

January to March 2018

Interim Statement

Summary of Consolidated Results

		31.3.2018	31.3.2017	Change (2017/2018)
Sales	EUR K	23,669	20,116	17.7 %
Operating performance	EUR K	23,669	20,116	17.7 %
Total operating revenue	EUR K	24,508	20,564	19.2 %
EBIT	EUR K	221	168	31.8 %
EBIT margin (on sales)	%	0.9	0.8	—
EBIT margin (on total operating revenue)	%	0.9	0.8	—
EBITDA	EUR K	1,344	999	34.5 %
EBT	EUR K	(79)	43	<(250) %
Net loss for the period	EUR K	(527)	(374)	(40.8) %
Earnings per share (weighted)	EUR	(0.28)	(0.20)	—
Earnings per share (diluted)	EUR	(0.27)	(0.19)	—
Equity ratio	%	34.7	40.0	—
Net debt	EUR K	(14,722)	(3,927)	<(250) %
Employees		1,026	914	12.3 %

First quarter of 2018: Turnover 17.7 percent higher than in the previous year, EBIT on target

Dear shareholders,

This report by GK Software¹ covering the results for the first three months of the year shows that we have been able to continue our successful growth course in 2018 too. The Group's **turnover** grew by almost 18 percent compared to the same reporting period in the previous year and amounted to EUR 23.67 million (Q1 2017: EUR 20.12 million). The **(EBITDA)**, which reached a figure of EUR 1.34 million (Q1 2017 = EUR 0.99 million) and was about one third higher than in the previous year, also matched our expectations. The operating results (EBIT) reached a figure of EUR 0.22 million (Q1 2017 = EUR 0.17 million). Based on these results for the first quarter of the financial year, we believe that we are well on the way to achieving our goals for the year.

We were able to gain our first important customer in the **USA** during the first quarter of 2018; it will put into productive use more than 6,000 new installations within the project that has been launched. In addition, one of GK Software's very important existing customers has signed an agreement to **switch to OmniPOS**. This continues the trend of important existing customers migrating to our new solution. After the end of the reporting period, it was possible to sign an initial contract with a global top50 retailer to use our SAP Hybris **Mobile Consumer Assistant** by GK, which is sold by SAP. The solution, which consists of the consumer app and cloud-based backend systems, will be used in several countries in southern Africa as part of this project. In terms of our project business, the first quarter of 2018 was marked by several complete country **rollouts** and **productive launches** of our new OmniPOS cloud solution in Europe and North America. The ongoing development of our range of solutions primarily concentrated on the topics of hospitality and petrol during this period - and on implementing new requirements for specific countries. In addition, we also focused on integrating solutions based on **artificial intelligence** from prudsys AG, in which we gained a majority holding in November 2017.

We are expecting further success stories, both through our direct sales and also through our partner sales, during the 2018 financial year and beyond. Our **sales pipeline** continues to be very well filled and we believe that we are in an excellent position in several ongoing tender procedures.

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

Market environment

The [prospects for the retail sector](#) continue to be excellent in 2018 too. This is reflected, among other things, in the forecast provided by the German Retail Federation (HDE), which is once again expecting nominal [growth of 2.0 percent](#) rising to a figure of EUR 523.1 billion during the current year. The HDE believes that the basis for ongoing growth is in the continuing positive economic conditions and the dynamic growth of the online retail business. The HDE forecast for 2018 is also supported by several surveys of retailers, which are conducted regularly and focus on their business prospects. The trend towards positive developments in the retail trade seems to be continuing internationally in most markets where GK Software is active [in Europe](#) too. A current study by GfK Geomarketing, for example, is expecting growth of [2.1 percent](#) in the 28 EU countries - and the rate will be even higher in some countries in Eastern Europe (Study entitled "Einzelhandel in Europa 2018").

Employees

GK Software currently employs 1,026 members of staff (the figure on 31 March 2018; the previous year's figure was 914); this therefore represents [an increase of 112](#) over the number at the end of the same reporting period in the previous year.

