

January to March 2017

# Interim Statement

## Summary of Consolidated Results

		31.3.2017	31.3.2016	Change (2016/2017)
<b>Sales</b>	EUR K	<b>20,116</b>	15,436	30.3 %
<b>Operating performance</b>	EUR K	<b>20,116</b>	15,561	29.3 %
<b>Total operating revenue</b>	EUR K	<b>20,564</b>	16,685	23.2 %
<b>EBIT</b>	EUR K	<b>168</b>	(1,471)	—
<b>EBIT margin (on sales)</b>	%	<b>0.8</b>	(9.5)	—
<b>EBIT margin (on total operating revenue)</b>	%	<b>0.8</b>	(8.8)	—
<b>EBITDA</b>	EUR K	<b>999</b>	(480)	—
<b>EBT</b>	EUR K	<b>43</b>	(1,562)	—
<b>Net loss for the period</b>	EUR K	<b>(374)</b>	(1,554)	75.9 %
<b>Earnings per share (weighted)</b>	EUR	<b>(0.20)</b>	(0.79)	—
<b>Earnings per share (diluted)</b>	EUR	<b>(0.19)</b>	(0.79)	—
<b>Equity ratio</b>	%	<b>40.0</b>	44.2	—
<b>Net debt</b>	EUR K	<b>(3,927)</b>	8,746	(144.9) %
<b>Employees</b>		<b>911</b>	739	23.3 %

## First quarter of 2017: Increase in turnover of 30 percent and continuing improvement in earnings situation

Dear shareholders,

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We are pleased to once again be able to present you with the quarterly report for GK Software<sup>1</sup> for the first three months of the 2017 financial year; the results continue the positive trend of the past year in an outstanding manner. We again managed to significantly increase the Group's **turnover** in comparison with the previous year and achieved a figure of EUR 20.12 million. The rise amounts to an increase of more than **30 percent**, following a figure of EUR 15.44 million in the previous year. Although the first quarter was only characterised by the low contribution made by the licence business, as is normal at this time of the year, **EBITDA** at EUR 1.00 million were significantly higher than the figure achieved during the previous year of EUR (0.48) million. This created **EBIT** of EUR 0.17 million, which exceeded the previous year's figure by EUR 1.64 million. Based on these results for the first quarter, we believe that we are well on the way to achieving our goals for the year.

The most important success stories during the first quarter of 2017 was five more **productive launches** of our new OmniPOS cloud solution in several European countries and the USA, after the first complete rollout had already been concluded in 2016. These results show that we can also demonstrate our **ability to complete projects** with this new product in a short time. Alongside this, we are continuing to develop OmniPOS all the time and are augmenting the solution with more innovative functions for use in the **omni-channel** environment. They include new and ongoing developments in the fields of mobile customer engagement, self-scanning or pick&pack.

Among other things, we will be suggesting to the annual shareholders' meeting in June this year that the legal form of GK Software AG should be changed to a European company (Societas Europaea or SE). In the joint view of the Management Board and the Supervisory Board, the planned change in legal form reflects the Company's self-image as a strongly growing firm that is geared towards the international market and it also takes into account the distribution of business across several European business sites. The modern SE legal form also provides the opportunity of optimising the Company's corporate governance structure.

We are expecting further success stories both through our direct sales and also through our partner sales during the 2017 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.

<sup>1</sup> – 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 AG is used, this exclusively refers to the individual company.

## Market environment

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The **prospects for the retail trade** continue to be excellent in 2017 too. This is reflected, among other things, in the forecast provided by the German Retail Federation (HDE), which is expecting nominal **growth of 2.0 percent** to a figure of EUR 491.9 billion during the current year. The German Retail Federation views ongoing excellent consumer confidence, the high level of employment, rising incomes, a steady savings rate and a low level of consumer price increases as the basis for continued growth. The HDE forecast for 2017 is also supported by several surveys of retailers, which are conducted regularly and focus on their business prospects. The latest "e-KIX" retailers' survey in February 2017, for example, showed that approximately 85 percent of the retailers questioned expected their business to remain constant or improve over the twelve-month period. An even more positive picture is provided by Ernst & Young; its survey indicated that 91 percent of retailers expected improvements in their business in 2017 compared to the previous year. The trend towards positive developments in the retail trade seems to be continuing internationally too in most markets where GK Software is active.

## Employees

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GK Software currently employs 914 members of staff (the figure on 31 March 2017; the previous year's figure was 794); this therefore represents **an increase of 120** over the number at the end of the same reporting period in the previous year.

