aids in analysing developments, but are not control parameters in themselves.

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 the risks and opportunities for the GK Software Group

Based on the business development in the first half of 2023 and the general development of the environment, it is our basic opinion that the Group's risk structure, compared to the reports on risks and opportunities for GK Software since the 2022 annual financial statement, has only changed to the extent that the macroeconomic risks of an economic slump, either on a global level or limited to certain regions, tend to have increased. On the whole, the Management Board believes that the analysis of opportunities and risks has remained largely unchanged from the analysis presented in the last annual report, even if the greater macroeconomic uncertainty could have a negative impact on the business with existing and new customers.

Opportunities

As in previous years, there are still growth opportunities for the Group both in Germany and abroad. The topics addressed by GK Software's products are on many retailers' agendas for strategic IT projects. To ensure its success at the international level, the Group has references with leading retailers worldwide and is represented with a technically mature product on the market. GK Software has a number of major partners with good networks in the retail sector. In particular, its partnership with SAP is set to facilitate access to new customers in international markets such as the US and Africa. This cooperation is complemented by partnerships with Microsoft and IBM, which further increase the sales reach of GK Software. In addition, partnerships with other hyperscalers such as Amazon AWS, as well as with innovation partners such as Abacus, mySize, and others, ensure that the attractiveness of GK solutions is further increased. For further international expansion, the group can draw on the experience gained with its German and international customers due to the fact that the solutions have already been successfully implemented in approximately 60 countries and can thus be quickly transferred to other foreign customers. The partnership with Fujitsu, the new strategic investor, could also present additional opportunities.

Domestic prospects for growth are still far from being exhausted as well. In addition to gaining further market share in all developed retail markets worldwide, the Group's focus will continue to be on new areas. In addition, small and medium-sized chains that have not been addressed as a matter of primary importance also offer great potential, particularly through the sale of standardised solutions. With the development of GK SPOT, GK Software has brought a cloud-based big-data platform to market readiness that is designed to open up new sales potential. The internationalisation of the activities of Deutsche Fiskal and the market entry of RETAIL7 could also create new or expanded opportunities for acquiring customers.

Over the coming years, a key focal point of the retail trade will continue to be the integration of the stationary business with other channels, such as online shops or mobile apps in cloud environments. In addition, current trends such as Go-style shopping, scan and go, home delivery, mobile payment and social networks are to be integrated into a single platform. Other long-term topics such as integrated and automated processes for inventory optimisation, scheduling and efficient customer management systems will continue to play a key role when it comes to reducing costs and enhancing customer loyalty. For these reasons, the retail trade is likely to step up its investments in solutions that integrate all business processes based on modern cloud technology. Moreover, retailers will face greater pressure on their margins unless they standardise and simplify their processes. The homogenisation of store solutions and the centralisation of data streams therefore remain of high strategic importance for the retail sector. In general, new methods and procedures (e.g., from artificial intelligence) will lead to new approaches and a further-intensified use of information technology.

We have seen how the Covid-19 crisis has further accelerated these trends. After the end of the crisis, there has been no discernible movement back to the previous status quo. Quite to the contrary, customers and potential interested parties have been asking questions relating to the consequences of the crisis with equal intensity. We believe that GK Software will be able to benefit further from this investment behaviour in the retail sector. Solutions from GK Software – automation and optimisation through digitalisation and the use of artificial intelligence – offer traditional retailers the opportunity to control their branch networks in a centralised manner. This can be in the supply of data for increased consumer self-service, as well as the automation of the handling of goods and money, thereby making it contactless. The solutions create a truly seamless transition to retail processes that are initiated, handled and concluded from the consumer's viewpoint. With its unified commerce possibilities, the open CLOUD4RETAIL platform offers an excellent basis. This is opening up numerous opportunities for GK Software.

Based on this, the corporate transaction will add further opportunities to boost this trend, which could include an accelerated market entry of GK Software in Asia and Japan as well as the market synergies of its future partners' portfolios and their mutually complementary skills and capabilities.

The consolidation process in the software industry with industry solutions for the retail sector already began a number of years ago and is continuing to progress apace. Based on its attractive range of products and sound financial basis, GK Software is aiming to play an active role in this process.

Risks

Risk management system

The risk management system focuses on recognising risks at an early stage.

For this purpose, GK Software regularly takes stock of the risks and classifies them according to their type and probability of occurrence, as well as the presumed consequences arising from them. Each of the risks identified is assigned to a defined risk owner in the Group.

The process and methods of risk identification, evaluation and assessment are documented in a risk manual. This is regularly reviewed and developed.

The process initially involves recording all possible negative deviations from the specified company targets. In a further step, these deviations identified as risks are analysed in terms of their possible damage and probability that they will occur. The possible damage is determined by its negative impact on the company's development, assets, equity and liquidity. The effects of the risks are quantified as far as possible. However, risks that cannot be reasonably quantified are also considered. The risks are grouped into risk areas.

The risks are categorised as follows:

T.10 Risk assessment

	Probability of occurrence	Amount of damage	
	in %	EUR K	
Very high	>80	>5,000	High
High	50-80	2,000-5,000	Considerable
Medium	10-50	500-2,000	Limited
Low	<10	<500	Negligible

The risk matrix derived from this results in the classification into risks that pose a threat to the company's existence, significant risks and irrelevant risks. Depending on this, the possibilities of countermeasures to reduce the amount of damage and/or the probability of occurrence or the bearing of risk are derived.

The Management Board has appointed a risk manager who is responsible for regularly updating the risk inventory on a quarterly basis and reporting the results to the Management Board. Firstly, the risk manager obtains the necessary information from the risk owners as part of a formalised process. Secondly, they conduct informal discussions and evaluate other documents (including internal and external reports and minutes).

In the event of significant risks and, in particular, risks that pose a threat to the company's existence, the risk owners and all management employees are obliged to inform the risk manager immediately and comprehensively. Flat hierarchies, short communication channels and an open communication culture ensure that important risk information also reaches the Management Board immediately. The Supervisory Board is informed by the Management Board at least once a quarter, but usually more frequently, about important developments in the company.

Risks are recorded across the Group and therefore include all subsidiaries. Specific individual risks and general business risks are recorded and considered. Individual risks can together lead to cumulative risks. Changes to the measured values of accumulation risks are indicators of change to individual risks.

The risk management scheme and early risk recognition do not consider positive opportunities separately. On the one hand, opportunities represent positive deviations from identified risks; on the other hand, opportunities are the subject of strategic corporate management.

Strategic risks

As a software vendor, GK Software operates in a **highly dynamic market** that is subject to ongoing as well as abrupt changes, for example, because of technological advances, changes in companies' IT landscapes, the consolidation of suppliers and buyers, new competitors, new strategies and patterns of behaviour on the part of players on the market. Given this situation, the Group is faced with various strategic risks; the potential for damage from all of these risks together is high.

