

January to September 2020

Interim Statement

Simply Retail.

Summary of Consolidated Results

		30.9.2020	30.9.2019	Change (2020/2019)
Sales	EUR K	85,251	79,745	6.9 %
Operating performance	EUR K	85,649	79,745	7.4 %
Total operating revenue	EUR K	87,927	82,065	7.1 %
EBIT	EUR K	5,577	(4,029)	—
EBIT margin (on sales)	%	6.5	(5.1)	—
EBIT margin (on total operating revenue)	%	6.3	(4.9)	—
EBITDA	EUR K	11,831	2,607	>250 %
EBT	EUR K	4,093	(5,228)	—
Net profit / loss for the period	EUR K	2,972	(6,735)	—
Earnings per share (weighted)	EUR	1.43	(3.46)	—
Earnings per share (diluted)	EUR	1.43	(3.46)	—
Equity ratio	%	43.1	33.4	—
Net debt	EUR K	(742)	9,258	(108.0) %
Employees		1,071	1,173	(8.7) %

9M 2020:

Further growth in turnover, above-average growth in profits

Dear shareholders,

Regardless of the current social and economic situation around the world, GK Software SE was able to continue its growth course and also improve the development of its profits disproportionately during the third quarter of this year. **Turnover** reached a figure of EUR 85.25 million after nine months and therefore improved by 6.9% compared to the same period in the previous year (9M 2019: EUR 79.75 million). The company was able to increase its **EBITDA** to an even greater extent; at EUR 11.83 million, it was EUR 9.22 million higher than the comparative figure in 2019 (9M 2019: EUR 2.61 million). The main reasons for this were the results of our programme to increase efficiency, which we launched in the middle of 2019 and which is still being continued at this time. We have identified potential for reducing costs within this programme and are making full use of it so that relevant performance indicators like personnel costs and cost efficiency portray the development of our business and suggest the level of stability for the future too. This has enabled us to at least largely distinguish between the effects reflected in 'Other operating expenditure' because of the Covid-19 crisis – such as the extreme reduction in travel expenses – from those triggered by the programme and we are certain that at least half of this reduction in costs is due to the measures introduced by the efficiency programme. As a result of all this, we achieved **operating profits** (EBIT) of EUR 5.58 million, after this figure had still been EUR (4.03) million at the same time in the previous year. The results for the period also improved significantly on this basis and amounted to EUR 2.97 million (9M 2019: EUR (6,76) million).

Despite the restrictions caused by the Covid-19 situation, our business with new customers also made a positive contribution to the development that has been described here. We were able to persuade eight customers of the benefits of our core solutions during the first nine months of the year. Overall, we were able to gain two customers in the USA, one in North Africa and various European customers. The new customers gained during the first nine months of 2020 mean that we will have to introduce far more than 10,000 new installations during the next few years. It is also gratifying to note that two retailers have opted to introduce cloud4retail as SaaS (software as a service).

Our services related to the German fiscalisation law have also developed in an extraordinarily positive manner. Our subsidiary, Deutsche Fiskal, is able to offer the only certified cloud solution at this time and has established an excellent position in the market place for itself so that we have already achieved the market share that we envisaged. The solution moved into standard operations on 2 November and was able to launch productive operations for its customers. However, a significant contribution to turnover is not expected from this business until 2021, as the German parliament has once again postponed the deadline for the mandatory signing of each transaction to 1 April next year.

Apart from the adverse effects in new business, the Covid-19 crisis only had a very limited effect on the development of business at GK Software during the first nine months of 2020. And even in the current final quarter of the year, we are continuing to see a high level of utilisation in our project business segment, as only some of our customers have been affected by the closure of stores.

We also believe that the current situation will create a situation where the retail sector will press ahead even more strongly with the [digitalisation](#) of its business and new topics like Click & Collect, mobile payments or self-scanning will experience a boost. We are also taking this into account in the expansion of a mobile range of solutions for consumers, which we have introduced in the market using the Mobile Customer Cloud brand. This will also be an important focus for developments during the coming financial year.

Our solution for fuel stations and convenience stores known as [GK Drive](#) is now being used in the first productive applications and will probably be fully rolled out at our first customer in the USA by the end of the year. We are also expecting further sales input from GK Drive in the convenience business in the USA, a very dynamic segment in the retail sector, and from our fully developed [Hospitality](#) solution, which will also enter the initial pilot stage at one customer this year. These solutions also complete our services for major retailers that also operate fuel stations and restaurants, as we can now offer end-to-end solutions with special features for these formats. Customers will benefit from overlapping processes, loyalty programmes and similar effects.

