

January to June 2017

Interim Report

Summary of Consolidated Results

		30.6.2017	30.6.2016	31.12.2016	Change (2016/2017)
Sales	EUR K	44,142	35,084	77,333	25.8 %
Operating performance	EUR K	44,142	35,337	77,714	24.9 %
Total operating revenue	EUR K	45,564	36,353	79,483	25.3 %
EBIT	EUR K	3,578	305	3,943	>250 %
EBIT margin (on sales)	%	8.1	0.9	5.1	—
EBIT margin (on total operating revenue)	%	7.9	0.8	5.0	—
EBITDA	EUR K	5,293	2,307	7,804	129.5 %
EBT	EUR K	3,365	113	3,452	>250 %
Net profit / loss for the period	EUR K	2,296	(209)	2,826	—
Earnings per share (weighted)	EUR	1.21	(0.11)	1.50	—
Earnings per share (diluted)	EUR	1.16	(0.11)	1.44	—
Equity ratio	%	42.5	42.5	44.2	—
Net debt	EUR K	1,799	7,677	8,746	(76.6) %
Employees		944	820	911	15.1 %

Contents

A To the shareholders

7	Letter from the Management Board
10	GK Software AG Shares
10	Basic data
10	Summary/share performance
10	Shareholder structure
11	Directors' dealings in 2017
11	Investor relations

B Interim group management report

15	Business Report
15	Business and general conditions at GK Software
25	Explanations on the target/performance comparison
26	Explanation of the business results and an analysis of the assets, financial and earnings situation
32	Report on Key Events
33	Report on the Risks, Prospects and Outlook for the GK Software Group
33	Risks
39	Opportunities
41	Outlook

C Consolidated accounts

45	Consolidated Balance Sheet
46	Consolidated Profit and Loss Statement and Other Results
47	Consolidated Statement of Changes in Equity
48	Consolidated Cash Flow Statement
50	Selected Explanations on the Notes on the Consolidated Accounts
50	Principles of Reporting
52	Balance sheet and assessment principles
53	Notes on the Consolidated Balance Sheet
60	Notes on the Consolidated Profit and Loss Statement
61	Notes on the Cash Flow Statement
61	Segment Reporting
63	Other Information
67	Assurance by legal representatives
68	Financial calendar
69	Imprint / Notes



A

To the
shareholders

7 Letter from the Management Board

10 GK Software AG Shares

10 Basic data

10 Summary/share performance

10 Shareholder structure

11 Directors' dealings in 2017

11 Investor relations



Rainer Glaess
Chief Executive Officer

Letter from the Management Board

Dear shareholders,

We are delighted to be able to present this report for the first half of the 2017 financial year to you and demonstrate that developments at GK Software continue to be extremely satisfying¹. We were again able to register significant growth both in terms of turnover and earnings. Turnover grew during the first six months by 25.8 per cent compared to the same reporting period in the previous year and amounted to EUR 44.1 million (H1 2016 = EUR 35.1 million). The measures introduced during the courses of 2015 to improve internal processes continue to make an impact and lead to a significant improvement in the EBIT figures compared to the previous year: Following EUR 0.3 million in the 1st half of 2016, we achieved EBIT of EUR 3.6 million during this reporting period, which represents an EBIT margin on turnover of 8.1

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 AG is used, this exclusively refers to the individual company.

percent (H1 2016 = 0.9 percent). Taking into account EBITDA of EUR 5.3 million, the EBITDA margin rose by 12.0 percent (H1 2016 = EUR 2.3 million and 6.6 percent). The earnings for the period therefore totalled EUR 2.3 million (H1 2016 = EUR (0.22) million), which led to undiluted earnings per share of EUR 1.21 (H1 2016 = EUR (0.11)).

These excellent results were firstly driven by outstanding turnover in the services business. Secondly, we were able to gain several significant projects with leading retailers together with SAP during the second quarter - and this is reflected in the turnover for licences. The quality of our new cloud solution known as OmniPOS is also evident here. After the first customer fully switched to OmniPOS at the beginning of the year, another huge existing customer has also opted to perform the complete change to the new solution within a new project. It is also one of the top 50 retailers globally and two other major retailers opted to purchase our solutions sold by SAP during the second quarter. One of these projects will be completed in southern Europe - and the second one in Asia and South Africa. We were also able to gain a supermarket chain in Switzerland and a DIY store operator in Canada as our customers during the second quarter. Overall, we will equip about 4,300 stores with OmniPOS in more than five countries within the scope of the new projects.

We view the results, which we are presenting to you here, as further confirmation that we are well on the way to meeting our medium-term forecast by 2018. Our long-term strategy of relying on a cloud solution, expanding into new geographical markets and permanently consolidating our partnership with SAP is therefore bearing the expected fruit. 22 customers have already opted to purchase this outstanding cloud solution from a technological and functional point of view, about 18 months after the official product launch of OmniPOS, which is sold by SAP under the name "SAP Omni-channel Point-of-Sale by GK". The sales strength of SAP combined with the quality of our solutions remains an outstanding basis for our ongoing success. We will continue this close and very successful cooperation with SAP, as it is permanently opening up new potential and access to new customers for the Company around the globe.

The number of units installed continued to grow to 239,000 during the reporting period. It is particularly important that we are now actively used in more than 100 stores at three renowned retailers in the USA. One important component in this process was also the launch of an internationally leading German operator of discount food stores, which was watched very keenly in Germany. This has enabled us to continue to strengthen our position in the European market and also create the necessary references in order to underline our growth goals in North America. According to a study by RBR, we have a market share of almost ten percent and are playing a leading role in Europe as a whole and we are the market leader in Central and Eastern Europe with approx. 15 percent.¹ We will continue to strengthen our position in the short term too through the pending rollouts in several large-scale projects.

Alongside our continual development of our omni-channel platform, we are also adopting new approaches in our research and development work in order to provide an even broader basis for our range of solutions. We are actively dealing with the question of which paradigm will preoccupy the retail sector in future. We are convinced that issues like the cloud, the Internet of Things and artificial intelligence will be major mainstays of future retail architectures. We are therefore gearing our research and development work strongly in this direction in order to be active in the

1 - RBR Study: Global POS Software 2016, London 2016

market place with innovative solutions at an early stage. This firstly concerns an even better focus for our existing range of products; and secondly, however, to provide complementary solutions, which will enable us to tap into new market segments like hospitality or petrol or new customer groups like the market for smaller retailers.

The 2017 annual shareholders' meeting unanimously agreed to all the suggested decisions for administration, including the idea proposed by the Supervisory Board and the Management Board to transform GK Software AG into an SE (Societas Europaea). Talks with the special negotiating committee are currently taking place about the shape of employee participation.

The Management Board at GK Software is standing by its forecast without making any changes, as expressed in the financial statement for the year 2016 and the quarterly report for the first three months of 2017, provided that the general economic and political conditions remain as they are.

This means that 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 almost 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 continue to have a high degree of priority for us, could entail further considerable costs and lower our expectations regarding profitability.

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

The Management Board



Rainer Gläss
Chief Executive Officer



André Hergert
Chief Financial Officer

GK Software AG Shares

Basic data

Basic data

T.01

Securities Identification Number (WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19 June 2008
Type of shares	Ordinary stock in the name of the holder without any nominal value (individual share certificates)
Trading markets	Frankfurt and XETRA
Market segment	Regulated Market (Prime Standard)
Designated sponsor	ICF Bank AG
Number of shares	1,890,000
Share capital	EUR 1,890,000
Free float	44.79 %
Highest price in H1 2017	EUR 96.95 (8 June 2017)
Lowest price in H1 2017	EUR 61.00 (27 March 2017)

Summary/share performance

GK Software AG shares, which are listed on the Prime Standard section of the Frankfurt Stock Exchange, were subject to a major increase in value during the first half of 2017. After they were able to make considerable gains from a figure of EUR 60 at the beginning of the year to almost EUR 70, an upward trend, which has only been interrupted by minor setbacks, started in May and led to prices beyond the EUR 110 level by the beginning of August. The shares were worth EUR 93.14 at the end of the reporting period. This corresponded to market capitalisation of EUR 176.03 million at the end of the first half of 2017.

Shareholder structure

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

Share price development (indexed)

F.01



The shareholder structure on the reporting date (30 June 2017) was as follows, according to the information made available to us:

Rainer Gläss, the founder and CEO, directly held 3.32 percent of the shares. Stephan Kronmüller, also a Company founder and the former Head of Technology and Development, directly held 2.33 percent of shares.

49.56 percent of the shares were owned by GK Software Holding GmbH, which have been indirectly and equally apportioned to the shareholders Rainer Gläss and Stephan Kronmüller. This meant that 44.79 percent of the shares were in free float on 30 June 2017.