Group management reporting focuses on significant risks and those that could pose a threat to the company's existence.

Of the risks presented below, the most serious is the risk of **damage to the Group's reputation** due to a single project with a negative outcome. The risks affecting customer behaviour, such as the impact on demand-related behaviour because of **business performance that is perceived as inadequate**or **slowdowns in investments as a result of new market conditions** or **regulatory influences**, are of secondary importance. There is certainly a possibility that feedback effects could develop between the two types of risks mentioned here: Changes in market conditions or regulatory requirements could make projects more complex and thus increase the likelihood of negative project outcomes.

GK Software tries to quantify the impact of the risks on the ongoing fiscal year to the greatest possible extent according to the amount of damage and likelihood of their occurring. In principle, the risks can also be classified in the context of the sequence of risks described above. Nonetheless, the immediate damage is typically comparatively negligible (amounting to several tens of thousands of euros) particularly in the case of the risks that could result in damage to the Group's reputation. However, they could cause indirect damage that is almost impossible to quantify and manage (e.g., negative market sentiment towards GK Software) and that cannot be assigned to a single case of risk that occurred. For this reason, the Group focuses a great deal of attention on adverse project developments of this type in order to keep the risks within a manageable scope. This analysis applies equally to all business segments at GK Software in principle.

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

The first risks to be summarised are those that could result from perceived performance or changes in requirements on the part of those interested in the products and services provided by the company group **(product risks)**. On the one hand, customers might be of the opinion that changes in market requirements are not adequately represented in the portfolio of services offered by the company group. Alternatively, the **products might not correspond to the performance requirements of the target market, or might no longer do so**. In either case, this situation could result in lower demand for the products and services offered by GK Software. Based on the checks carried out by third-party technical analysts, we consider that the risk of this being the case is currently low. Likewise, the analyses of customer satisfaction we have conducted ourselves and the evaluation of our solutions by third-party analysts indicate a rather low risk of this being the case. In order to avoid considerable damage, close customer contact is maintained in particular in the form of joint workshops held several times a year.

However, changes in requirements could lead to longer sales cycles given that the requirements are generally increasing because of the trends towards high integration, digitalisation and automation of business processes. These aspects mean that the investment decisions made by customers are of greater relevance, and that they lead to more intensive and potentially longer decision-making processes and thus to extended sales cycles, which results in a reduced number of sales opportunities that can be realised in a given period **(sales market risks).** Experience shows that the investment cycles in the retail industry are stable in the long term, and investments not made are generally always made at a later date when investment backlogs have been cleared. Therefore the probability of the risk materialising is low, particularly when considered over longer periods.

At the same time, the increased requirements that can actually be identified lead to greater project complexity, which increases the probability that project plans will be met with failure **(production risks).** GK Software counters this risk through the approach it applies when developing, employing, managing and retaining project capacities, so that the probability of this considerable risk occurring can be classified as low. In a tight job market **(human resources and procurement risks)**, developing and retaining employee capacities are particularly important aspects, which we seek to accommodate by creating an attractive working environment with competitive compensation and general measures aimed at retaining staff. However, it should be noted that the general and probably permanent shifts between the use of traditional office workplaces and mobile/home-office working associated with the pandemic have made the situation more challenging in the area of recruitment. As the proximity of the place of residence to the place of work becomes less important, the competitive pressure in the search for qualified workers continues to increase. At the same time, regional differences in the salaries demanded are levelling out because companies in regions with low costs of living and wages increasingly have to compete with those where these are considerably higher. In addition, there has been a considerable increase in inflation; this can also lead to a higher than usual increase in salary adjustments at the request of employees. Another capacity risk for the company could result from the continuation of the war in Ukraine, because GK employs more than 20 qualified IT specialists in Lviv (western Ukraine), and it is not foreseeable how developments will unfold there.

The probability of the aforementioned risks materialising was, as the experience of the last few years has shown, low in the area of personnel risks and with limited potential for damage. However, the topic of personnel risks is treated with special attention by the Management Board because the probability of occurrence tends to increase here.

One significant secondary risk consists of maintaining the functionality that is necessary to meet the complex requirements. These systems comprise all IT systems that can be grouped together as a dedicated risk group **(IT risks)**. These risks, with an expected limited amount of damage, increase the prospect that damage to the Group's reputation could occur because the potential scarcity of sales opportunities means that individual projects are of greater significance for GK Software's reputation as a whole. The Group is making significant efforts in the area of IT-related risks, including ongoing maintenance, improvement and monitoring of the IT infrastructure, so the probability of these risks materialising is low so far.

A further group of risks involves **environmental risks**, such as the development of the economy as a whole, trends towards concentration in customer and competitive environments and the development of regulatory conditions **(legal and compliance risks).** Regulatory risks are subject to continuous monitoring of the regulatory areas identified as relevant. On the one hand, this makes it possible to react as quickly as possible to changes that have been identified and, on the other hand, to record new, relevant areas of law in good time, which is why the assessment in this area at Group level is a limited amount of damage and a low probability of occurrence.

A significant risk – and one which cannot be influenced by the company – is how the businesses of GK Software's customers grow as a result of the development of the general economic situation and consumer sentiment **(customer and market-related risks)**.

Prior to the outbreak of the war in Ukraine, development was dominated by the global pandemic and the associated uncertainties for the future. Before it became clear whether, to what extent and for how long the Covid-19 crisis would have an impact on overall social and economic situation, it was overshadowed by the Ukraine war and its effects. The longer this lasts, the greater its effect is likely to be – not only on trends in Europe, but also in the world as a whole. This can be justified above all by the fact that sanctions and counter-sanctions influence the globally interconnected world everywhere. We currently believe it can be said that the immediate impacts of the Covid-19 crisis have been overcome. However, there are long-term and rather subtle effects that could combine with the economic consequences of other factors, but which may no longer be clearly attributable to one event or another. As such, each individual event increases the overall uncertainties of national economies and makes their impact very difficult to assess. This opinion has strengthened since the 2022 balance sheet date. As a matter of fact, we are noticing a significant negative impact on the retail business in certain regions. In addition to the above-mentioned reasons, the UK in particular is experiencing the effects of Brexit, and Germany is experiencing the effects of a unilateral energy policy, which strengthen global trends.

For example, the employment market seems to have changed fundamentally in terms of what it requires of employers in our industry. Regional niches are becoming meaningless, and efforts to attract talent are increasingly aimed at a national environment at a minimum. A direct effect of Russia's war in Ukraine has been to bring international retailers' business with Russia to a halt, at least for the time being. The same has been evident for the company's new business in Russia, most of which was initiated through SAP. Other factors, such as real or artificial energy shortages, a possible resurgence of the euro and financial crises of previous years due to the changed interest environment and its associated uncertainties, are having an influence on the economic development of our customers that is yet to be determined. The Company has absolutely no control over these risks and therefore it is not possible to estimate the probability of these materialising.