It is still very difficult to make reliable forecasts that go beyond fairly short periods because of the corona crisis. Despite this, we are certain that we will achieve the forecast that we issued for the 2020 financial year. We are also convinced that, without the special developments caused by the global pandemic, we would have been in a position to achieve our original medium-term forecast that ends with this financial year. As far as the future is concerned, a great deal will depend on how quickly restrictions can be reversed and how consumer sentiment develops based on the economic effects of this crisis. On the basis of the results achieved during the first nine months of the year and the successfully adopted pathway to significantly higher profitability, our existing sales opportunities and developments in the Deutsche Fiskal business, we are expecting positive developments during the rest of this year and during 2021.

Market environment

The [prospects for the retail sector](#) in 2020 are currently being assessed in very different ways, depending on which sector is involved. The German Retail Federation (HDE) is expecting growth of 1.5 percent in 2020 compared with the previous year. However, there are retail segments that have suffered a significant decline. A decline in turnover of 11% overall is expected for the segments that have been affected by the lockdown. In contrast, the online retail sector is expected to grow by almost 15 percent. As far as the store-based retail sector is concerned, the food retail segment, but also DIY markets or furniture stores will probably be the winners. These developments can be seen in all the major retail markets around the world and will have effects on the investment behaviour of the retail sector. We can therefore assume that long-term developments have been introduced, which will open up new opportunities for GK Software, as digitalisation and omni-channel retailing will experience a further boost.

Employees

After GK Software still employed 1,168 employees at the end of last year, there are currently [1,071 employees](#) (correct on 30 September 2020; 1,179 in the previous year) working for the Group; this represents a reduction of 108 compared to the end of the same period in the previous year.

Segment reporting

Turnover in the GK/Retail segment amounted to EUR 80.26 million, following a figure of EUR 73.70 million in the same period in the previous year; it therefore rose by 8.9 percent. Turnover in the IT Services business segment declined according to plan from EUR 6.03 million in the same period in the previous year to EUR 5.00 million.

By switching our [turnover reporting](#) to a new system since the report on the first half of the year, we are pursuing the goal of explaining the makeup of our turnover more clearly. The aim is to ensure that it is clear which kind of turnover is recurring or of a repetitive nature. The former includes the contractually agreed [recurring turnover](#) (recurring revenues in the classic sense), which equally involves turnover generated by [software maintenance](#) and software usage rights granted as part of subscriptions or SaaS services. Our business model also gives rise to recurring turnover, which may not have a contractual basis, but has been repeated with consistent regularity for many years according to our experience (re-occurring revenues). This includes [Smart Extensions](#), which are fairly small expansion modules, and the [Extensions Platform](#), which are extension modules based on a maintenance contract. Both kinds of turnover can be reliably planned and grow with the increasing number of new customers, as they regularly commission us to perform extensions to the platforms that they operate after the conclusion of the initial project.

The following picture emerges after nine months in 2020. Turnover amounting to EUR 5.27 million was generated in the [standard platform licences](#) segment within the Group, most of it in the GK/Retail core business field. Of this revenue, EUR 2.14 million was earned as subscription revenue. The [Extensions Platform](#), which is linked to maintenance, reached a figure of EUR 16.27 million. The [Smart Extensions](#) generated turnover of EUR 33.70 million.

The [maintenance](#) type of turnover amounted to EUR 16.05 million, of which EUR 14.84 million was attributed to GK/Retail and EUR 1.21 million to IT Services. Turnover amounting to EUR 5.06 million was received for [operations support](#). Of this turnover, EUR 3.55 million came from GK/Retail and EUR 1.52 million from IT Services.

As far as [Retail Consulting](#) was concerned, turnover of EUR 7.33 million was generated in the core business segment. The remaining turnover amounted to EUR 1.58 million, of which EUR 0.95 million was generated in the IT Services segment.

[Recurring turnover](#) (contractually agreed or without any contractual basis) therefore accounted for EUR 69.34 million or 81.4% of all turnover during the first three quarters of the financial year.

As regards the relation between the [segments](#), 94.1% of all turnover was generated in the GK/Retail segment (9M 2019: 92.4%). This meant that the share generated by the IT Services segment continue to decline, in line with our expectations. Most of the turnover generated amounting to EUR 5.00 million was achieved in the field of business with the euroSuite solution.