Shareholder structure on 30 June 2017

F.02

Rainer Gläß – 3.32%

Stephan Kronmüller – 2.33%

Freefloat – 44.79%

GK Software Holding GmbH – 49.56%



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

Amounts exceeding the threshold value

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

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

Directors' dealings in 2017

None in the first half of 2017

Investor relations

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

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

GK Software AG also attaches great importance to providing an ongoing flow of information for the future. Among other things, this involves the completion of quarterly reports and extensive half-yearly and annual reports in German and English, a finance calendar, compulsory announcements, which have to be published immediately, and corporate news. The accounting system has been adapted to the international IFRS accounting standards and also meets investors' requirements for information. As in previous years, GK Software will also hold an analysts' conference during the Frankfurt Equity Capital Forum in 2017. Investor and press roadshows also take place at regular intervals so that the Company remains in permanent contact with the capital markets.

B

Interim group
management report

15	Business Report
15	Business and general conditions at GK Software
25	Explanations on the target/performance comparison
26	Explanation of the business results and an analysis of the assets, financial and earnings situation
32	Report on Key Events
33	Report on the Risks, Prospects and Outlook for the GK Software Group
33	Risks
38	Opportunities
40	Outlook



André Hergert
Chief Financial Officer

Business Report

Business and general conditions at GK Software

Corporate structure and holdings

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

GK Software AG 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 Soft-

ware AG and its predecessor company, G&K Datensysteme GmbH, which was founded by Rainer Gläss and Stephan Kronmüller and changed its name to GK Software AG in 2001, have been successfully operating in the market place for more than 25 years. The Company's flotation took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008.

The Company's headquarters have been located in Schöneck/Vogtl. since it was founded. Alongside its administration department, the Company has its product development department, project management and third-level support facilities at this site. 1. Waldstrasse GmbH, which was founded to

Group structure of GK Software AG

F.03



prepare for the takeover of new business activities, is another wholly owned subsidiary. GK Software AG has a branch next to Checkpoint Charlie in Berlin, which is primarily responsible for managing the marketing, sales and partner activities; the Company's user-help desk and parts of the software development work are also based there.

The Group's second largest business site has been situated in Plzen in the Czech Republic for almost 20 years. The wholly owned subsidiary, EURO-SOFTWARE s.r.o., is home to the software production and research & development departments. Major work on programming and further technological developments for the solutions provided by GK Software take place at the Plzen site. TOV Eurosoftware UA in Lviv has been an additional wholly-owned subsidiary of GK Software AG and a site for customised software development since the beginning of 2016.

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

100%	GK SOFTWARE	GK Software USA Inc.
100%	GK SOFTWARE	OOO GK Software RUS
100%	GK SOFTWARE	GK Software Africa PTY Ltd.
100%	EURO SOFTWARE <small>A Member of the GK Software Group</small>	EUROSOFTWARE s.r.o.
100%	EURO SOFTWARE <small>A Member of the GK Software Group</small>	TOV Eurosoftware-UA
100%	StoreWeaver® <small>A Member of the GK Software Group</small>	Storeweaver GmbH
100%	AWEK <small>A Member of the GK Software Group</small>	AWEK Microdata GmbH
100%	AWEK <small>A Member of the GK Software Group</small>	AWEK GmbH
100%		Economically inactive legal units

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

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

The Management Board of GK Software AG consists of Company founder Rainer Gläss (CEO, Strategy, Marketing & Sales) and André Hergert (Finances and Personnel). The Management Board

is supported by a Group Management Board, which consists of the following members: Stephan Kronmüller, Michael Jaszczyk (CTO), Harald Göbel (Customer Solutions & Services) and Stefan Krueger (Sales).

The three-man Supervisory Board at GK Software AG is led by the Chairman Uwe Ludwig. He has been a member of the Supervisory Board since 2001. Thomas Bleier was elected to the Supervisory Board in 2003 and Herbert Zinn in 2011.

The 2017 annual shareholders' meeting agreed to the suggestion proposed by the Supervisory Board and the Management Board to transform GK Software AG into an SE (Societas Europaea). Talks between the Management Board and the special negotiating committee are currently taking place about the shape of employee participation. The transformation of the Company cannot take place until the negotiations have been completed. The Act Governing the Involvement of Employees in a European Company (SE) determines that the dura-

tion of the negotiations may not exceed 6 months after the establishment of the special negotiating committee.

Personnel

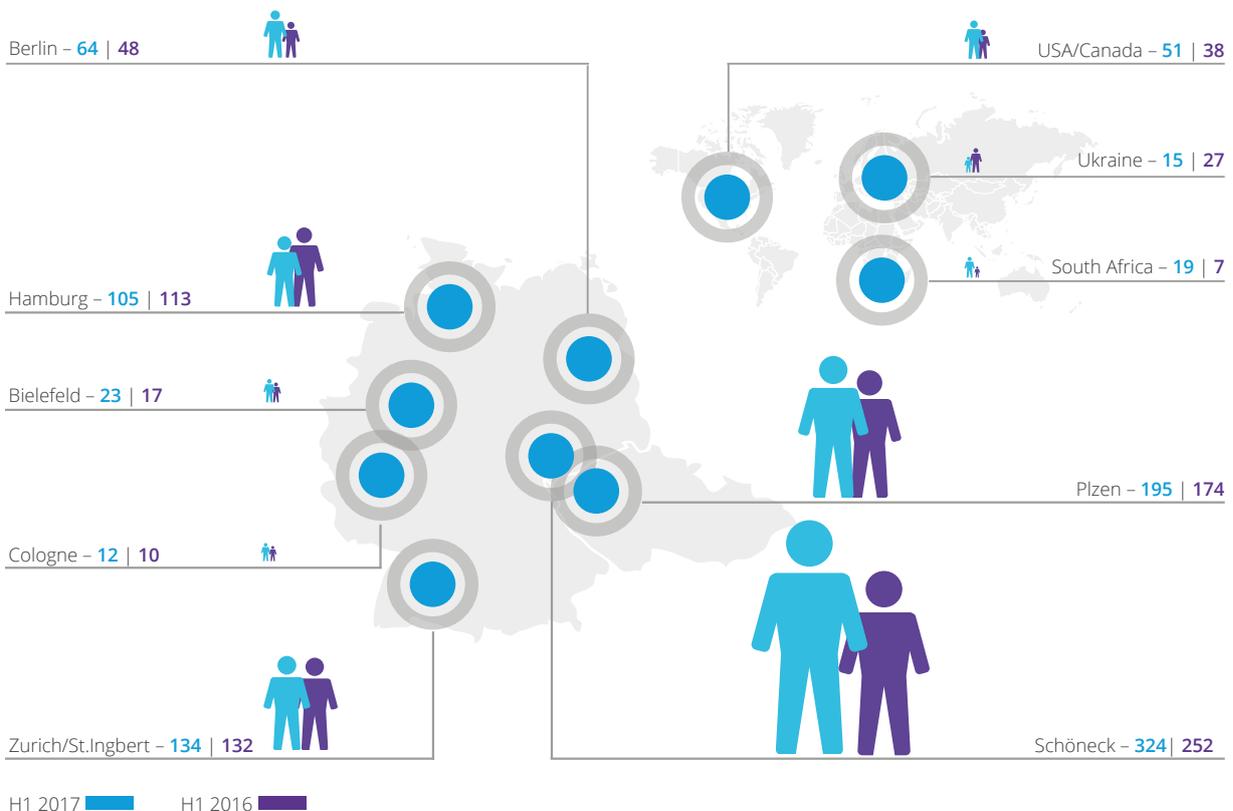
- Further growth at almost all the business sites
- Trainee and further training programmes for members of staff

A total of 944 people were employed within the Group on the reporting date of 30 June 2017 (excluding members of the Management Board and trainees). This means that there are 124 more employees than on the same reporting date in the previous year (820).

A large number of the Group's employees (324) continue to work at the business site in Schöneck (252: H1 2016). The Berlin branch has now 64

Distribution of employees at group business locations (from 5 employees) on 30 June 2017

F.04



employees working in the sales & marketing, project and partner management, development and first-level support (hotline) departments (the number was 48 at the end of June 2016).

The number of people employed at the Czech subsidiary EUROS SOFTWARE s.r.o in Plzen was 195, 21 more than at the same time in the previous year (174: H1 2016).

105 people were employed in the IT Services sector in Hamburg at the end of the first half of the year (113: H1 2016), including many mobile service technicians, who are spread across Germany. 23 people were working at the second IT Services site in Bielefeld on 30 June 2017; they mainly work on software development (17: H1 2016). Overall, the IT Services division has 128 employees (130: H1 2016).

129 people were working at the business site in St. Ingbert at the end of the reporting period (128: H1 2016). 5 people were working in Dübendorf (Switzerland) at this time (4: H1 2016).

The branch in Cologne had 12 members of staff at the end of the reporting period, in comparison with 10 on the reporting date in 2016. As in the previous year, 2 people were employed at the Russian branch on the reporting date. 51 people were working for GK Software in the USA (38: H1 2016). The South African subsidiary employed nineteen people on the reporting date (7: H1 2016). 15 people were employed at the business site of the Ukrainian subsidiary in Lviv (27: H1 2016).