Given this climate of general uncertainty, the Management Board is striving to maintain its scope for action by structuring costs as flexibly as possible and only incurring costs where intended.

Moreover, the continuing consolidation of the retail market can result in a reduction in the number of branch networks over the long term, which would mean that the retail sector would have greater purchase power. In general, the retail sector in Germany is subject to strong price competition. For this reason, retail companies are seeking to pass the price pressure caused by this situation on to their suppliers and contractual partners. This also carries over to investments in IT and can have an impact on manufacturers of retail software. However, because GK Software provides strategically important solutions for retail groups and is globally positioned, these risks are also not considered to be a threat to the company, and their probability of occurrence is classified as low.

The consolidation that is occurring on the customer side is continuing to progress. On the competition side, too, we are seeing a progressive shakeout. This concentration is characterized, among other things, by the acquisition of direct competitors of GK Software by globally significant manufacturers of hardware, which thus become universal suppliers for the retail market. This combination could prompt potential customers to obtain all the services they require from these competitors. While the Management Board believes that the previous trend on the market towards procuring hardware and software separately is set to continue, a reversal of this trend and consequent adverse effects on GK Software's sales opportunities cannot be ruled out. As things currently stand, however, there is no sign of any such trend so that the probability of any ensuing risks materialising is low.

The Group's planned expansion likewise involves certain financial risks. The company group primarily forms these relationships on the basis of preliminary work aimed at customer acquisition. This risk increases as a result of the extended sales cycles mentioned above. One of the factors in this is the increase in sales applications that is linked with longer sales cycles. One aspect of particular significance, however, is the need to maintain delivery capabilities when contracts are concluded. This can lead to significant costs due to idle capacity. In addition to these general risks resulting from events on the market, there are also internal organisational risks that arise in relation to the aspect of internationalisation as a result of the operation of the Group's national and international subsidiaries. Adverse developments or threats to the existence of the Group's subsidiaries have direct (contracts to balance results) or indirect (evaluation of finance assets, recoverability of receivables, loss of business activities by the subsidiary) negative impacts on the development of the Group. The Group counters this risk by continually developing its investment controlling measures. In order to reduce the danger from such risks, the efficiency programme initiated by the Company in 2019 provided the basis for ensuring that the probability of such risks occurring is significantly reduced and at a low level.

In the course of the ongoing expansion, the project business must also be scaled to an increasing extent, which is to be accomplished through the involvement of partners. Nonetheless, there are other risks – and particularly quality risks – that arise because of the limited ability to control work in conjunction with partners. To this end, GK Software operates a partner programme with the certification of integration partners. This programme aims to guarantee the quality of project management and is developed on an ongoing basis.

Customer projects at home and abroad, which were described in the analysis of the market and competitive environment and are becoming increasing complex, also present risks to the further development of GK Software that could lead to higher warranty and goodwill provisions – not just for individual projects, but for all projects. This aspect is also important in view of the ever increasing number of SaaS contracts, which also include the operation of the customer's systems, because the company takes on the risk for the smooth operation of the customer's business. However, the Management Board is confident that we have taken the development of the software in a direction that guarantees existing quality standards can be maintained in general. This quality risk in relation to individual projects is managed by means of regular reporting by the responsible project managers to the relevant members of the Group Management Board. A summarised report of the known risks is presented to the Management Board in its meetings, which are typically held monthly. To date, the results of the organisational measures adopted here show that there are only limited risks for the Company in this segment.

GK Software will also continue to expand its products and sales base through activities including targeted acquisitions of companies in view of its planned expansion of its business activities in the coming years. In doing so, the company group will prepare for and examine acquisitions with the utmost possible diligence. Nonetheless, the risk that an acquisition could have negative impacts on the earnings of GK Software cannot be ruled out.

On the whole, GK Software assesses these risks as strategic risks that could have significant impacts on the company's financial and earnings situation over the long term. At the moment, however, we are not seeing any or only weak indicators that suggest these risks could materialise.

Operational and financial risks

Third parties could accuse GK Software of **infringements against intellectual property rights,** such as patents or copyrights, and make claims for damages or seek to limit the sale of GK Software solutions. The risk is therefore considered high in terms of its potential damage. In order to limit this risk, GK Software reviews whether third-party licensing terms are complied with, starting in the development process, which is why the probability of occurrence is currently classified as low.

Given the **structure of its customer base** and that of its target market, the Group's business is continually characterised by large individual projects with a relatively small number of customers, which means that these business relationships make considerable contributions to our turnover and earnings within the course of a given fiscal year. The Management Board foresees that this will continue to be the case in future as well. If a business partner cancels a project or experiences financial difficulties, this can also have financial impacts for GK Software. However, this risk can be limited by regular payment plans or by agreeing on payments after so-called 'project milestones'. Due to the measures taken, the risks in this area have a low probability of occurrence.

Specialised and standardised contracts are given preference for the sale of GK Software products. As a rule, these contract templates are deviated from at the request of customers and on the basis of the respective individual circumstances. In these cases, there is a risk that the contractual arrangement is to the disadvantage of GK Software (contract risk). This risk is seen as a significant one with a medium probability of occurrence, which is addressed through legal examination on the part of our in-house legal experts.

For the sake of completeness, we should mention the potential that the implementation of the corporate transaction – the acquisition of the majority shareholding in GK Software SE by Fujitsu ND Solution AG – could fail after the acquisition of the majority of shares has actually been completed. By this, we mean risks that could arise from the efforts towards integration. Both parties are attempting to counter this risk by maintaining the autonomy of GK Software to the greatest possible extent, as stipulated in the Business Combination Agreement concluded between the parties. This agreement guarantees that GK Software's successful corporate strategy thus far will be pursued for at least two years.

Receivables from deliveries and services are owed by **customers** of the Group. The maximum credit risk corresponds to the carrying amount of the receivables from deliveries and services. All of the Group's customers are companies. GK Software has set up a receivables-management system in order to address the risk of customers defaulting on payments. Customers' payment behaviour is monitored at short intervals. If there is reason to assume that individual customers' economic situations have changed, further measures are taken in coordination with Management in order to limit any potential loss. A general allowance is made for all pending receivables in order to determine the general risk of defaults for receivables from deliveries and services.

GK Software manages the general **liquidity risk** (cumulative risk from other individual upstream risks) by maintaining appropriate liquid assets and credit lines as well as a rolling weekly liquidity forecast along with assessing forecast and actual payment flows.