## Segment results

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The strong growth during the first quarter was sustained by our **GK/Retail core business unit** (+39.5 percent). If we examine the make-up of the **turnover according to different types of work**, it is clear that this growth in the GK/Retail business segment primarily took place in software development (+92.2 percent) and maintenance work (+28.3 percent). We recorded a decline of approx. fifty percent in the licence turnover, although we are expecting this figure to pick up during the coming quarters. Other turnover during the first quarter was negligible.

Turnover in the **IT Services** segment declined slightly by 2.6 percent to a figure of EUR 3.0 million in comparison with the same period in the previous year. The increases in licence turnover (to EUR 0.07 million) and in the field of maintenance (+37.2 percent to EUR 1.97 million) should be viewed as positive here.

In the **relation of types of turnover** to each other, licences (3.2 percent) were only able to make a small contribution to turnover, although we are optimistic for the ongoing course of the year. Overall, the turnover for software development services (+85.3 percent to EUR 12.16 million) and maintenance (+29.6 percent to EUR 6.50 million) each increased significantly, although the figure for software development was most striking. As a result, software development services contributed 60.4 percent (42.5 percent in the same quarter in the previous year) and maintenance services 32.3 percent (32.5 in the same quarter in 2016) to total turnover.

The following overview shows the distribution of turnover in terms of products and areas of work:

## Turnover by segments

T.01

EUR K	GK/Retail		SQRS		IT-Services		Eliminations		Group	
	3M 2017	3M 2016	3M 2017	3M 2016	3M 2017	3M 2016	3M 2017	3M 2016	3M 2017	3M 2016
<b>Turnover with third parties</b>	<b>16,921</b>	<b>12,128</b>	<b>201</b>	<b>235</b>	<b>2,994</b>	<b>3,073</b>	<b>—</b>	<b>—</b>	<b>20,116</b>	<b>15,436</b>
Licences	574	1,123	—	—	74	35	—	—	648	1,158
Maintenance	4,332	3,377	200	206	1,968	1,434	—	—	6,500	5,017
Services	11,930	6,206	1	29	227	328	—	—	12,158	6,563
GK Academy	58	66	—	—	—	—	—	—	58	66
Other business	34	1,366	—	—	749	1,294	—	—	783	2,660
Revenue reductions	(7)	(10)	—	—	(24)	(18)	—	—	(31)	(28)
<b>Turnover with other segments</b>	<b>22</b>	<b>76</b>	<b>—</b>	<b>—</b>	<b>156</b>	<b>—</b>	<b>(178)</b>	<b>(76)</b>	<b>—</b>	<b>—</b>
<b>EBIT segment</b>	<b>(357)</b>	<b>(1,356)</b>	<b>104</b>	<b>103</b>	<b>423</b>	<b>(217)</b>	<b>(1)</b>	<b>—</b>	<b>169</b>	<b>(1,470)</b>
<b>Assets</b>	<b>75,221</b>	<b>64,360</b>	<b>2,662</b>	<b>2,504</b>	<b>11,983</b>	<b>9,947</b>	<b>(11,458)</b>	<b>(9,432)</b>	<b>78,408</b>	<b>67,388</b>
<b>Debts</b>	<b>46,807</b>	<b>38,877</b>	<b>305</b>	<b>469</b>	<b>9,180</b>	<b>7,876</b>	<b>(9,248)</b>	<b>(7,222)</b>	<b>47,044</b>	<b>39,998</b>
<b>Cash and cash equivalents</b>	<b>12,354</b>	<b>5,643</b>	<b>635</b>	<b>1,000</b>	<b>3,939</b>	<b>2,055</b>	<b>—</b>	<b>—</b>	<b>16,928</b>	<b>8,698</b>

The decision to no longer 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 2016. 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 **forecast** without making any changes, as expressed in the financial statement for the year 2016, provided that the general economic and political conditions remain as they are; we are repeating this here.

It is probable that **turnover in the GK/Retail segment** will continue to increase significantly during 2017. In the medium term (up to 2018), we anticipate that we will be able to increase turnover by fifty percent compared with 2015 (EUR 62.60 million in the reporting year). However, if business develops in a consistently positive manner, it is possible that we could reach this goal in terms of turnover this year. We would still point out that the development to reach our medium-term goal may not necessarily occur in anything approaching a linear fashion.

We cannot provide a forecast for **profitability** for individual years either. However, we assume that we will once again be able to achieve our former target margin level (EBIT margin) on earnings

before interest and taxes of more than 15 percent in our core business segment in the medium term (by 2018). We are expecting further improvements over the previous year's figure of +5.1 percent; however, postponements of projects and other activities in non-European target markets, which have a high degree of priority for us, could entail further considerable costs and lower our expectations regarding profitability.