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

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost sales growth at GK Software AG from a human resources point of view too. 654 employees took part in training courses at the GK Academy during the first half of 2017, for example. New employees undergo extensive and standardised introductory courses, while a permanently adapted training programme is available for all employees too. The Company is also actively involved in training new or future

employees. They include trainees on apprenticeship courses, students from company training centres or students on sandwich courses. Nine trainees and eight students (company training centres or sandwich courses) are currently employed at GK Software AG. Ten student trainees are also working at the firm and it is also supervising the degree dissertations of a further twelve students, who normally gain work experience at the firm. At least 33 school pupils from the region were given the opportunity of intensively getting to know the firm in the form of pupil placements or holiday jobs during the first half of 2017. These different measures are providing the first success stories in gaining new employees and the aim is to further intensify them in future.

The GK Software solution portfolio

- GK Software — Simply Retail
- Extensive portfolio of omni-channel solutions

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

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

The Company has made significant investments during the last few years in order to introduce this fundamental vision of the future in specific software. This has meant that significant parts of the range of solutions have been extensively revised or newly developed in order to safeguard the future viability of GK/Retail for years to come and not just rely on the status quo. The results of this fundamental management decision cannot be seen that clearly at first glance, as was the case, for example, with the switch from DOS to Java. How-

ever, if we view the effects resulting from this, the effort and expenditure associated with it and the dimension of this change in general terms, this step taken in terms of software development is at least as great as the former.

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

The different GK Software products continue to be brought together in their specific forms for the market within the GK/Retail Business Suite. All the solutions are fully based on the same GK/Retail infrastructure and on Java and open standards. This means that they consistently do not depend on any particular hardware or operating systems.

GK/Retail OmniPOS was officially launched at the beginning of 2016. The first installations were put into productive use in Ireland and the UK in August 2016. GK Software is continuing to market version 12 of the GK/Retail Business Suite in special customer situations. The GK/Retail Business Suite consists of five core solutions around which other processor-oriented additional solutions are grouped.

GK/Retail Store Device Control

- **GK/Retail Store Device Control** provides the end-to-end link within the complete store peripheral equipment, for instance, checkouts, scales or reverse vending machines. The software ensures the automatic distribution of data to all the systems in a store with a direct link to the leading SAP system. This guarantees

that any changes to master data (e.g. prices) are available on the correct system within the store at the right time. At the same time, the software ensures that the central systems are supplied with what is known as transaction data (e.g. sales data). The link to the various subsystems in a store is provided through standardised peripheral heads, to which solutions from different manufacturers can be docked. The Enterprise Storemanager guarantees the central management of the overall systems landscape. The Enterprise Cockpit handles the monitoring work across the systems. This solution component is sold by SAP using the name "SAP Store Device Control by GK".

GK/Retail Mobile Merchandise Management Processes

- **GK/Retail Mobile Merchandise Management Processes** covers the store's merchandise management processes, which are directly made available on the floor or in the warehouse on a wide variety of mobile terminals. The processes, which operate online and offline, rely on a central management system like SAP as their standard feature, but can also interact with other merchandise management systems, if necessary. They allow the stores to be linked end-to-end with enterprise headquarters in almost real time and manage all the necessary business processes like incoming goods, merchandise planning, inventories or automatic label printing. This solution component is sold by SAP using the name "SAP Offline Mobile Store by GK".

GK/Retail OmniPOS and POS

The development and sales activities in the field of POS solutions have primarily focused on GK/Retail OmniPOS since 2015. The GK/Retail POS solution (version 12) will continue to be made available in special sales situations and will be further developed for existing customers.

- **GK/Retail OmniPOS** is based on a new architectural paradigm, which enables the Company to address all the components as a service and distribute them transparently within the network in line with the customer's IT landscape. As a result, a wide variety of forms of the solution, ranging from thin to thick and even smart clients, are possible. Basic services like the

price calculation logics can be deployed both locally on the stationary checkout, centrally on the server or separately and be generally used for all the channels. The design of the front ends on the basis of HTML-5 enables rapid adaptation to any kind of device. SAP sells the software under the name "SAP OmniChannel POS by GK".

- **GK/Retail POS** is the market-leading solution for operating checkout systems. The application guarantees safe handling for all business processes at checkouts (POS) and makes available extensive back office functions for money matters, store administration or reporting.

Other checkout forms are available for both POS variants as additional modules and they rely on the same GK/Retail infrastructure and can be seamlessly inserted in the store landscapes.

- **GK/Retail Mobile POS** is an innovative software solution for checkout use on devices using the iOS operating system (iPhones, iPods, iPads). The company software manages all the processes available on in-store checkouts and is already being used productively by one important customer. Mobile POS is available in native variants for iPods/iPhones and iPads.
- **GK/Retail Self Checkout** is an enhancement of our POS software and was newly developed in 2012. It is fully based on our standard software and enables consumers to complete all the checkout processes themselves. Together with the associated iOS app, consumer advisers can immediately respond to demands during the checkout process, e.g. age identification when purchasing alcoholic drinks, and they can offer consumers help and support quickly, if required.

GK/Retail Label and Poster Printing

- **GK/Retail Label and Poster Printing** is a complete solution relying on the GK/Retail infrastructure for label and poster printing and managing electronic shelf media. It ensures that the central standard process for marking prices and addressing customers directly can be used in an efficient manner for in-store marketing. If changes are made to data in the merchandise management system or print-

ing tasks are triggered manually, the solution ensures that all the necessary processes in the store are handled automatically.

GK/Retail Open Scale

- **GK/Retail Open Scale** is the scale solution within the GK/Retail Business Suite. It is based on the same technical concepts as the other software solutions and is a self-contained application for all kinds of open PC scales. It enables the retail sector to use end-to-end IT structures and freely select scales from any hardware supplier. This software has been certified for use by the PTB (Physikalisch-Technische Bundesanstalt - Germany's national metrology institute).

Other solutions in the GK/Retail Business Suite

- **GK/Retail Enterprise Storemanager** is the market-leading software solution providing administration and technical monitoring facilities for major store networks, including those operating in different countries. The software allows corporations to manage and monitor thousands of stores in many countries and is an important unique selling feature for the GK/Retail Business Suite.
- **GK/Retail Enterprise Cockpit** provides managers with a very fast summary of technical and specialist key performance indicators. This means that technical breakdowns in stores are recognised immediately and resolved as quickly as possible. This solution provides company-wide transparency with regard to the status of systems in stores.
- **GK/Retail Sales Cockpit provides web-based** business management information related to the current day's business. This means that managers constantly have a comprehensive overview of the course of business in real time.
- **GK/Retail Enterprise Promotions Management** is a complete solution for creating, carrying out and managing corporate-wide promotions and special offers. It can be used, among other things, to manage discounts granted on customer card systems or the acceptance of many kinds of coupons at checkouts.

- **GK/Retail Stored Value Server** guarantees secure, company-wide administration services for all the gift cards that have been issued. It provides a central database for supplying all the gift card information within the whole company and also handles all the processes related to electronic gift cards.
- **GK/Retail Digital Content Management** is the central software solution for distributing multimedia content to various output devices within the whole company. This means that photos, slide shows or videos can be distributed to the relevant systems within the company. The system also allows pure text messages to be sent (e.g. for electronic shelf labels).
- **GK/Retail TransAction+** is a market-leading solution for handling payments in the USA. It manages to integrate a variety of point of sale systems and a large range of payment authorisation providers. It meets high data protection standards and supports credit and debit cards and gift vouchers, "electronic benefits" as well as cheque authorisation and accounting for more than 40 payment providers in the USA. The software controls customer-oriented payment devices at the highest level and is certified for the latest EMV transactions (chip and PIN).

The SQRS software package

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

Ongoing product development

The first half of 2017 was also primarily dominated by making further developments to the new Omni-

POS software. New functions and business processes and other requirements for specific countries have been implemented. Alongside this, SAP gave the solution premium qualification status during the first six months and thereby approved the current product version of SAP for sale. Regular premium qualification ensures that the SAP version of the software is always based on the current product standard. Investments were also made to enhance the ability to use our range of solutions in clouds and in developing special sector solutions.

Developing and adapting software

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

Maintenance and services

The IT Services sector means that GK Software can also provide maintenance for third-party software and hardware made by a wide variety of manufacturers, in addition to services for its own solutions. About 40 mobile service technicians are available for this work and they can reach any store in Germany within set times. In addition to providing classic services, they can handle other options like rollout services or staging (the initial installation of systems). Work is taking place to continue expanding the company's portfolio of services.

In addition, as part of the classic software maintenance, the Group can eliminate errors and faults for all software solutions that are in use at its customers' premises.

Partner training

The GK Academy continued its partner training work during the first six months of the year. 135 employees from 14 partners and customers were trained in this period alone so that they are able

to introduce or adapt GK solutions. Alongside this, hardware from eight manufacturers was tested and certified for use with GK Software solutions or the certification process was prepared.