We refer to the separate section of the report with respect to the risks involved in the use of financial instruments.

On the whole, GK Software assesses these financial risks as operational risks with a high potential for damage that could have considerable impacts on the Group's financial and earnings situation. At the moment, however, we are not seeing any or only weak indicators that suggest these risks could materialise (low probability of occurrence).

The overall risk position means all individual risks to which GK Software is exposed in its entirety. There are no discernible risks that could pose a threat to the company's existence. The Group's overall risk position has also continued to improve over the course of the 2022 fiscal year, in keeping with the trend since the second half of 2019, and has now improved considerably.

Ukraine war

So far, the impact of the war on the company has been limited. Of course, the situation remains stressful and uncertain for the employees affected by this in Lviv, Ukraine: however, they still manage to make a significant contribution, in terms of both quality and quantity, to the Group's performance. Nevertheless, the assessment of the site remains unchanged: The site will not undergo any further development for the time being and resources will be built up in other countries parallel to this. Although operational activities at the site could continue in 2022, the events are permanently monitored and evaluated by a specially created task force at the company headquarters. If the site were to become non-operational, this would naturally result in a restriction of the company's development resources. Due to the measures already initiated, we assume a limited potential for damage. However, we still see the probability of restrictions as very high given the current situation. For customers and potential customers of the company who were or are active in Russia, the war and its consequences will also result in burdens, the effects of which currently cannot be assessed. There are no impacts on finances or earnings worthy of mention to be expected as a result of sanctions imposed on or by Russia. It is already certain that the direct and indirect economic consequences of the war, as well as the sanctions and counter-sanctions, will lead to a serious disruption of the world economy for the unforeseeable future.

While the current complete closure of the Russian market has had only minor direct consequences for the company, it has shut off access to a not inconsiderable market in the longer term and is thus jeopardising the sales investments made in recent years.

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

The internal monitoring system of the GK Software SE and of the entire corporate Group comprises the principles, procedures and measures introduced by the Management Board for the organizational implementation of its decisions to ensure the effectiveness, efficiency and correctness of the accounting as well as the compliance with the legal provisions relevant for the company. GK Software SE (as well as the Group) is structured according to the responsibilities of the Management Board, whose different departments report to the responsible Management Board. The departments are subdivided into different cost centres, which each have a responsible head of department. The heads of department are either responsible for turnover and costs or only for costs.

The business release rules (requirement requests, purchase orders, invoice release, labour law agreements, submission of offers, customer contracts) are regulated by signature authorisations with value limits, which are regularly checked and adjusted as required. In addition to the release rules, GK Software SE has other guidelines for different areas of application (travel policy, anti-corruption guideline, procurement directive, company car guideline), which are also regularly checked and adjusted if necessary. Appropriate local regulations have been established in the Group companies.

The Group accounts and the accounts of the individual companies are organised and handled in-house, as is the financial accounting of GK Software and all major individual companies. GK Software provides accounting for the German subsidiaries as part of agency agreements. The larger foreign Group companies each have their own accounting departments, which are responsible for the local accounts of the companies. For the start-ups abroad, external service providers are initially used. The wage and salary administration for the German companies is carried out by GK Software as part of agency agreements.

The financial accounting of GK Software SE and some of its subsidiaries is carried out directly in the accounting software Microsoft Dynamics NAV (NAV). The individual accounts according to the local accounting standards of the other subsidiaries are imported in detail into NAV. The information necessary to consolidate or prepare a complete Annual Report is provided by the local units on the basis of instructions issued by the Group. During the preparation of both the individual accounts and consolidated accounts, internal checks are in place under the 'dual control' principle to ensure the reliability of the individual and consolidated accounts.

The Controlling department, which is centrally located in Schöneck but has a Group-wide focus, prepares detailed monthly evaluations to show the development of the Group and the cost centres. The reports are made available to the cost centre managers with specific inquiries about conspicuous developments. The Management Board receives an overall report.

Risk reporting in relation to the use of financial instruments

Financial market risks The Group is exposed to risks associated with exchange 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 euro zone. The interest risks are the result of selected types of financing to enhance the Group's financial leeway.

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 start-up of the business of the companies in Singapore and Australia will give rise to items in Singapore and Australian dollars in the short term, as they already have to a minor extent. The Group therefore accepts payment obligations arising from work, renting and leasing contracts in all these currencies. GK Software with its Groups 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.

We normally handle business transactions in the operational currency of the Group firm concerned. Operational business transactions are not handled in the operational currency in individual cases, which results in a currency risk for monetary financial instruments. As of 30 June 2023, the Group had foreign currency receivables of approximately EUR 664 thousand that differed from local currencies. Currency rate fluctuations in conjunction with our original monetary financial instruments do not have any major effects on our profits. The Group's exchange-rate risk sensitivity mainly increased because of the increased business activities in the US dollar region and in South Africa.

In the view of the Management Board, the sensitivity analysis, however, only reflects one 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 to exchange rates for services, which the Group companies provide to the parent company to settle in local currencies every month. In the first half of 2023, services totalling EUR 7.45 million were purchased in a currency other than euros. These service invoices were settled mainly by Group companies in Czech crowns, Russian roubles, Ukrainian hryvnia, Swiss francs or US dollars.

Interest risks result from taking out interest-bearing borrowings and from balance sheet items that contain an interest component.

When borrowing, the cash outflow resulting from the interest payments becomes the object of possible hedging measures. The risk is controlled by the Group by maintaining an appropriate ratio because it takes out a mixture of fixed and variable interest rates on funds. As a rule, long-term borrowings are made at fixed interest rates, while short-term borrowings are subject to variable interest rates or fixed interest rates with short fixed-interest periods.

Forecast report

Market environment

GK's market environment is characterised by the fact that the Company's activities have been globally oriented for years, significantly reducing dependencies on regional markets. However, individual or overall trends in important markets such as the German-speaking region of Germany, Austria and Switzerland, and in Western Europe, North America or South Africa, are naturally of great significance for the business development. It should never be forgotten that trends in the retail trade affecting society as a whole appear partly delayed and seldom to the same extent in all markets. In addition, typical customers of large retailers are usually pursuing long-term strategic goals and are only affected by short-term negative market trends to a limited extent. However, longer and more serious disruptions could cause investments to be postponed so that developments in GK's target markets should be monitored closely. In parallel, however, challenges of this nature always lead to retailers intensifying their search for potential ways to lower costs, improve processes and enhance customer loyalty. As such potential usually requires IT support, this also gives IT providers more opportunities.