Segment results

The strong growth during the first quarter was primarily due to the [GK/Retail core business segment](#), which continued to grow significantly (+22.3 percent), while the IT Services business unit lagged behind the very strong results achieved in the previous year. If we examine the make-up of the [turnover according to different types of work](#), it is clear that this growth primarily took place in licences (the figure more than than eight times higher compared to the previous year) and maintenance work (+13.9 percent). The strong turnover in licences not only again reflects new contracts, but also the fact that we are increasingly able to sell customised adjustments on a licence basis with the associated maintenance. The licence turnover therefore also includes turnover that would have been classified under software development in previous years (1.53 million Euro). Other turnover during the first quarter declined marginally, but the GK Academy managed to record slight growth.

Turnover in the [IT Services](#) segment declined slightly by 4.8 percent to a figure of EUR 2.85 million in comparison with the same period in the previous year. This was primarily due to the decline in the software development business (-136 percent), while the turnover in the maintenance sector, in turn, increased (+13.1 percent).

With regard to the [relation between types of turnover](#) to each other, the licence revenues at 20.7 percent were significantly higher than in the previous year, while the software development turnover (46.0 percent) had a lower share than in 2017 because of the developments already described. Maintenance turnover remained stable at somewhat over 30 percent of total turnover.

The following summary illustrates the distribution of turnover in terms of products and areas of work:

Turnover by segments

T.01

EUR K	GK/Retail		SQRT		IT Services		Eliminations		Group	
	3M 2018	3M 2017	3M 2018	3M 2017	3M 2018	3M 2017	3M 2018	3M 2017	3M 2018	3M 2017
Turnover with third parties	20,690	16,921	128	201	2,851	2,994	—	—	23,669	20,116
Licences	3,344	574	—	—	32	74	—	—	3,376	648
Customer individual development (Services incl. Maintenance)	1,525	—	—	—	—	—	—	—	1,525	0
Sum of licences	4,869	574	—	—	32	74	—	—	4,901	648
Maintenance	5,048	4,332	128	200	2,225	1,968	—	—	7,401	6,500
Services	10,631	11,930	—	1	258	227	—	—	10,889	12,158
GK Academy	103	58	—	—	0	—	—	—	103	58
Other business	47	34	—	—	353	749	—	—	400	783
Revenue reductions	(8)	(7)	—	—	(17)	(24)	—	—	(25)	(31)
Turnover with other segments	14	22	—	—	147	156	(161)	(178)	—	—
EBIT segment	(174)	(357)	54	104	190	423	151	(1)	221	169
Assets	106,960	75,221	2,771	2,662	12,355	11,983	(14,077)	(11,458)	108,009	78,408
Debts	74,546	46,807	91	305	7,773	9,180	(11,848)	(9,248)	70,562	47,044
Cash and cash equivalents	27,922	12,354	1,665	635	5,012	3,939	—	—	34,599	16,928

The decision to not continue selling the [SQRS solutions](#) in future has been maintained. The exchange of services between the segments is governed by servicing contracts, which are geared towards the normal revenues of the segments in their outside markets. Supply contracts are used as a basis to calculate the administrative services according to the estimated time required to provide these based on experience.

Assets and financial situation

The Group's [assets and financial situation improved](#) in comparison with the last published declaration in the financial statement for the year 2017. The Group's cash and cash equivalents in particular rose. There was no change in the Company's [opportunities and risks](#).

Financial forecast and outlook

The Management Board at GK Software is continuing to stand by its [mid-term forecast](#) without making any changes, as expressed in the recently published financial statement for the year 2017, provided that the general economic and political conditions remain as they are; we are repeating this here in an abbreviated form.

The profit target of our previous medium-term strategy until 2018, which was outlined in 2016, remains unchanged. That is to say, we wish to return to the familiar profit margins of more than 15 percent (EBIT margin on operating performance) for our core business in the current financial year

and then maintain this level in following years. However, the expenses from tapping into new geographical markets could continue to impair developments, as already mentioned in the past. Even short-term delays in customer projects can have a considerable impact on the Company's earnings situation.