Customers and projects

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

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

New customer projects in 2017:

- One of the world's leading retailers (partial project involving approx. 250 stores in South Africa and India)
- A leading supermarket retailer (approx. 1,600 outlets in Spain)
- A leading supermarket operator (approx. 900 outlets in Switzerland)
- A supermarket operator (approx. 200 outlets in Switzerland)
- A DIY store operator (approx. 30 outlets in Canada)
- Sonderpreis Baumarkt (AWEK euroSuite, 200 outlets in Germany)

In terms of existing projects, the first half of 2017 was dominated by successful pilot operations in several projects, rollouts and the final completion of several projects. We handed over and rolled out more country-specific versions in several ongoing projects. The first existing customer has already been switched to OmniPOS; other customers have already decided to follow suit or are preparing the

way for their decision. This will create the conditions to ensure that we will be able to continue consolidating relations with our customers, which have existed for many years. We have also been able to sign further contracts with existing customers and they cover, for example, extensions to licencing agreements or developments to software or other services.

The fact that there are now more than 50 joint customer projects where SAP has sold GK solutions is evidence of the active partnership with SAP. The strategic relationship between both companies for the store sector is also reflected in our joint activities at the NRF, the most important North American event and the EuroCIS, the most significant European retail trade fair, coordinated sales activities and close technological cooperation.

Market and competitive environment

- Positive first half of the year
- Growth of approx. 2.0 percent expected in 2017
- Investment needs for retail IT remain high

Business developments at GK Software are significantly affected by the economic situation in the retail sector in Europe, the USA and other developed countries. Apart from the general need for investments in the retail sector and other factors, this forms an important basis for the forecasts covering the Company's ongoing opportunities. Following the successful year in 2016, the first six months of 2017 were positive for the retail sector in Germany too. Turnover in the German retail sector grew by 3.5% in nominal terms and 1.7% (adjusted for prices) during the first half of 2017 in comparison with the same period in the previous year.¹ Forecasts envisage growth of 2.0 percent for the year 2017.² The general economic conditions in GK Software's home market therefore continue

1 - Press review no. 206 dated 31 July 2017, https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/07/PD17_260_45212.html

2 - Umsatzentwicklung im Einzelhandel, correct in February 2017, <http://www.einzelhandel.de/index.php/presse/zahlenfaktengrafiken/item/110189-umsatzentwicklungim-einzelhandel>

to be positive. A glimpse at neighbouring countries reveals differing trends. Turnover in the first six months in Austria, for example, rose between 2.3 and 5.6 percent, compared to the previous year. Developments in Switzerland were very different during this period; turnover there in the retail sector rose by between 0.4 and 2.3 percent during some months, but declined by between 0.3 and 1.3 percent in others.³

The overall prospects for the European retail sector indicate an ongoing upward trend. Turnover adjusted for inflation rose, for example, by between 1.7 and 3.1 percent on average in the months from January until May, in comparison with the figures from the previous year.⁴ This development could also be observed in the crisis-ridden countries in southern Europe.⁵

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

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

The ifo business climate index for the retail sector in part reached the highest levels for 12 months during the first quarter, following weaker figures in the second quarter.⁷ This means that the majority of the approx. 7,000 retail companies questioned about their business situation responded in a posi-

3 - Eurostat, Turnover in the Retail Sector Overall, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teis200&plugin=0> (annual comparison)

4 - Eurostatistics Data for Short-Term Economic Analysis, Issue Number 07/2017, p. 20 (Retail Trade Deflated Turnover) <http://ec.europa.eu/eurostat/documents/3217494/8110550/KS-BJ-17-007-EN-N.pdf>

5 - <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=teis200&plugin=0>

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

7 - Bottom lines in the ifo business climate for the retail sector in Germany (seasonally adjusted) from June 2016 until July 2017, <https://de.statista.com/statistik/daten/studie/155602/umfrage/ifo-geschaeftsklima-fuer-den-einzelhandel/>

tive manner at this time. On the consumer side, the data in Germany continued to move ahead in June 2017, according to the GfK consumer climate index; this was primarily due to the weak euro, low oil prices and the expansive money policy of the European Central Bank. Consumers' income expectations and economic expectations are both at a three-year high.¹

Prospects continue to be very positive in the e-commerce sector. Turnover here will continue to grow in 2017², although the most attractive markets are the USA, China, Great Britain, Japan and Germany.³The HDE (German Retail Federation) is expecting turnover of EUR 48.8 billion in the latter.⁴The challenges associated with this for the retail sector also affect the solutions provided by GK Software, as the Company's customers have to face them when remodelling and introducing new elements into their IT landscapes. Other new issues like home delivery are acting as further driving forces. There is much ground to be made up in Germany in the latter sector in particular. The market share of online retailing in the whole food market is only 1.0 percent in Germany⁵, for example, while it is already 7 percent in Great Britain⁶. Test procedures are currently taking place in Germany to a greater degree and cover issues like store-based deliveries, click-and-collect or central warehouse-based deliveries. About 70 percent of German omni-channel retailers already offer two services like in-store returns or click and collect.⁷One trend should particularly be highlighted: it already began to make itself felt in 2014 and is highly significant for business at GK Software. The multi-channel retailers have once again grown above average and increased their turnover in comparison with the previous year much more strongly than the classic pure online market places. While

the growth rates of multi-channel retailers ranged between 16.1% (Q1) and 21.2% (Q2), the online market places only enjoyed growth of 2.5-2.6% during the comparative periods. This means that in-store retailers, which also manage their business online, have been increasingly in a position to make use of their advantages arising from the combination of stores and web shops. GK Software has been preparing its solutions for this development by moving in the direction of omni-channel retailers for years and therefore believes that it is in an excellent position to meet the relevant demands. New and replacement investments continue to be generally subject to the proviso that they must equip firms for these future issues.

Overall, the need for investments on the part of the retail trade remains high, as the study published by the EHI Retail Institute entitled "IT Trends in the Retail Sector in 2017" indicates. IT budgets have been continually increasing since 2011⁸ and 52 percent of IT managers believe that omni-channel will be the most important technological trend during the next three years⁹. The RIS News/Gartner "Annual Retail Technology Study" shows that 59 percent of the retailers questioned will increase their IT expenditure every year in order to replace old systems, guarantee their customers' data security and expand growing digital sales, for example.¹⁰

Overall, the conditions for the course of business at GK Software remain positive for the second half of 2017. And this is all the more so, because the company is assuming, on the basis of its partnership with SAP, that it will be able to continue to expand its base of potential customers in the international arena. But these trends are subject to the proviso that the global economy is not hugely disrupted by political or economic factors, which would have a negative effect on economic developments.

GK Software continues to assume that the necessary investments in new systems needed in the short and medium term and the introduction of new issues within the retail sector will continue to

1 - <http://www.gfk.com/de/insights/press-release/konsumklima-in-deutschland-weiter-im-aufwind/>

2 - <http://www.statista.com/statistics/261245/b2c-e-commerce-sales-worldwide/>

3 - <https://www.atkearney.com/consumer-products-retail/e-commerce-index> (Click "Top 30 countries")

4 - <http://www.einzelhandel.de/index.php/presse/zahlenfaktengrafiken/item/110185-e-commerce-umsaetze>

5 - http://www.einzelhandel.de/index.php/online-monitor/item/download/10676_e31f18b629b2de6d1ce44a4b699dbfcb, page 4

6 - https://www.mckinsey.de/files/akzente_16_02_gesamt.pdf, page 13

7 - EHI study: Omnichannel Commerce 2017, p. 33

8 - EHI Retail Institute, IT-Trends im Handel 2017, p.33.

9 - Ibid., p. 19

10 - RIS News/Gartner, study 27th Annual Retail Technology Study, pp. 22, 26

offer sales potential in Germany and in the other markets that are being actively processed. There is also an expectation that the partnership with SAP in particular will create further success stories in the international marketplace and reinforce the company's potential in the long term.

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

Explanations on the target/ performance comparison

The Management Board had issued the following quoted forecast for the financial performance indicators for the corporate Group operating under the umbrella of GK Software for the 2017 financial year.

"In general terms, GK Software is continuing to plan to return to the familiar profit margins of more than 15 percent (EBIT margin on operating performance) for its core business by 2018 and then maintain this level. However, the expenses associated with tapping into new geographical markets could continue to impair developments designed to achieve this goal, as we already mentioned earlier. Even short-term delays in customer projects can have a considerable impact on the Company's earnings situation. It is precisely the uncertainty about achieving individual sales prospects, which, in conjunction with the size of the Company, creates a forecast for the EBIT that is fraught with considerable uncertainties, as individual large-scale sales opportunities can involve a significant share of turnover revenues with particularly high profit margins.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the GK/Retail's turnover will continue to grow considerably again in 2017. By 2018, we had anticipated that we would be able to increase turnover by fifty percent compared with the base year for our medium-term forecast, 2015 (EUR 62.60 million).