The retail sector in Germany recorded a nominal increase in sales of 3.6% year-on-year in the first half of 2023.[1]Adjusted for inflation, June 2023 now shows a slight drop in sales of around 1.6 percent, however, compared with the same month in the previous year. In the first half of 2023, retail sales of food and non-food products, adjusted for price, dropped on a year-to-year comparison. On the other hand, retail sales of textiles, clothing, shoes and leather goods increased significantly in real terms.[2] The German Trade Association, Handelsverband Deutschland (HDE), attributes the price-adjusted decline in retail sales to persistently high inflation, which has a major impact on consumer behaviour. Furthermore, high energy prices pose major challenges for the retail sector. Despite economic adversity, supply shortages have eased across the entire retail sector in the first half of 2023.

For 2023 as a whole, the HDE forecasts revenues of around EUR 650.3 billion, a nominal year-on-year increase in sales of 3.0 %, for the German retail sector. However, the HDE predicts that sales figures for brick-and-mortar retail businesses will drop in real terms. In contrast, for 2023 as a whole, the HDE assumes a year-on-year sales growth of around 2.0 % in real terms in online trade.[3]In the US, retail sales have risen slightly in June compared to the previous year. Due to declining inflation, consumer sentiment in the US has slightly improved again in the first half of 2023.[4]

According to the Kiel Institute for the World Economy, Germany's overall economic situation will deteriorate slightly in 2023, however it predicts an economic growth of 1.8 % in Germany in 2024[5]. Despite the economic slump predicted for 2023, the German labour market is on an upwards trend, according to the HDE. In the European Union, the gross domestic product rose slightly in the first half of 2023. For 2023 as a whole, the EU Commission expects to see an economic growth of 1.0 % in the eurozone.[6]

As a direct consequence of the coronavirus pandemic, the EHI Retail Institute assumes that the importance of omni-channel strategies will increase, and that the digitalisation of consumer behaviour will gain more importance even in bricks-and-mortar retail businesses. The assessment of the EHI Retail Institute is therefore not surprising: "In particular, AI-based decision-making in procurement, range management and pricing will continue to grow in importance". According to the EHI survey "Technology Trends in Retail 2023", the topics of artificial intelligence/machine learning, self-checkout/

1 https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/07/PD23_301_45212.html
2 https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/07/PD23_301_45212.html
3 https://einzelhandel.de/images/presse/Pressekonferenz/2023/PKJuni23/230612_Charts_f%C3%BCr_PK_Juli_2023_kurz_neu.pdf
4 https://www.fuw.ch/us-buerger-steigern-konsum-448087126035
5 https://www.tagesschau.de/wirtschaft/konjunktur/deutsche-wirtschaft-rezession-prognosen-100.html
6 https://www.handelsblatt.com/politik/konjunktur/nachrichten/eu-fruehjahrsprognose-wirtschaft-in-europa-waechst-2023-um-1-0-prozent/29151882.html

scanning and customer centricity are viewed as particularly significant.[1]

These positive market trends have also been significantly reflected in the discussions that GK Software is holding with existing customers and potential interested parties. The IT departments of the retail trade are focusing on topics relating to new technologies, solutions and processes, for which GK is excellently positioned with the CLOUD4RETAIL platform.

1 https://www.ehi.org/wp-content/uploads/Downloads/Leseproben/EHI-Studie_Technologie_Trends_2023_Leseprobe.pdf

Company outlook

Despite the ongoing difficult overall economic situation, the Company continued to grow in the first half of 2023, although currently at a slower pace than in the previous year. In addition, the **transaction costs** have had an impact on the ongoing fiscal year.

Given that the war in Ukraine in particular still harbours numerous uncertainties, all longer-term forecasts remain subject to strong reservations. Nevertheless, the Management Board issued a new medium-term forecast up to 2025 in the last annual report and with reference to the existing global macroeconomic uncertainties. Consequently, we expect revenue to continue to grow significantly again by the end of the 2025 fiscal year, ranging between EUR 193 million and EUR 205 million by the end of the forecast period. We expect this growth to occur on the basis of the solutions and products we are currently offering on the market. Further potential could develop as a result of the geographical expansion of our sales regions. However, the positive effects that could result from close cooperation with Fujitsu are not included in this forecast. This forecast is based on organic growth and could be enhanced by inorganic growth, although a more detailed plan for this is not available at present.

We are expecting to see annual gains for the SaaS business for CLOUD4RETAIL (without Deutsche Fiskal) at the level of the last two years, with the share of subscriptions growing continuously but not at a rapid rate. In the Deutsche Fiskal area, we were able to achieve sales for the full 12 months for the first time in 2022. Because the initial distribution to the market has largely taken place, we are also initially assuming steady but slower growth here. Further potential could arise if fiscal legislation is extended to other sectors, or if branches originally equipped with hardware are switched to software solutions. The constant changes in statutory regulations and the requirements of the BSI remain a permanent challenge. An expansion to other geographical markets is plausible as well.

In the area of EBIT, we are sticking to the target for the EBIT margin of at least 15 per cent based on turnover in the medium-term forecast until 2025. In this context, we are assuming that the EBIT margin will be slightly above 15 per cent by 2025. The related development will also depend on how the factors of personnel costs and recruitment develop, and to what extent and how quickly we will be able to win over customers for our new solutions such as GK SPOT, GK GO and GK Engage. This target is subject to the proviso that the war in Ukraine and the resulting increased risk of inflation do not have a drastic effect on purchasing power and thus retail sales. Having achieved an EBIT margin of 15 per cent, it remains our goal to stay at this level under all circumstances and subsequently to increase it slightly further.

This forecast is based on our existing customer relations, the current position our solutions occupy on the market as well as planned and current demand for these solutions. GK Software is currently in an excellent position in many ongoing tender procedures in different regions of the world and has important advantages over its competitors with its innovative, broad portfolio of products, the internationality of its solutions and its proven ability to introduce projects quickly. This makes us optimistic about increasing the number of customer contacts in the following business year. We are also expecting to see positive effects from partnership agreements with hyperscalers such as Microsoft, IBM, and AWS, who are hopeful that large numbers of terminals and transactions in the retail sector will yield potential for their cloud offers. Fujitsu's successful offer to the shareholders of GK Software will lead to further opportunities and chances for GK Software.

On the whole, we believe that we are in a good position to continue to keep the Company and its Group on a growth trajectory in the coming years while also tapping into new opportunities alongside those currently available to us. One helpful factor is that we have only felt the impacts of the existing pandemic slowdown to a minor extent and primarily in relation to our new business. However, we expect to see catch-up effects in the coming years as a result of delayed investments.

General statement for 2023

Based on the assumptions and influencing factors described in the last annual report, we expect the GK Software Group to achieve a further increase in revenue in the lower double-digit percentage range and a further improvement of the operating EBIT, adjusted for one-off effects, towards achieving the medium-term target for 2023 (with an EBIT target margin on revenue of 15 percent). We are referring to the operational results only in this context. The corporate transaction burdens GK Software with substantial, non-recurring costs, which will be significantly visible in the 2023 annual result for both the Group and the Company.