Schöneck, 30 May 2017

The Management Board



Rainer Gläss  
CEO



André Hergert  
CFO

## Consolidated balance sheet on 31 March 2017

### Assets

T.02	EUR	31.3.2017 (not audited)	31.12.2016 (audited)
	Property, plant and equipment	9,588,087.50	8,901,911.66
	Intangible assets	23,233,220.52	23,827,867.37
	Financial assets	5,300.00	6,660.00
	Active deferred taxes	4,091,343.19	4,633,639.37
	<b>Total non-current assets</b>	<b>36,917,951.21</b>	<b>37,370,078.40</b>
	Goods	1,025,667.92	955,799.48
	Auxiliary materials and supplies	300,565.39	224,437.31
	Initial payments made	80,428.59	44,202.34
	Trade accounts receivable	13,349,048.68	18,031,736.01
	Trade accounts receivable from ongoing work	3,821,208.93	3,480,270.93
	Income tax claims	351,088.99	281,750.19
	Accounts receivable with associated firms	2,820.45	2,820.45
	Other accounts receivable and assets	5,631,803.95	5,206,555.81
	Cash and cash equivalents	16,927,588.28	6,017,394.86
	<b>Total current assets</b>	<b>41,490,221.18</b>	<b>34,244,967.38</b>
	<b>Balance sheet total</b>	<b>78,408,172.39</b>	<b>71,615,045.78</b>

### Liabilities

T.03	EUR	31.3.2017 (not audited)	31.12.2016 (audited)
	Subscribed capital	1,890,000.00	1,890,000.00
	Capital reserves	18,644,025.35	18,587,965.03
	Retained earnings	31,095.02	31,095.02
	Other reserves (OCI from introducing IAS 19 2011, IAS 21)	(825,033.97)	(853,054.50)
	Profit brought forward	11,998,085.79	9,172,219.74
	Shortfall for period	(374,132.63)	2,825,866.05
	<b>Total equity</b>	<b>31,364,039.56</b>	<b>31,654,091.34</b>
	Provisions for pensions	1,744,623.00	1,766,974.00
	Non-current bank liabilities	10,271,638.87	8,986,687.12
	Deferred government grants	915,935.22	926,136.83
	Deferred tax liabilities	2,961,915.37	3,162,764.06
	<b>Total non-current liabilities</b>	<b>15,894,112.46</b>	<b>14,842,562.01</b>
	Current provisions	1,240,383.28	1,455,457.83
	Current bank liabilities	2,729,324.43	5,776,643.68
	Liabilities from trade payables	1,719,221.73	2,187,040.24
	Initial payments received	1,270,067.37	269,587.96
	Income tax liabilities	200,438.02	392,446.33
	Other current liabilities	23,990,585.54	15,037,216.39
	<b>Total current liabilities</b>	<b>31,150,020.37</b>	<b>25,118,392.43</b>
	<b>Balance sheet total</b>	<b>78,408,172.39</b>	<b>71,615,045.78</b>

## Consolidated profit and loss statement and other results from 1 January to 31 March 2017

### Consolidated profit and loss statement

T.04

EUR	31.3.2017 (not audited)	31.3.2016 (not audited)	31.12.2016 (audited)
<b>Ongoing business operations</b>			
Turnover revenues	20,115,750.84	15,435,633.45	77,332,612.02
Own work capitalised	—	125,023.50	381,689.00
Other operating revenues	448,428.84	1,124,765.23	1,768,668.62
<b>Turnover and other revenues</b>	<b>20,564,179.68</b>	<b>16,685,422.18</b>	<b>79,482,969.64</b>
Materials expenditure	(1,868,391.02)	(2,018,331.61)	(7,680,693.58)
Personnel expenditure	(13,658,283.73)	(11,316,363.45)	(47,669,259.45)
Depreciation and amortisation	(831,488.33)	(991,722.76)	(3,860,678.44)
Other operating expenditure	(4,038,252.87)	(3,830,464.64)	(16,329,889.01)
<b>Total operating expenses</b>	<b>(20,396,415.95)</b>	<b>(18,156,882.46)</b>	<b>(75,540,520.48)</b>
<b>Operating results</b>	<b>167,763.73</b>	<b>(1,471,460.28)</b>	<b>3,942,449.16</b>
Financial income	16,170.75	44,275.04	146,412.73
Financial expenditure	(141,055.71)	(134,697.89)	(637,160.67)
<b>Financial results</b>	<b>(124,884.96)</b>	<b>(90,422.85)</b>	<b>(490,747.94)</b>
<b>Income tax results</b>	<b>42,878.77</b>	<b>(1,561,883.13)</b>	<b>3,451,701.22</b>
Income taxes	(417,011.40)	8,231.28	(625,835.17)
<b>Consolidated surplus/ shortfall for the period</b>	<b>(374,132.63)</b>	<b>(1,553,651.85)</b>	<b>2,825,866.05</b>
<b>Other results after income taxes</b>			
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	28,020.52	(83,991.33)	(76,703.02)
Items, which will not be reclassified in the consolidated profit and loss statement in future			
Actuarial gains/ losses from defined benefit pension plans	0.00	0.00	(285,098.57)
<b>Overall results</b>	<b>(346,112.11)</b>	<b>(1,637,643.18)</b>	<b>2,464,064.46</b>
of which attributable to the owners of the parent company	(346,112.11)	(1,637,643.18)	2,464,064.46
<b>Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted</b>	<b>(0.20)</b>	<b>(0.82)</b>	<b>1.50</b>
<b>Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted</b>	<b>(0.19)</b>	<b>(0.82)</b>	<b>1.44</b>