We cannot provide a forecast for profitability for individual years. However, we assume that we will once again be able to achieve our old target margin level (EBIT margin) of earnings before interest and taxes of more than 15 percent in the medium term (by 2018) (the figure was 5.1 percent in 2016). Although we are expecting some progress in reaching this figure in 2017, the possible project delays already mentioned and the activities in our non-European target markets, which have a high degree of priority for the Company, could entail further considerable costs and impair the expectations regarding profitability.

Developments during the first half of 2017 both in the individual Company and within the Group proved that the expectations formulated by the Management Board are realistic. The Group was able to increase its turnover by one quarter from EUR 35.08 million to EUR 44.14 million compared to the previous year and the EBIT rose from EUR 0.30 million to EUR 3.58 million. The EBIT margin of 8.1 percent on turnover achieved here lies fully within the expectations in the medium-term forecast for the period 2016 - 2018.

The expectations regarding the readiness of possible customers to opt for our solutions has also proved realistic and it is the same story with the hopes placed in our new OmniPOS product, which can be used in a cloud. It is true that interest has significantly increased because of the good reports about initial experiences with the OmniPOS solutions, which are now in productive use, but possible users still need to be convinced that the GK Software solution worlds will support them in future too.

The costs of tapping into the markets in North America and Africa are still having a significant effect on the profits at GK Software despite the sales successes there and this is causing us to perpetuate this uncertainty factor from the previous year's forecast in the current one. Even if the overall situation has also improved and it has been possible to maintain and extend the progress made during the course of 2016, we still recognise significant differences in efficiency within our European activities. That is why we are continuing our efforts in this regard in Europe too.

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

Earnings situation

– **Turnover: EUR 44.14 million; EBITDA: EUR 5.29 million.**

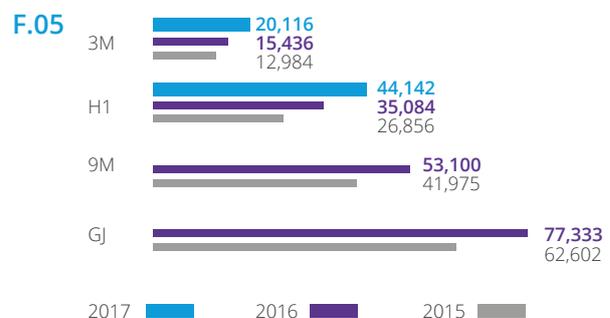
The Group's total turnover rose by 25.8 percent from EUR 35.08 million to EUR 44.14 million. The Group's core segment, GK/Retail, developed in a particularly gratifying way, which was well above average: Turnover here rose by 30.3 percent from EUR 28.43 million to EUR 37.05 million. Growth in turnover was also achieved in the IT Services business segment - it amounted to 8.0 percent (EUR 6.69 million, following a figure of EUR 6.19 million during the first half of 2016).

In line with expectations, turnover in the SQRS (Solquest Retail Solutions) business segment continued to decline and fell from EUR 0.47 million to EUR 0.40 million.

Because of the strong growth, the share of total turnover generated by the GK/Retail segment rose to 83.9 percent (81.6 percent in the previous year), while the shares for IT Services and SQRS only amounted to 15.2 percent (17.7 percent) and 0.9 percent (1.3 percent) respectively, despite the absolute increase in turnover.

If we look at the development of turnover according to types of work, the development of licensing revenues for GK/Retail was particularly gratifying: revenues here rose by 10.2 percent from EUR

Quarterly sales development compared to previous years in EUR K



4.52 million to EUR 4.98 million. This development reflects the excellent licensing business during the second quarter. The development for the small & medium enterprise solution known as "Eurosuite" was less important in absolute terms, but still remarkable: licensing turnover here rose from EUR 0.43 million to EUR 0.58 million.

Revenues generated by maintenance work were just as positive; growth of 27.0 percent from EUR 10.69 million to EUR 13.58 million significantly increased the absolute contribution made by this reliable sector every year even further during the first six months of the year.

Turnover for software work, which is the result of introductory and adaptation services in customer projects, rose by 32.7 percent to EUR 23.47 million. The GK/Retail business segment was the driving force here too with growth in turnover of 38.8 percent to a figure of EUR 22.85 million.

The Group's other turnover revenue rose by 4.9 percent to a figure of 1.46 million. The lion's share of this was due to the IT Services segment. Other turnover revenue from services related to operating hardware for the EuroSuite customers remained almost constant here at EUR 1.37 million. These services involve preparing and completing the operations for customers of this solution.

During the first half of 2017, GK Software continued to invest in the further development of its solutions. However, the extensions and improvements in our in-house work no longer meet the conditions for capitalisation.

Other operating income amounted to EUR 44.14 million, following a figure of EUR 35.34 million during the same quarter in the previous year. Other operating revenues exceeded the previous year's figure of EUR 1.02 million by a considerable degree, primarily because of the earnings from currency hedging transactions. EUR 0.39 million can be traced back to additional earnings from this item alone. It should be noted that there is an item under other operating expenditure that is almost the same in terms of its amount. Total operating revenues at EUR 45.56 therefore exceeded the previous year's figure by 25.3 percent.

Total operating revenue

T.03	30.6.2017		30.6.2016		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales	44,142	96.9	35,084	96.5	9,058	25.8
Own work capitalised	—	—	253	0.7	(253)	(100.0)
Operating revenues	44,142	96.9	35,337	97.2	8,805	24.9
Other operating revenues	1,422	3.1	1,016	2.8	406	40.0
Total operating revenues	45,564	100.0	36,353	100.0	9,211	25.3

Expenditure on unfinished and finished goods and purchased services rose by EUR 0.15 million to EUR 3.67 million. It was possible to note two contradictory movements here. While expenditure for goods used and semi-finished products was reduced by EUR 0.35 million and was largely due to the reduced need for goods in the IT Services segment, expenditure on project-related services increased by EUR 0.20 million to a total figure of EUR 2.66 million. As in previous years, the reason for this can be found in the development of flexible capacities. However, other factors, which were more negligible overall, related to increased travel expenses triggered by what is now global customer support and similar factors due to the geographical expansion in the field of business.

The continual increase in the volume of incoming orders, the requirements for developing the overseas market regions and the ongoing projects to expand the solution created a situation where the capacities for product development and project handling and completion were increased once again. As a result, the average number of employees rose from 793 to a figure of 915. The expansion in personnel resulted in an overall increase in personnel costs from EUR 22.87 million in the previous year to EUR 27.68 million in the reporting year. The increase amounted to EUR 4.81 million or approx. 21.0 percent. The personnel ratio was actually 2.5 percentage points below the previous year's figure of 62.7 percent. However, this development could be even further improved by increasing the level of efficiency in the USA and Africa - as already highlighted in the discussion about ongoing developments. The managers at GK Software recognise that this task is one of the

the costs of tapping into markets in North America and Africa.

As a result, GK Software achieved an EBIT figure of EUR 3.58 million, following a figure of EUR (0.31) million in the previous year - i.e. an improvement of EUR 3.27 million.

The financial results were negative again at EUR (0.21) million (EUR (0.19) million in the previous year). Interest revenues amounting to EUR 0.05 million (EUR 0.08 million in the previous year) were countered by interest-bearing liabilities of EUR 0.26 million (EUR 0.27 million in the previous year).

Financial results

T.05	30.6.2017		30.6.2016		Change	
	EUR K	in % ¹	EUR K	in % ¹	EUR K	in %
EBITDA	5,293	12.0	2,307	6.6	2,986	129.5
EBIT	3,578	8.1	305	0.9	3,273	>250
EBT	3,365	7.6	113	0.3	3,253	>250
Group result	2,296	5.2	(209)	(0.6)	2,505	—

1 - on turnover

Overall this led to consolidated net results of EUR 2.30 million, following a figure of EUR (0.21) million in the previous year. This amounted to undiluted earnings per share of EUR 1.21 and diluted earnings per share of EUR 1.16 during the first half of 2017. Both figures amounted to EUR (0.11) per share in the previous year.

Assets situation

The consolidated balance sheet total amounted to EUR 78.98 million on the reporting date and was therefore EUR 7.36 million higher than the figure of EUR 71.62 million on 31 December 2016. On the expenditure side, this increase was almost exclusively due to the increase in cash and cash equivalents by EUR 7.19 million, while on the funding side, the increase was due to all three main funding sources.

Non-current assets rose by EUR 0.40 million in all compared to the balance sheet total on the reporting date of 31 December 2016, while **current assets**, excluding cash and cash equivalents,

declined slightly by EUR 0.23 million. Stocks of **cash and cash equivalents**, however, more than doubled to a figure of EUR 13.21 million compared to the figure on 31 December 2016 (EUR 6.02 million).