If we follow the estimates outlined about the development of the economy in general and the retail sector in particular for 2018, it is probable that the GK/Retail's turnover will continue to grow considerably again. *We are confident that we will be able to continue our growth in turnover during the next three years and have again set the goal of increasing our turnover compared to the figure in 2017 (EUR 90 million) by about fifty percent by 2020. We wish to increase our earnings in our core business to about 15 percent in 2018 and achieve this figure in the next few years too.*

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

Schöneck, 30 May 2018

The Management Board



Rainer Gläss
Chief Executive Officer



André Hergert
Chief Financial Officer and Head of Human Resources

Consolidated balance sheet on 31 March 2018

Assets

T.02	31.3.2018 (not audited)	31.12.2017 (audited)
EUR		
Property, plant and equipment	15,817,081.45	14,183,336.51
Intangible assets	24,495,070.77	25,359,211.10
Financial assets	32,800.00	32,800.00
Active deferred taxes	5,070,726.57	5,148,550.98
Total non-current assets	45,415,678.79	44,723,898.59
Goods	763,100.86	798,167.37
Auxiliary materials and supplies	191,262.26	192,190.38
Initial payments made	113,823.08	53,734.64
Trade accounts receivable	14,970,598.89	17,710,862.42
Trade accounts receivable from ongoing work	3,710,391.52	5,128,616.66
Income tax claims	484,768.41	450,120.57
Accounts receivable with associated firms	2,022.69	303.44
Other accounts receivable and assets	7,758,977.15	7,061,812.65
Cash and cash equivalents	34,597,156.69	30,478,647.96
Total current assets	62,592,101.55	61,874,456.09
Balance sheet total	108,007,780.34	106,598,354.68

Liabilities

T.03	31.3.2018 (not audited)	31.12.2017 (audited)
EUR		
Subscribed capital	1,919,875.00	1,903,200.00
Capital reserves	20,976,793.33	20,488,398.07
Retained earnings	31,095.02	31,095.02
Other reserves (OCI from introducing IAS 19 2011, IAS 21)	(1,906,158.31)	(704,931.80)
Profit brought forward	15,881,767.91	11,998,085.79
Shortfall for period minorities interests	(517,649.52)	3,881,927.99
Total equity without minorities interests in equity	36,385,723.43	37,597,775.07
Minorities interests in equity	1,060,044.75	1,071,074.55
Total equity	37,445,768.18	38,668,849.62
Provisions for pensions	1,896,952.18	1,879,609.00
Non-current bank liabilities	8,155,517.51	8,866,886.24
Convertible bond	13,411,593.07	13,149,384.07
Deferred government grants	897,935.65	910,143.17
Deferred tax liabilities	4,898,036.10	4,851,117.81
Total non-current liabilities	29,260,034.51	29,657,140.29
Current provisions	1,107,514.45	1,346,435.90
Current bank liabilities	11,719,984.80	10,306,580.66
Liabilities from trade payables	1,605,370.99	1,835,478.35
Initial payments received	722,455.10	857,785.28
Income tax liabilities	417,610.57	488,415.21
Other current liabilities	25,729,041.74	23,437,669.37
Total current liabilities	41,301,977.65	38,272,364.77
Balance sheet total	108,007,780.34	106,598,354.68

Consolidated profit and loss statement and other results from 1 January to 31 March 2018

Consolidated profit and loss statement

T.04	EUR	3M 2018	3M 2017	FY 2017
Ongoing business operations				
	Turnover revenues	23,669,470.51	20,115,750.84	90,452,301.57
	Own work capitalised	—	—	—
	Other operating revenues	838,206.54	448,428.84	5,196,864.97
	Turnover and other revenues	24,507,677.05	20,564,179.68	95,649,166.54
	Materials expenditure	(1,718,966.67)	(1,868,391.02)	(8,529,732.23)
	Personnel expenditure	(16,112,322.45)	(13,658,283.73)	(57,808,910.71)
	Depreciation and amortisation	(1,123,005.35)	(831,488.33)	(3,780,328.91)
	Other operating expenditure	(5,332,236.36)	(4,038,252.87)	(20,537,409.28)
	Total operating expenses	(24,286,530.83)	(20,396,415.95)	(90,656,381.13)
	Operating results	221,146.22	167,763.73	4,992,785.41
	Financial income	46,017.41	16,170.75	132,809.36
	Financial expenditure	(345,872.67)	(141,055.71)	(786,068.56)
	Financial results	(299,855.26)	(124,884.96)	(653,259.20)
	Income tax results	(78,709.04)	42,878.77	4,339,526.21
	Income taxes	(447,737.23)	(417,011.40)	(455,844.09)
	Consolidated surplus/ shortfall for the period	(526,446.27)	(374,132.63)	3,883,682.12
	of which minorities in the equity capital	(9,275.67)	—	1,754.13
	of which attributable to the owners of the parent company	(517,170.60)	(374,132.63)	3,881,927.99
Other results after income taxes				
	Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions			
	Differences in exchange rates from recalculating foreign business operations	(1,201,226.51)	28,020.52	87,401.00
	Items, which will not be reclassified in the consolidated profit and loss statement in future			
	Actuarial gains/ losses from defined benefit pension plans	0.00	0.00	60,721.70
	Overall results	(1,727,672.78)	(346,112.11)	4,031,804.82
	Minorities in the equity capital	(9,275.67)	—	1,754.13
	of which attributable to the owners of the parent company	(1,718,397.11)	(346,112.11)	4,030,050.69
	Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted	(0.28)	(0.20)	2.05
	Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted	(0.27)	(0.19)	2.00