## Consolidated cash flow statement on 31 March 2017

### Cash flows from operating business, investment and financing activities, loans and cash & cash equivalents

T.05

EUR K	31.3.2017 (not audited)	31.3.2016 (not audited)
<b>Cash flows from operating business</b>		
Surplus/ shortfall for period	(374)	(1,554)
Share option scheme (non-cash expenditure)	56	50
Income taxes affecting results	417	(8)
Interest income/ expenses affecting results	125	91
Profit/ loss from the sale or disposal of property, plant and equipment	(2)	(1)
Reversals of deferred public sector subsidies	(10)	(10)
Write-downs recognised for receivables	0	46
Depreciation and amortisation	831	992
Net foreign currency losses	255	(84)
Net profits from financial tools assessed at their fair value	104	(610)
Other non-cash revenues and expenditure	2	1
<b>Cash flow from operating business</b>	<b>1,404</b>	<b>(1,087)</b>
<b>Changes in net current assets</b>		
Changes in trade accounts receivable and other receivables	3,734	3,886
Changes in inventories	(182)	(163)
Changes in trade accounts payable and other liabilities	8,456	503
Changes in initial payments received	1,000	(227)
Changes in provisions	(257)	(11)
Interest paid	(116)	(20)
Income taxes paid	(337)	(328)
<b>Net inflow of funds (net outflow in previous year) from operating activities</b>		
Amount carried forward	<b>13,702</b>	<b>2,553</b>

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


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T.06	31.3.2017 (not audited)	31.3.2016 (not audited)
EUR K		
Amount carried forward		
<b>Net inflow of funds (net outflow in previous year) from operating activities</b>	<b>13,702</b>	<b>2,553</b>
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(1,149)	(231)
Proceeds from disposals of fixed assets	2	1
Disbursement as part of a company acquisition	—	(71)
Interest payments received	54	30
Disbursed loans	—	(8)
Proceeds from the repayment of loans	64	2
<b>Net cash outflow for investment activities</b>	<b>(1,029)</b>	<b>(277)</b>
<b>Cash flow from financing activities</b>		
Taking out loans	1,927	467
Repayment of loans	(596)	(479)
<b>Net inflow (previous year: net outflow) in cash from financing activities</b>	<b>1,331</b>	<b>(12)</b>
<b>Net outflow of cash and cash equivalents</b>	<b>14,004</b>	<b>2,264</b>
Cash and cash equivalents at the beginning of the financial year	2,812	7,377
Cash and cash equivalents at the end of the financial year	16,855	9,641
Impact of changes in exchange rates on cash and cash equivalents	39	0
Limited available funds	1,055	1,037

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**Cash and cash equivalents**


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T.07	31.3.2017 (not audited)	31.3.2016 (not audited)
EUR K		
Liquid assets	16,928	8,747
Utilisation of current account credit/ credit card/ exchange rate	(73)	894
<b>Cash and cash equivalents at the end of the financial year</b>	<b>16,855</b>	<b>9,641</b>



# Financial Calendar

**22 June 2017**

Annual shareholders' meeting 2017 in Schöneck/V.

**30 August 2017**

Interim report as of 30 June 2017

**27 – 29 November 2017**

Analyst conference in Frankfurt/M.

**29 November 2017**

Interim statement as of 30 September 2017

**26 April 2018**

Annual report as of 31 December 2017

**30 May 2018**

Interim statement as of 31 March 2018

**21 June 2018**

Annual shareholders' meeting 2018 in Schöneck/V.

**30 August 2018**

Interim report as of 30 June 2018

**November 2018**

Analyst conference in Frankfurt/M.

**26 November 2018**

Interim statement as of 30 September 2018

# Imprint/Notes

## Imprint

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## Notes

### Note to the statement

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

### Note regarding the rounding of figures

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

### Disclaimer

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