On the funding side of the balance sheet, it should be noted that **equity** increased in absolute terms by EUR 1.92 million. The equity ratio therefore amounted to 42.5 percent, after it had stood at 44.2 percent on 31 December 2016. The equity amounted to EUR 33.57 million on 30 June 2017.

GK Software's **debts** rose by EUR 5.46 million compared to the reporting date in the previous year - **non-current liabilities** increased by EUR 1.12 million to EUR 15.96 million and **current liabilities** by EUR 4.34 million to a figure of EUR 29.46 million.

Assets situation

T.06	30.6.2017 (not audited)		30.6.2016 (not audited)		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	37,773	47.8	37,370	52.2	403	1.1
Current assets without cash and cash equivalents	27,997	35.5	28,228	39.4	(230)	(0.8)
Cash and cash equivalents	13,206	16.7	6,017	8.4	7,189	119.5
Assets	78,976	100.0	71,615	100.0	7,361	10.3
Equity	33,566	42.5	31,654	44.2	1,912	6.0
Non-current liabilities	15,954	20.2	14,843	20.7	1,111	7.5
Current liabilities	29,457	37.3	25,118	35.1	4,338	17.3
Liabilities	78,976	100.0	71,615	100.0	7,361	10.3

The slight increase in **non-current assets** is largely based on the increase in property, plant and equipment by EUR 2.50 million (including investments in buildings of EUR 2.07 million), while the scheduled amortisation of intangible assets amounting to EUR 1.63 million counteracted this.

Current assets without cash and cash equivalents remained largely stable. The most important changes within this item were the declines in trade accounts receivable by EUR 2.73 million, which were then countered by accruals in accounts receivable for ongoing work amounting to EUR 1.00 million and other receivables and assets

amounting to EUR 1.22 million. The increase in accounts receivable from ongoing work was due to the concentration in project flows between project accounting periods. On the other hand, the increase in other accounts receivable was largely due to the increase in accruals and deferrals in maintenance contracts of EUR 0.38 million, the increase in receivables from value-added and income tax of EUR 0.27 million, the increase in receivables consisting of exchange rate hedging transactions of EUR 0.22 million and tax claims of EUR 0.19 million.

Stocks of **cash and cash equivalents** amounting to EUR 13.21 million exceeded the value at the end of the 2016 financial year by EUR 7.19 million; for further details, see the statements on the financial situation.

Non-current debts increased by EUR 1.12 million in comparison with the balance sheet reporting date in 2016, which was mainly due to the increase in non-current bank liabilities by EUR 0.93 million. This development is the balance from making use of longer-term loans, which are being used to fund the expansion of the business premises at the headquarters of GK Software AG and the reclassification of repayments due for repayment within one year on these kinds of long-term loans. In contrast, deferred tax assets and liabilities only increased slightly by EUR 0.07 million to a figure of EUR 3.23 million.

The driving force behind the increase in current debts was primarily the increase in other current bank liabilities by EUR 6.25 million. In addition to the increase in current liabilities arising from personnel expenditure (including accruals and deferrals for holidays, overtime and variable remuneration rates), the increase was due to overpayments by customers.

Financial situation

The **cash flow due to operating activities** amounted to EUR 10.63 million during the first half of 2017, following a figure of EUR 1.32 million during the same period in the previous year. The cash flow from operating activities in the narrower sense during the first half of 2017 (+ EUR +6.67 million) also significantly exceeded the figure for the previ-

ous year of EUR 2.26 million. While the change in net current assets still had a negative effect on the income statement at EUR (0.09) million in the previous year, this development provided relief for the operating cash flow in the reporting period to the tune of EUR 4.79 million. The reason for this development in net current assets was the development of other current liabilities outlined in the previous section. The cash flow from operating activities was also negatively affected to the tune of EUR (0.83) million by the negative balance in interest received and paid (EUR (0.12) million, largely due to obligations arising from funding the US acquisition and the income taxes paid (EUR (0.72) million). This influence had been even greater during the same period in the previous year (EUR (0.85) million). The net influx of cash and cash equivalents from operating activities therefore amounted to EUR 10.63 million.

Investment activities weighed on the Group's cash flow at EUR 3.68 million to a much greater degree than in the same period in the previous year, when payments for investments were made to the tune of EUR 1.50 million. This increase in expenditure was connected to the expansion work at the central headquarters in Schöneck.

The **funding activities** led to an inflow of EUR 1.08 million, which was mainly due to taking out bank loans amounting to EUR 2.45 million, and this was countered by repayments amounting to EUR 1.37 million.

Overall, **stocks of cash and cash equivalents** at EUR 10.91 million were higher than the figure of EUR 5.36 million on 30 June 2016. The cash flow statement value increased by EUR 8.10 million compared to 31 December 2016.

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 interlinked. 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 interest and tax (EBIT) to determine earn-

ings or earnings before interest, tax, depreciation and amortisation (EBITDA) and the derived margins on the operating performance. In this sense, we refer to the forecast report for the development of these key figures.

Financial performance indicators

		30.6.2017	30.6.2016
Gross earnings margin on turnover	%	94.9	92.7
Personnel ratio	%	62.7	65.2
EBITDA margin on operating performance	%	12.0	6.6
EBIT margin on operating performance	%	8.1	0.9
Equity ratio	%	42.5	44.2
Investment ratio I	%	47.8	52.2
Excess in cash and cash equivalents over interest-bearing liabilities	EUR K	(1,799)	(8,746)

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

If we assume that the forecast for the key performance indicators will be met, we can expect that the key indicators quoted here will provide a positive development to manage the earnings, financial and assets situation and will move once again towards achieving the figures recorded in 2013. Developments compared to planning assumptions are currently slightly above expectations. However, based on the current state of information, it should be assumed that the key performance indicators will move in the direction of the figures forecast in the 2016 annual accounts.

Non-financial performance indicators. The management team primarily watches key indicators in sales activities as far as non-financial performance indicators are concerned. 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. Decisions about ongoing actions and procedures are made at an individual case level. Overall, we expect customer satisfaction to continue to improve. The changes introduced in March 2014 regarding the organisation of customer support through the introduction of "client executives" is due to be further intensified this year through the introduction of "customer offices" and this should generally continue to enhance overall support.

Report on Key Events

after the end of the first half of the year

No key events occurred after the end of the reporting period.

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

During its recent examination of the risks and opportunities, the Management Board did not discover any notable change to the statements made in previous years.

Risks

Risk management system

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

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

The most serious risk among the following ones is the [risk of damage to the Company's reputation](#) if an individual project should go wrong. The risks that influence customer behaviour, such as the effects on demand because of a perception that the company has performed inadequately or delays in investments because of new market conditions or regulatory measures, follow this

in terms of their significance. There may well be connections between the two types of risks mentioned: changes in market conditions or regulatory requirements could increase the complexity of projects, making it more likely that problems will arise during them.

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

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

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

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

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

Risks and overall picture of the risk situation

One major risk that cannot be influenced by the Group involves the business developments of GK Software's customers due to the development of the general economy and consumer sentiment. The actual developments in 2017 and previous years and also the prospects for 2018 and thereafter have been characterised by generally steady and constant growth prospects in the economic and political situation in many parts of the world. The direct and indirect effects of the crises, which have already broken out or are smouldering, on the specific markets where GK Software is active, are still unclear. They include the unresolved Ukraine/Russia conflict and the effects of latent terrorism risks in Germany and Europe, the ongoing development of the situation in the civil war regions in the Middle East and North Africa and the refugee crisis - all of them with the potential for effects to increase. Then there are the political uncertainties because of the important election year in Europe and Germany and the lack of clarity about the political direction in the USA in almost every respect. The actual ongoing developments in this situation and the associated uncertainties could exert an influence on economic developments in Europe, but it is impossible to specify any details at the moment.

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

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

One major argument for the successful sales of GK Software solutions and the long-standing customer relationships in many cases is the consistently successful completion of customer projects in the past. However, any [failures in the project business](#) could do [long-term damage to this positive reputation](#) and even lead to a reversal of this positive sentiment towards GK Software. This kind of situation could pose a threat to the company's long-term existence. As a result, the relevant project managers inform the responsible members of the Group Management Board about any possible risks during the course of ongoing projects in order to enable an appropriate and timely response to these kinds of risks. GK Software views the degree of customer satisfaction and the number of new customer contacts as important indicators for assessing risks. These two factors are therefore subject to particular monitoring and are regularly checked as part of the sales controlling processes.

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

Another new risk arises from the start of developments related to omni-channel approaches in the retail sector. This fundamentally new way of thinking and the opportunity of introducing it can extend the sales cycles in comparison to current periods, as customers view these developments as strategic and have to introduce an appropriate process to achieve the full potential. This can extend the times required for decisions to be made with the corresponding effects on sales opportunities for GK Software.

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

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

The planned expansion is also associated with certain financial risks. These mainly arise from preliminary payments for customer acquisition for the Group. This risk is increased by the extensions in sales cycles already mentioned above. The increase in sales expenditure associated with longer sales cycles plays a role in part. However, the need to maintain the ability to deliver products when deals are signed is of special importance.