As with those on the medium-term forecast, these statements are still subject to considerable reservation due to the difficulty of assessing the global impact of the war in Ukraine and the flaring up of other potential geopolitical crises (e.g., the China–Taiwan stand-off). We are currently observing a significant slump in the overall economic situation in relevant markets (e.g., UK, Germany), which is having a considerable impact on the retail trade in some regions (e.g., UK). Even if GK Software has been relatively immune to such fluctuation in the past, we cannot - given the continued macroeconomic uncertainty - rule out the possibility that actual developments may unfortunately still deviate considerably from the opinion stated here.

Consolidated Interim Financial Statement

Consolidated Balance Sheet

on 30 June 2023

T.11 Assets

EUR K	30.6.2023	31.12.2022
Tangible assets	23,117	21,302
Rights-of-use assets within the meaning of IFRS16	8,337	8,844
Intangible assets	22,561	22,829
Financial assets	42	6
Deferred tax assets	344	200
Total non-current assets	**54,400**	**53,182**
Real estate held for sale	0	2,550
Goods	329	81
Down payments made	21	22
Receivables from deliveries and services	25,946	24,571
Contract generated current assets	12,148	12,837
Income-tax claims	990	998
Receivables from affiliated companies	52	12
Receivables from companies with which a shareholding relationship exists	61	61
Other receivable and assets	12,536	9,766
Securities	9,935	24,916
Cash and cash equivalents	33,919	37,654
Total current assets	**95,936**	**113,468**
Balance sheet total	**150,336**	**166,649**

T.12 Liabilities

EUR K	30.6.2023	31.12.2022
Subscribed capital	2,273	2,258
Capital reserves	51,128	49,788
Retained profits	31	31
Other reserves	(1,088)	(819)
Profit carried forward	44,080	32,912
Consolidated shortfall/surplus before non-controlling shares	(13,765)	11,259
Equity attributable to GK Software SE stockholders	82,659	95,430
Non-controlling shares	993	967
Total equity	**83,652**	**96,396**
Provisions for pensions	144	115
Non-current bank liabilities	11,325	12,725
Non-current lease liabilities	5,738	6,392
Deferred public-sector subsidies	667	2,738
Deferred tax liabilities	5,291	5,535
Total non-current liabilities	**23,166**	**27,505**
Current provisions	697	847
Current bank liabilities	2,959	3,029
Current lease liabilities	2,734	2,603
Trade liabilities	5,041	5,169
Contractual liabilities	12,136	9,754
Income-tax liabilities	3,623	5,551
Other current liabilities	16,330	15,797
Total current liabilities	**43,518**	**42,749**
Balance sheet total	**150,336**	**166,649**

Consolidated statement of income and accumulated earnings

for the financial year from 1 January until 30 June 2023

T.13 Consolidated statement of income and accumulated earnings

EUR K	6M 2023 Group	6M 2022 Group	FY 2022 Group
Revenue from turnover	78,054	75,123	152,054
Other earnings	2,161	2,718	6,166
of which exchange-rate earnings	465	1,745	3,403
Revenue from turnover and other earnings	**80,215**	**77,841**	**158,220**
Materials expenditure	(8,069)	(7,145)	(13,646)
Personnel expenditure	(56,044)	(43,875)	(89,562)
Depreciation and amortisation on non-financial assets	(3,636)	(3,374)	(7,985)
Losses from derecognition of financial assets	(3)	(55)	(89)
Other expenditure	(26,836)	(12,115)	(30,159)
of which exchange-rate expenditure	(415)	(1,200)	(2,304)
Total operating expenses	**(94,615)**	**(66,563)**	**(141,441)**
Operating results	**(14,400)**	**11,278**	**16,779**
Financial earnings	629	57	429
Negative interest on bank balances/deposit rates	0	(116)	(129)
Financial expenditure	(509)	(616)	(168)
Financial result	**121**	**(675)**	**132**
Earnings before income taxes	**(14,280)**	**10,603**	**16,911**
Income taxes	541	(1,827)	(5,553)
Consolidated shortfall / surplus for the period	**(13,738)**	**8,776**	**11,359**
of which attributable to non-controlling shares	27	35	100
of which attributable to GK Software SE stockholders	(13,765)	8,741	11,259

T.14 Other results after income taxes

EUR K	6M 2023 Group	6M 2022 Group	FY 2022 Group
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	(392)	547	(89)
Deferred taxes from differences in the conversion rates for foreign business operations	111	(124)	(77)
Items which will not be reclassified in the consolidated profit and loss statement in future			
Actuarial gains/ losses from defined benefit pension plans	(242)	1,408	1,541
Deferred taxes on actuarial profits/losses from defined-benefit pension plans	254	(413)	(452)
Overall result	**(14,007)**	**10,194**	**12,281**
of which attributable to non-controlling shares	27	35	100
of which attributable to GK Software SE stockholders	(14,034)	10,159	12,182
Earnings per share (EUR/share) from consolidated surplus/shortfall (undiluted)	**(6.06)**	**3.87**	**4.99**
Earnings per share (EUR/share) from consolidated surplus/shortfall (diluted)	**(6.06)**	**3.71**	**4.84**

Consolidated Cash-Flow Statement

for the financial year from 1 January until 30 June 2023

T.15 Cash flows from operating business

EUR K	6M 2023	6M 2022
Cash flow from operating activities		
Consolidated shortfall / surplus for the period	(13,738)	8,776
Transaction costs	17,701	–
Surplus for the period before non-recurring transaction costs	3,963	8,776
Income taxes affecting results	(541)	1,827
Interest expenditure affecting results	509	732
Interest income affecting results	(629)	(57)
EBIT	**3,301**	**11,278**
Depreciation and amortisation	3,636	3,374
EBITDA	**6,937**	**14,652**
Share-option scheme (non-cash expenditure)	257	181
Profit/loss from the sale or disposal of tangible assets	11	(3)
Reversals of deferred public-sector subsidies	(17)	(20)
Write-downs recognised for receivables (including losses from receivables)	470	757
Reversals of impairment losses recognized for receivables	(145)	(35)
Other non-cash earnings and expenditure	278	(674)
Cash flow from operating business before the change in working capital	**7,792**	**14,859**
Changes in net current assets		
Proceeds from real estate held for sale	500	–
Changes in receivables from deliveries and services as well as other accounts receivable	(4,379)	3,631
Changes in inventories	(246)	(15)
Change in liabilities from deliveries and services as well as other liabilities	(3,819)	(2,005)
Changes in contractual liabilities	2,382	3,009
Changes in provisions	(382)	(682)
Cash flow from ongoing business activities before taxes	**1,847**	**18,797**
Income taxes paid	(1,765)	(174)
Cash flow from ongoing business activities before non-recurring transaction costs	**82**	**18,623**
Payments from non-recurring transaction costs	(12,577)	–
Cash flow from ongoing business activities including non-recurring transaction costs	(12,495)	18,623