The [exchange of services](#) between the segments is regulated by service agreements, which are geared towards the normal revenues in these segments in outside markets. Administration services are accounted for on the basis of supply agreements in line with an estimate of the costs related to the time required to provide the administrative services based on experience.

Assets and financial situation

The Group's liquid funds grew by EUR 3.37 million compared to the end of 2019 and now amount to EUR 11.46 million. The total current and non-current bank liabilities have been reduced by EUR 9.28 million according to our plans.

As far as the Company's **opportunities and risks** are concerned, certain new risks have been caused by the corona crisis, but new opportunities have opened up too. The developments in 2020 have shown that significant parts of the retail sector have been severely affected by lock-downs or partial lockdowns, while others have been very stable or have even grown as a result of the crisis. It is therefore not possible to make any general statements about the willingness on the part of the retail sector to make investments. A significant part of future developments will depend on whether the situation starts to recover again in the long term in the spring of next year.

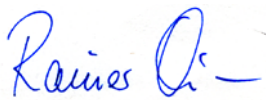
Financial forecast and outlook

Developments in the 2020 financial year so far have shown that the company is well on course to meet the forecast that it issued for 2020, both in terms of turnover and operating profits; this had predicted a slight increase in turnover and a significant increase in profitability.

The greatest challenge caused by the Covid-19 crisis for us currently involves the area of new business and particularly granting licences in this field. Because of the renewed extensive restrictions on contact and travel, it is unclear whether we will be able to still make full use of some of our existing sales opportunities during the fourth quarter of the year. As a result, all statements are therefore subject to the proviso that it is difficult to estimate the duration of the crisis and its consequences in the different regional markets where the corporate group is operating.

Schöneck, 26 November 2020

The Management Board



Rainer Gläß
Chief Executive Officer



André Hergert
Chief Financial Officer

Consolidated Balance Sheet on 30 September 2020

Assets

T.01	EUR K	30.9.2020	31.12.2019
	Property, plant and equipment	14,745	16,988
	Right of use assets IFRS16	7,311	8,914
	Real estate held as a financial investment +)	7,089	6,350
	Intangible assets	26,068	27,607
	Financial assets	9	49
	Active deferred taxes	434	713
	Total non-current assets	55,656	60,621
	Goods	13	35
	Unfinished goods and services	—	—
	Auxiliary materials and supplies	329	381
	Initial payments made	8	8
	Trade accounts receivable	20,049	23,982
	Trade accounts receivable from ongoing work	14,923	14,278
	Income tax claims	925	820
	Other accounts receivable and assets	4,235	5,978
	Cash	11,455	8,086
	Total current assets	51,937	53,568
	Balance sheet total	107,593	114,189

Liabilities

T.02	EUR K	30.9.2020	31.12.2019
	Subscribed capital	2,048	2,023
	Capital reserves	28,400	27,332
	Retained earnings	31	31
	Other reserves	(1,681)	(1,670)
	Profit brought forward	13,545	16,682
	Shortfall for period minorities interests	2,912	(3,137)
	Equity attributable to GK Software SE stockholders	45,255	41,261
	Equity attributable to noncontrolling interest	1,128	1,068
	Total equity	46,383	42,329
	Provisions for pensions	2,619	2,765
	Non-current bank liabilities	4,706	6,133
	Non-current leasehold liabilities	4,812	6,279
	Convertible bond	14,119	13,826
	Deferred government grants	776	812
	Deferred tax liabilities	2,958	2,872
	Total non-current liabilities	29,990	32,687
	Current provisions	1,467	1,418
	Current bank liabilities	6,008	13,861
	Current leasehold liabilities	2,634	2,735
	Liabilities from trade payables	2,555	2,484
	Initial payments received	5,273	3,547
	Income tax liabilities	216	428
	Other current liabilities	13,067	14,700
	Total current liabilities	31,220	39,173
	Balance sheet total	107,593	114,189