This can lead to idle capacity costs of a significant magnitude.

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

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

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

To ensure further growth, the Company needs to attract additional, highly qualified employees. At the same time, it is impossible to rule out the possibility that members of staff in key positions will leave the Company. For this reason, it will be an ongoing challenge for the Company to retain current staff in the Company and attract new, motivated specialists at the same time. The Company

is making efforts to be an interesting employer for its existing employees and become an interesting employer in the jobs market by providing a combination of interesting tasks, international fields of operation and innovative products. The flotation and the Company's reputation as an innovative IT corporation have made the Company considerably more attractive in the jobs market. The aim is to further increase the existing attractiveness by completing the introduction of share option schemes for managers and senior employees in the Company. In addition to competence management, which aims to further increase the skills and abilities of employees in line with their tasks, we have initiated other measures like our active balance programme, which promotes a variety of joint activities by employees including minor work designed to make everyday life easier; this aims to increase the attractiveness of the Company. We wish to reinforce this even more by planning and designing our corporate campus at the Company's headquarters in Schöneck.

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

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

Trade receivables exist with the Group's customers. The maximum credit risk corresponds to the carrying amount of the trade accounts receivable. All the Group's customers are companies with an outstanding position in their respective markets. The probability of any default on account of the impossibility of meeting the obligations agreed with the Group is therefore slight. This situation is monitored closely by observing the customer's payment behaviour, the market environment

and drawing on external sources such as reports from the relevant specialist press. If this monitoring process gives rise to an assumption that the general economic situation for individual customers has changed, further measures are adopted in agreement with the management team in order to restrict any possible losses. Value adjustments may also occur if customers believe that work has not been complete or is inadequate. In these cases, the Group basically carries out individual value adjustments for precautionary reasons to the degree that there is some expectation that settlements on a goodwill basis – without any recognition of legal grounds – might be made. Interest revenues have not been entered from these depreciated financial assets.

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

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

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

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

At the end of the first half of 2017, the Management Board believed that there were no risks that could prove to be a threat to the existence of GK Software.

Risk reporting in relation to the use of financial instruments

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

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

Exchange rate risks arise from the Group's exposure to Czech crowns, Swiss francs, Russian roubles, South African rand, US dollars as well as Canadian dollars and Ukrainian hryvnia. The Group therefore enters into payment obligations arising from work, renting and leasing contracts in all these currencies. GK Software with its companies therefore not only issued invoices for sales and services in euros on the balance sheet reporting date, but also in Swiss francs, US dollars, Canadian dollars and South African rand. In order to be able to handle the Group's currency risks in a standard manner, GK Software AG tries to unify the currency risks internally. The Group carried out a sensitivity analysis to determine its risk of exposure to foreign currencies. The results of this analysis show that there are exchange risks amounting to EUR 204 K on the half-year results if there is a ten-percent increase and/or decline in the value

of the euro in comparison with these currencies. 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 in exchange rates for services, which the Group companies settle in local currencies every month. Services with a total value of EUR 7.38 million were provided by Group companies in 2016, which were either paid for in a currency other than the euro or not billed in the currency in which the services were provided for the third parties. These service invoices were settled in Czech crowns, Russian roubles, Ukrainian hryvnia, Swiss francs or US dollars.

An interest exchange rate swap was taken out to safeguard the cash flow arising from the acquisition of the Retail & Programming division of DBS Inc. in the USA in order to repay the investment loan from IKB. The interest and currency swap started on 31 December 2015 and ends on 31 March 2021. Quarterly repayments amounting to USD 529 K and approx. USD 100 K in interest must be paid to IKB from the first half of 2016 onwards. Bank assessments were used to determine the fair value on the balance sheet reporting date. The market value of this interest and currency swap covering a nominal volume of EUR 8,500 K (USD 9,006 K) amounted to a total figure of EUR (28 K) on the balance sheet reporting date - derived from the mid-market price. This amount was entered on the balance sheet under "Other liabilities". No valuation unit was formed.

The Group is exposed to **interest risks**, as it takes out financial resources with fixed and variable interest rates. The risk is controlled by maintaining an appropriate ratio, i.e. by taking out a mixture of fixed and variable interest rates on funds. This takes place by using interest rate caps. The interest risks are the result of interest payments agreed within the loan contracts. There is no link with the exchange rate risk here, because all the loans are nominated in euros. During the current year, interest payments of EUR 233 K were made and interest expenditure of EUR 262 K was recognised on the income statement. The interest rate on the loan with the DZ Bank is fixed for the complete term so that no interest risks arise from this contract. The fixed interest rate also exists

for the complete term of the loan taken out with IKB Industriebank AG to fund the acquisition of the Retail & Programming division of DBS Inc. The interest rate is set quarterly at a rate of 1.9 percentage points above the three-month EURIBOR rate in the case of the investment loans taken out with the Commerzbank with a value of EUR 750 K and EUR 450 K (value on the reporting date: EUR 274 K). The interest risk has been restricted by an interest rate cap of 1.0 percent p.a. The loan of EUR 180 K from the Commerzbank in Plauen (value on the reporting date: EUR 50 K) also attracts an interest rate that is set quarterly at 1.8 percentage points above the three-month EURIBOR rate. Once the existing interest rate cap has expired, no further interest rate hedging will be used because of the low loan debt. If there were an extreme change in the three-month EURIBOR rate by one percentage point, this would trigger a change in the interest expenses amounting to EUR 42 K during 2016 (determined using the factual interest expenses during 2016 with a changed interest rate). There are no risks related to interest on deposits because of the current low interest rates for deposits. Despite this, the company is keeping a close eye on the development of interest on deposits. The investment strategy can be quickly adapted because only short-term investments are used.

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

In the view of the Management Board, there were no risks, which could prove to be a threat to the existence of GK Software and its Group at the end of 2017 or on the publication date of 30 April 2017.

Opportunities

There are growth opportunities for the Group both in Germany and abroad. The issues targeted by the products of GK Software are key strategic IT projects that are high on the list of priorities at many retail companies. In order to be successful in the international market, the Group is well placed with references, not only from the German retail sector, but from having a technically well-developed product. GK Software is already very well represented internationally with more than 239,000 installations in over 42,000 stores in more than 40 different countries. GK Software also has several major partners with excellent networks in the retail sector. The partnership with SAP here should make it easier to gain access to new customers in international markets like the USA and Asia. The Group can make use of the experience that it has gained with its German and international customers, as the solutions have already been successfully introduced in 38 countries and can therefore be quickly transferred to foreign customers.

The growth prospects in Germany have also not yet been exhausted by a long way. The focus of GK Software AG will be on new areas in the future. They include, for example, fast food chains, which would significantly increase the target group of potential customers. Fairly small and medium-sized chains of stores, which have not been a prime target in the past, provide further huge potential, particularly if standardized solutions are sold.

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

out systems and centralised data flows will therefore be very important to retailers in the future. GK Software AG can clearly benefit from this investment behaviour in the retail sector.

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

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

The tools contained in an internal checking system and risk management with regard to accounting pursue the goals of maintaining assets and recognising risks in economic developments within society and the Group in good time. The internal checking system for accounts is particularly focused on ensuring compliance with the relevant rules in accounting laws.

The internal checking system is being continually developed and monitored by the Supervisory Board. The Management Board dictates the design and scope of the requirements placed on the internal checking system. It should be noted that no internal monitoring system can provide absolute certainty – regardless of its scope and type – but it must be designed in such a way that any major incorrect statements on the earnings, assets and financial situation of the Company or the Group can be prevented.

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

The constant increase in the speed of amendments to European international accounting laws and additions - which often contradict and com-

pete with national law and standards - is proving to be an additional burden on any presentation of accounts and involves a number of risks with a view to conforming to standards; this goes far beyond what was normal in the past. The Group is trying to keep the expenditure on this level of conformity within a reasonable level in proportion to the information benefits for those who will actually read the balance sheet. This not only involves trying to train employees who are familiar with accounting practices and who consult with external services providers, as described above, but also obtain the necessary information about adjustments to accounting law in good time and include them in the accounting processes in the appropriate manner.

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

The Group accounts and the accounts of the individual companies are organised and handled in-house. GK Software completes the accounts for the German subsidiaries or branches of subsidiaries as a service. The financial statements for the foreign Group companies are handled locally. The local annual accounts are then consolidated with the parent company's accounts by making suitable adjustments. The wage and salary accounts for the German companies and branches of the foreign subsidiaries are handled by GK Software internally.

The accounts for the individual companies and the Group are handled with IT support and displayed on Microsoft Navision. The technical equipment and the number of people working in the department are arranged in such a way that it can complete its tasks in line with the size of company.

Outlook

Developments at GK Software on the half-yearly reporting date slightly exceeded the expectations for this period. Management therefore believes that it will reach the targets that it has set for 2017. In this sense, there is no change to the forecast for the ongoing course of business in 2017 compared to the forecast made in the financial statement for 2016.