T. 16 Cash flows from investment and financing activities, loans, cash and cash equivalents

EUR K	6M 2023	6M 2022
Cash flow from ongoing business activities	**(12,495)**	**18,623**
Cash flow from investment activities		
Payments for tangible assets and non-current assets	(4,068)	(1,230)
Proceeds from disposals of assets	73	3
Inflows/outflows for other securities	14,981	(9,998)
Interest payments received	124	74
Funding received	(3)	491
Cash flow from investment activities	**11,105**	**(10,660)**
Cash flow from financing activities		
Dividend payments	(91)	–
Taking out equity	1,097	–
Interest paid	(418)	(184)
Repayment of loans	(1,463)	(2,289)
Repayment of leasing liabilities	(1,464)	(1,227)
Net income in cash and cash equivalents from financing activities	**(2,337)**	**(3,700)**
Net outflow/inflow of cash and cash equivalents	**(3,727)**	**4,263**
Cash and cash equivalents at the start of the fiscal year	37,568	46,884
Cash and cash equivalents at the end of the fiscal year	33,634	51,170
Influence of exchange-rate changes on cash and cash equivalents	(206)	22

T.17 Summary of cash and cash equivalents

EUR K	6M 2023	6M 2022
Cash and cash equivalents	33,919	51,307
Utilisation of current-account credit / credit card and exchange-rate effects	(285)	(138)
Cash and cash equivalents at the end of the fiscal year	**33,634**	**51,170**

Consolidated statement of changes in equity

for the financial year from 1 January until 30 June 2023

T.18 Consolidated Statement of Changes in Equity

EUR K	Subscribed capital	Capital reserves	Retained profits	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 2022	**2,258**	**49,483**	**31**	**(324)**	**41,653**	**93,101**	**902**	**94,004**
Share-option scheme	0	305	0	0	0	305	0	**305**
Convertible bond	0	0	0	0	0	0	0	**0**
Allocation based on IAS 19	0	0	0	666	0	666	0	**666**
Allocation based on IAS 21	0	0	0	(1,161)	0	(1,161)	0	**(1,161)**
Consolidated surplus for the period	0	0	0	0	2,518	2,518	64	**2,582**
Figures on 31 December 2022	**2,258**	**49,788**	**31**	**(819)**	**44,171**	**95,430**	**967**	**96,396**
Share-option scheme	15	1,340	0	0	0	1,354	0	**1,354**
Convertible bond	0	0	0	0	0	0	0	**0**
Allocation based on IAS 19	0	0	0	12	0	12	0	**12**
Allocation based on IAS 21	0	0	0	(281)	0	(281)	0	**(281)**
Dividend payout	0	0	0	0	(91)	(91)	0	**(91)**
Consolidated shortfall for the period	0	0	0	0	(13,765)	(13,765)	27	**(13,738)**
Figures on 30 June 2023	**2,273**	**51,128**	**31**	**(1,088)**	**30,315**	**82,659**	**993**	**83,652**

Notes on the Consolidated Accounts

for the financial year from 1 January until 30 June 2023

1 Principles of Reporting

1.1 General information

GK Software SE is a European 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 registered in the Commercial Register at Chemnitz Local Court under reference number HRB 31501.

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

The Group's business involves developing, producing, distributing and trading in software and hardware for POS software.

1.2 Consolidated companies and consolidation principles

The number of German (7) and non-German (8) subsidiaries named as of 31 December 2022 has changed due to the liquidation of the Moscow-based OOO GK Software RUS in the meantime.

There have not been any changes to the consolidation principles since the financial statement relating to 31 December 2022 either. We would therefore refer you to chapter 1.3. 'Consolidated companies and principles of consolidation' in the notes on the consolidated accounts in the 2022 annual accounts (Financial Statement for 2022, pages 82f).

2. Segment reporting

There were no changes to the organisational structure of the reportable segments during the current fiscal year. Reporting is divided into regions and responsibilities of the sales regions according to the Management Board's bases for decision-making.

The distribution of turnover according to products and business activity areas can be summarised as follows:

T.19 Turnover according to segments

	EMEA			Americas			Other Business Activities			Consolida-tions			Group		
EUR K	H1 2023	H1 2022	FY 2022	H1 2023	H1 2022	FY 2022	H1 2023	H1 2022	FY 2022	H1 2023	H1 2022	FY 2022	H1 2023	H1 2022	FY 2022
Sales with third parties	**61,546**	**61,819**	**119,355**	**15,552**	**12,618**	**31,090**	**956**	**686**	**1,609**	**–**	**–**	**–**	**78,054**	**75,123**	**152,054**
Licences and software	**27,199**	**28,328**	**51,426**	**8,280**	**6,995**	**19,253**	**–**	**–**	**–**	**–**	**–**	**–**	**35,478**	**35,323**	**70,679**
Platform licences	199	6,911	7,398	268	564	4,908	–	–	–	–	–	–	467	7,476	12,306
Platform-extension licences	4,658	3,579	10,857	139	129	285	–	–	–	–	–	–	4,797	3,707	11,142
Smart extension	13,829	10,735	18,046	7,141	5,584	12,609	–	–	–	–	–	–	20,970	16,319	30,655
Platform licences from subscription agree-ments	8,513	7,103	15,124	731	718	1,451	–	–	–	–	–	–	9,244	7,821	16,575
Maintenance	**10,344**	**9,687**	**20,188**	**2,978**	**2,439**	**5,080**	**–**	**–**	**–**	**–**	**–**	**–**	**13,322**	**12,127**	**25,267**
Software maintenance	10,344	9,687	20,188	2,978	2,439	5,080	–	–	–	–	–		13,322	12,127	25,267
Retail consulting	**22,914**	**23,077**	**46,284**	**4,201**	**3,158**	**6,671**	**–**	**–**	**–**	**–**	**–**	**–**	**27,115**	**26,235**	**52,955**
Retail consulting	17,152	17,514	36,097	4,138	3,105	6,561	–	–	–	–	–	–	21,291	20,619	42,658
(Cloud) operations support	5,762	5,563	10,188	62	53	110	–	–	–	–	–	–	5,824	5,617	10,297
Others	**1,090**	**726**	**1,457**	**94**	**26**	**87**	**956**	**686**	**1,609**	**–**	**–**	**–**	**2,139**	**1,438**	**3,153**
Turnover with other segments	**1,870**	**796**	**5,168**	**–**	**–**	**–**	**237**	**138**	**415**	**(2,107)**	**(934)**	**(5,583)**	**–**	**–**	**–**
Amortisations/depreciations	**(3,140)**	**(2,661)**	**(6,573)**	**(492)**	**(502)**	**(986)**	**(4)**	**(211)**	**(427)**	**–**	**–**	**–**	**(3,636)**	**(3,374)**	**(7,985)**
Segment EBIT	**(14,806)**	**9,912**	**13,159**	**486**	**1,492**	**4,619**	**(81)**	**(126)**	**(998)**	**–**	**(1)**	**(1)**	**(14,400)**	**11,278**	**16,779**
Assets	**138,283**	**139,802**	**153,487**	**32,088**	**22,516**	**29,305**	**163**	**7,953**	**272**	**(20,198)**	**(15,295)**	**(16,414)**	**150,336**	**154,976**	**166,649**
thereof long term[1]	42,371	33,658	40,539	12,069	12,905	12,690	24	7,591	28	(64)	(74)	(74)	54,400	54,080	53,182
Debts	**58,557**	**47,591**	**60,925**	**26,325**	**19,061**	**23,720**	**1,936**	**9,541**	**1,949**	**(20,135)**	**(15,220)**	**(16,340)**	**66,684**	**60,973**	**70,253**
Cash and cash equivalents	**29,834**	**47,439**	**36,438**	**4,064**	**3,865**	**1,191**	**21**	**4**	**25**	**–**	**–**	**–**	**33,919**	**51,307**	**37,654**