Consolidated Statement of Income from 1 January until 30 September 2020

Consolidated statement of income

T.03	EUR K	9M 2020	9M 2019	FY 2019
Ongoing business operations				
	Turnover revenues	85,251	79,745	115,448
	Own work capitalised	398	—	—
	Other operating revenues	2,277	2,320	3,837
	Turnover and other revenues	87,926	82,065	119,285
	Materials expenditure	(6,154)	(4,141)	(6,229)
	Personnel expenditure	(56,519)	(59,107)	(78,134)
	Depreciation and amortisation	(6,254)	(6,636)	(8,826)
	Other operating expenditure	(13,423)	(16,210)	(22,666)
	Total operating expenses	(82,350)	(86,094)	(115,855)
	Operating results	5,576	(4,029)	3,430
	Financial income	39	100	74
	Financial expenditure	(1,523)	(1,299)	(2,271)
	Financial results	(1,484)	(1,199)	(2,197)
	Income tax results	4,092	(5,228)	1,233
	Income taxes	(1,121)	(1,507)	(4,372)
	Consolidated shortfall / surplus for the period	2,971	(6,735)	(3,139)
	of which attributable to noncontrolling interest	60	(9)	(2)
	of which attributable to GK Software SE stockholders	2,911	(6,726)	(3,137)
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	(97)	336	90
	Items, which will not be reclassified in the consolidated profit and loss statement in future			
	Actuarial gains/ losses from defined benefit pension plans	0	0	(879)
	Overall results	2,874	(6,399)	(3,928)
	of which attributable to noncontrolling interest	60	(9)	(2)
	of which attributable to GK Software SE stockholders	2,814	(6,390)	(3,926)
	Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted	1.43	(3.46)	(1.60)
	Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted	1.43	(3.46)	(1.60)

Consolidated Cash Flow Statement from 1 January until 30 September 2020

Cash flows from operating business

T.04	EUR K	9M 2020	9M 2019
Cash flows from operating business			
	Surplus/ shortfall for period	2,972	(6,735)
	Share option scheme (non-cash expenditure)	279	337
	Income taxes affecting results	1,121	1,507
	Interest expenditure affecting results	1,523	1,299
	Interest income/ expenses affecting results	(39)	(100)
	Profit/ loss from the sale or disposal of property, plant and equipment	(17)	(6)
	Reversals of deferred public sector subsidies	(37)	(37)
	Write-downs recognised for receivables	174	327
	Write-ups recognised for receivables	(204)	(33)
	Depreciation and amortisation	6,254	6,636
	Net profits from financial tools assessed at their fair value	50	301
	Other non-cash revenues and expenditure	430	(582)
	Cash flow from operating business	12,506	2,914
Changes in net current assets			
	Changes in trade accounts receivable and other receivables	4,995	500
	Changes in inventories	74	171
	Changes in trade accounts payable and other liabilities	(1,553)	(3,367)
	Changes in initial payments received	1,726	(876)
	Changes in provisions	(559)	557
	Income taxes paid	(1,072)	610
	Net inflow of funds from operating activities	16,117	509
	Amount carried forward	16,117	509

Cash flows from investment and financing activities, loans and cash and cash equivalents

T.05	EUR K	9M 2020	9M 2019
	Amount carried forward		
	Net inflow of funds from operating activities	16,117	509
	Cash flow from investment activities		
	Payments for property, plant and equipment and non-current assets	(1,463)	(3,204)
	Proceeds from disposals of fixed assets	17	6
	Interest payments received	36	43
	Net cash outflow for investment activities	(1,410)	(3,155)
	Cash flow from financing activities		
	Taking out equity	813	5,661
	Taking out loans	0	1,500
	Interest paid	(667)	(474)
	Repayment instalments for loans of loans	(7,449)	(2,331)
	Issue of convertible bond	(2,205)	(2,188)
	Net inflow (previous year: net outflow) in cash from financing activities	(9,508)	2,168
	Net outflow of cash	5,199	(478)
	Cash at the beginning of the 9 months	2,291	6,144
	Cash at the end of the 9 months	7,519	5,731
	Impact of changes in exchange rates on cash	29	65

Summary of cash and cash equivalents

T.06	EUR K	9M 2020	9M 2019
	Liquid assets	11,455	12,625
	Utilisation of current account credit/ credit card/ exchange rate	(3,936)	(6,894)
	Cash and cash equivalents at the end of the 9 months	7,519	5,731

Financial Calendar

28 April 2021

Annual report as of 31 December 2020

27 May 2021

Interim statement as of 31 March 2021

17 June 2021

Annual shareholders' meeting 2021 in Schöneck/V.

26 August 2021

Interim report as of 30 June 2021

November 2021

Analyst conference in Frankfurt/M.

25 November 2021

Interim statement as of 30 September 2021

Imprint/Notes

Imprint

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Notes

Note to the statement

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