Consolidated cash flow statement on 31 March 2018

Cash flows from operating business

T.05	EUR K	3M 2018	3M 2017
Cash flows from operating business			
	Surplus/ shortfall for period	(527)	(374)
	Share option scheme (non-cash expenditure)	85	56
	Income taxes affecting results	448	417
	Interest expenditure affecting results	434	125
	Interest income/ expenses affecting results	(46)	—
	Profit/ loss from the sale or disposal of property, plant and equipment	(4)	(2)
	Reversals of deferred public sector subsidies	(12)	(10)
	Write-downs recognised for receivables	—	—
	Write-ups recognised for receivables	—	—
	Depreciation and amortisation	1,156	831
	Actuarial gains/ losses	—	—
	Net foreign currency losses	(786)	255
	Net profits from financial tools assessed at their fair value	—	104
	Other non-cash revenues and expenditure	(2)	2
	Cash flow from operating business	746	1,404
Changes in net current assets			
	Changes in trade accounts receivable and other receivables	3,457	3,734
	Changes in inventories	(24)	(182)
	Changes in trade accounts payable and other liabilities	2,010	8,456
	Changes in initial payments received	(135)	1,000
	Changes in provisions	(228)	(257)
	Interest paid	(108)	(116)
	Income taxes paid	(428)	(337)
	Net inflow of funds (net outflow in previous year) from operating activities		
	Amount carried forward	5,290	13,702

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

T.06	EUR K	3M 2018	3M 2017
Amount carried forward			
Net inflow of funds (net outflow in previous year) from operating activities		5,290	13,702
Cash flow from investment activities			
	Payments for property, plant and equipment and non-current assets	(2,340)	(1,149)
	Proceeds from disposals of fixed assets	3	2
	Investment subsidies used	—	—
	Incoming payments as part of the company acquisition	—	—
	Disbursement as part of a company acquisition	—	—
	Interest payments received	43	54
	Disbursed loans	—	—
	Proceeds from the repayment of loans	—	64
Net cash outflow for investment activities		(2,294)	(1,029)
Cash flow from financing activities			
	Taking out equity	420	—
	Taking out loans	269	1,927
	Repayment of loans	(711)	(596)
	Issue of convertible bond	—	—
Net inflow (previous year: net outflow) in cash from financing activities		(22)	1,331
Net outflow of cash and cash equivalents		2,974	14,004
Cash and cash equivalents at the beginning of the financial year			
		27,958	2,812
Cash and cash equivalents at the end of the financial year			
		30,892	16,855
Impact of changes in exchange rates on cash and cash equivalents			
		(40)	39
Limited available funds			
		928	1,055

Summary of outflow of cash and cash equivalents

T.07	EUR K	3M 2018	3M 2017
	Liquid assets	34,597	16,928
	Utilisation of current account credit/ credit card/ exchange rate	(3,705)	(73)
Cash and cash equivalents at the end of the financial year		30,892	16,855

Financial Calendar

21 June 2018

Annual shareholders' meeting 2018 in Schöneck/V.

30 August 2018

Interim report as of 30 June 2018

26 – 28 November 2018

Analyst conference in Frankfurt/M.

26 November 2018

Interim statement as of 30 September 2018

26 April 2019

Annual report as of 31 December 2018

30 May 2019

Interim statement as of 31 March 2019

20 June 2019

Annual shareholders' meeting 2019 in Schöneck/V.

29 August 2019

Interim report as of 30 June 2019

November 2019

Analyst conference in Frankfurt/M.

26 November 2019

Interim statement as of 30 September 2019

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Notes

Note to the statement

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

Note regarding the rounding of figures

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

Disclaimer

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