1 non-current assets, apart from financial instruments, deferred tax claims, benefits after the end of the working relationship and rights arising from insurance contracts

3. Accounting Methods

The same balance-sheet and assessment principles were used as in the Consolidated Accounts as of 31 December 2022. We would refer you here to chapter 2, 'Accounting Methods', of the Notes on the Consolidated Accounts in the 2022 annual report (Annual Report for 2022, page 86 ff.).

4 Notes on the Consolidated Balance Sheet

4.1 Non-financial assets and liabilities

4.1.1. Intangible assets

For details on the assessment principles for internally-generated intangible assets, we refer you to chapter 2.4.2. "Internally-generated intangible assets" in the 2022 annual report (consolidated financial statements for 2022, page 87 ff.).

4.2 Equity

For more information on the change to GK Software's equity up to the balance sheet date on 30 June 2023, we would refer you to the 'Consolidated Statement of Changes in Equity'.

The Company's share capital amounted to EUR 2,273,025 as of 30 June 2023 (2,258,425 as of 31 December 2022) and was divided into 2,273,025 par value, individual share certificates each worth EUR 1. All the shares issued had been fully paid for by the reporting date.

No shares were owned by GK Software on the balance sheet date.

5. Notes on the Cash Flow Statement

We recognise all paid taxes in the cash flow from operating activities. Any interest received is shown in the cash flow from investment activities, while interest paid is shown in the financing activities.

6. Items Not Entered

6.1 Contingent liabilities

No changes had taken place in terms of contingent liabilities since the 2022 consolidated annual accounts. For this reason, we refer you to these in chapter 7.1. 'Contingent liabilities' (Consolidated Accounts for 2022, page 125)

6.2 Financial obligations

Neither GK Software nor its consolidated companies had engaged in any relevant purchase obligations by 30 June 2023. The obligations arising from leases and rental contracts were recognised on the balance sheet in line with IFRS 16.

6.3 Results after the reporting period

The admission to trading on the regulated market of the Frankfurt Stock Exchange was revoked with effect from the end of August 1 in the decision dated 27 July 2023.

7. Other Information

7.1. 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 2023 fiscal year was 2,273,025 (previous year: 2,258,425). The consolidated annual shortfall for 2023 amounts to EUR (13,738) K (previous year: EUR 8,776 K) As a result, the earnings per share in 2023 amounted to EUR -6.06 (diluted) and EUR -6.06 (undiluted) per share (previous year: EUR 3.71 diluted / EUR 3.87 undiluted).

When calculating the diluted earnings per share, the total number of shares and the number of existing and potential new shares from the share-option schemes were taken into consideration.

7.2. Details of the Management Board and the Supervisory Board

7.2.1. Management Board

CEO Rainer Gläß resigned as of 31 May 2023 and Michael Scheibner was appointed CEO with effect from 1 June 2023.

7.2.2. Supervisory Board

The Supervisory Board of GK Software SE, consisting of Dr Phillip Reimann (CEO), Thomas Bleier and Herbert Zinn, resigned en masse as of 16 May 2023.

Subsequently, Dr Anke Nestler (Senior Managing Director at FTI Consulting Deutschland GmbH), Nicholas Fraser (Corporate Executive Officer at Fujitsu Limited) and John Pink (Vice President and Global Head of Consumer Experience at Fujitsu Uvance) were appointed to the new three-person Supervisory Board. This line-up was elected to the Supervisory Board at the annual shareholders' meeting on 28 June 2023.

7.3 Declaration of compliance

The German corporate governance code statement in line with section 161 of the Public Limited Companies Act was submitted and has been published on the homepage of GK Software SE in the "Corporate Governance" section at https://investor.gk-software.com.

7.4. Details of Group affiliation

GK Software SE, and therefore the GK Software Group, is an affiliated company of Fujitsu Limited, with registered office in Kawasaki, Japan.

7.5. Date of approval of the accounts for publication

The Management Board cleared these consolidated accounts to be forwarded to the Supervisory Board on 29 August 2023. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

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 2023

The Management Board

Michael Scheibner
Chief Executive Officer

André Hergert
Chief Financial Officer

Michael Jaszczyk
Chief Digital Transformation Officer

Legal notice

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Notes

Note on the H1 Interim Report
The H1 Interim Report is also available as a translation into English. In the event of deviations, the German version shall apply. The H1 Interim Report is available for download in both languages on the Internet at https://investor.gk-software.com.

Note on Rounding
When using rounded amounts and percentages, minor deviations may occur due to commercial rounding.

Forward-Looking Statements
This Annual Report contains forward-looking statements that are subject to risks and uncertainties. They are estimates of the Executive Board of GK Software SE and reflect its current views with respect to future events. Such forward-looking statements can be identified by terms such as "expect", "estimate", "intend", "may", "will" and similar expressions with reference to the company. Factors that may cause or influence a deviation include, without claim to completeness: the development of the retail and IT markets, competitive influences, including price changes, regulatory measures, risks in the integration of newly acquired companies and participations. If these or other risks and uncertainties materialise, or if the assumptions underlying any of the statements prove incorrect, GK Software SE's actual results may be materially different from those expressed or implied by such statements. The company assumes no obligation to update such forward-looking statements.