Based on the information available so far, the Management Board is expecting the Company's financial and earnings situation to further improve as a result of the ongoing expansion of business in 2017 and it does not expect any developments in its financial situation, which could pose a threat to the company's existence. This estimate is naturally subject to the impact of developments, which the company cannot influence and which might have a significant effect on this forecast, whether they are expected or come as a surprise.

We continue to believe that the pursuit of our strategy to increase the extent of our geographical range by tapping into and further developing other geographical markets represents the right course for GK Software. We are continuing to pursue the goal of covering operational expenditure completely or almost through revenues from project work, software maintenance and retail services in order to uncouple the revenue situation from previous fluctuations.

In general terms, the following points need to be noted: GK Software is continuing to plan to return to the familiar profit margins of more than 15 percent (EBIT margin on operating performance) for its core business by 2018 and then maintain this level. However, the expenses from tapping into new geographical markets could continue to impair developments designed to achieve this goal, as mentioned above. Even short-term delays to customer projects can have a considerable impact on the Group's earnings situation. It is precisely the uncertainty about achieving individual sales prospects, which, in conjunction with the size of the Company, creates a forecast for the EBIT that is fraught with considerable uncertainties, as individual large-scale sales opportunities can

involve a significant share of turnover revenues with particularly high profit margins.

If we follow the estimates outlined at the beginning about the development of the economy in general and the retail sector in particular, it is probable that the GK/Retail's turnover will continue to grow considerably in 2017. By 2018, we had anticipated that we would be able to increase turnover by fifty percent compared with the base year for our medium-term forecast, 2015 (EUR 62.60 million). While turnover amounted to EUR 77.33 million in 2016, the corporate group was already able to generate turnover of EUR 44.14 million during the first half of this reporting year. It therefore does not seem unreasonable to expect that the target figures in the medium-term forecast for turnover could be almost or even completely reached during 2017.

We cannot provide a forecast for profitability for individual years. However, we assume that we will once again be able to achieve our old target margin level (EBIT margin) of earnings before interest and taxes of more than 15 percent in our core business segment in the medium term (by 2018) (the figure was 5.1 percent in 2016). Although we are expecting some progress in reaching this figure in 2017, the possible project delays already mentioned and the activities in our non-European target markets, which have a high degree of priority for the Company, could entail further considerable costs and impair the expectations regarding profitability.

As regards the non-financial performance indicators in the area of customer satisfaction compared to the reference year of our medium-term forecast, 2015, we are expecting a further steady improvement during the next few years; this will be based on product improvements and the addition of local employees in the project-customer interfaces. However, we would like to emphasise that the expansion into new geographical markets may cause friction due to cultural differences, which could temporarily prevent us from reaching this target. Based on our expectations, the number of customer contacts will not change significantly, but will lead to better qualified opportunities.

We would explicitly repeat here once again that these estimates are only realistic if no external

political or economic shock situations take place. The volatility of the general conditions has constantly increased over the past few years and will at least remain at this heightened level. These kinds of problems, which affect the whole economy, could lead to a curb on the readiness of the retail sector to make investments and this could logically have a negative effect on the turnover and earnings potential at GK Software.

The Management Board



Rainer Glaess
Chief Executive Officer



André Hergert
Chief Financial Officer

C

Consolidated
accounts

45	Consolidated Balance Sheet
46	Consolidated Profit and Loss Statement and Other Results
47	Consolidated Statement of Changes in Equity
48	Consolidated Cash Flow Statement
50	Selected Explanations on the Notes on the Consolidated Accounts
50	Principles of Reporting
52	Balance sheet and assessment principles
53	Notes on the Consolidated Balance Sheet
60	Notes on the Consolidated Profit and Loss Statement
61	Notes on the Cash Flow Statement
61	Segment Reporting
63	Other Information
67	Assurance by legal representatives
68	Financial calendar
69	Imprint / Notes

Consolidated Balance Sheet

on 30 June 2017

Assets

T.09	EUR	Notes No.	30.6.2017 (not audited)	31.12.2016 (audited)
	Property, plant and equipment	2.; 3.1.	11,397,882.39	8,901,911.66
	Intangible assets	2.; 3.2.	22,202,765.47	23,827,867.37
	Financial assets	2.	5,300.00	6,660.00
	Active deferred taxes	2.; 3.13.	4,167,146.87	4,633,639.37
	Total non-current assets		37,773,094.73	37,370,078.40
	Goods	2.; 3.3.	1,005,756.68	955,799.48
	Auxiliary materials and supplies	2.; 3.3.	292,280.43	224,437.31
	Initial payments made	3.3.	97,564.50	44,202.34
	Trade accounts receivable	2.; 3.4.	15,303,893.71	18,031,736.01
	Trade accounts receivable from ongoing work	2.; 3.5.	4,482,499.90	3,480,270.93
	Income tax claims	2.; 3.7.	386,605.34	281,750.19
	Accounts receivable with associated firms	3.6.	303.45	2,820.45
	Other accounts receivable and assets	2.; 3.7.	6,428,406.61	5,206,555.81
	Cash and cash equivalents	2.; 3.8.	13,205,971.96	6,017,394.86
	Total current assets		41,203,282.58	34,244,967.38
	Balance sheet total		78,976,377.31	71,615,045.78

Liabilities

T.10	EUR	Notes No.	30.6.2017 (not audited)	31.12.2016 (audited)
	Subscribed capital	3.9.	1,890,000.00	1,890,000.00
	Capital reserves	2.; 3.9.	18,698,810.15	18,587,965.03
	Retained earnings	3.9.	31,095.02	31,095.02
	Other reserves (OCI from introducing IAS 19 2011, IAS 21)	3.9.	(1,348,217.76)	(853,054.50)
	Profit brought forward		11,998,085.79	9,172,219.74
	Shortfall for period		2,295,989.80	2,825,866.05
	Total equity		33,565,763.00	31,654,091.34
	Provisions for pensions	2.; 3.10.	1,900,103.00	1,766,974.00
	Non-current bank liabilities	2.; 3.11.	9,921,262.66	8,986,687.12
	Deferred government grants	2.; 3.12.	905,733.62	926,136.83
	Deferred tax liabilities	2.; 3.13.	3,226,884.33	3,162,764.06
	Total non-current liabilities		15,953,983.61	14,842,562.01
	Current provisions	2.; 3.14.	958,061.42	1,455,457.83
	Current bank liabilities	2.; 3.11.	5,083,783.92	5,776,643.68
	Liabilities from trade payables	2.; 3.15.	1,588,757.69	2,187,040.24
	Initial payments received	2.; 3.16.	217,557.55	269,587.96
	Income tax liabilities	2.; 3.17.	321,130.45	392,446.33
	Other current liabilities	2.; 3.18.	21,287,339.67	15,037,216.39
	Total current liabilities		29,456,630.70	25,118,392.43
	Balance sheet total		78,976,377.31	71,615,045.78

Consolidated Profit and Loss Statement and Other Results

for the financial year from 1 January until 30 June 2017

Consolidated profit and loss statement

T.11

EUR	Notes No.	30.6.2017 (not audited)	30.6.2016 (not audited)	31.12.2016 (audited)
Ongoing business operations				
Turnover revenues	2.; 4.1.	44,142,038.00	35,083,849.18	77,332,612.02
Own work capitalised	4.2.	0.00	253,157.40	381,689.00
Other operating revenues	4.3.	1,422,337.16	1,015,950.74	1,768,668.62
Turnover and other revenues		45,564,375.16	36,352,957.32	79,482,969.64
Materials expenditure	4.4.	(3,667,143.80)	(3,821,255.78)	(7,680,693.58)
Personnel expenditure	4.5.	(27,682,765.30)	(22,871,169.00)	(47,669,259.45)
Depreciation and amortisation	3.1.; 3.2.; 4.6.	(1,714,745.90)	(2,001,751.67)	(3,860,678.44)
Other operating expenditure	4.7.	(8,921,259.28)	(7,353,652.97)	(16,329,889.01)
Total operating expenses		(41,985,914.28)	(36,047,829.42)	(75,540,520.48)
Operating results		3,578,460.88	305,127.90	3,942,449.16
Financial income	4.8.	48,730.66	80,097.04	146,412.73
Financial expenditure	4.8.	(261,853.38)	(272,572.31)	(637,160.67)
Financial results		(213,122.72)	(192,475.27)	(490,747.94)
Income tax results		3,365,338.16	112,652.63	3,451,701.22
Income taxes	2.; 4.9.	(1,069,348.36)	(321,381.09)	(625,835.17)
Consolidated surplus/ shortfall for the period		2,295,989.80	(208,728.46)	2,825,866.05
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	1.5.; 4.11.	(378,971.50)	(20,954.62)	(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	2.; 4.9.	(116,191.76)	(499.72)	(285,098.57)
Overall results		1,800,826.54	(230,182.80)	2,464,064.46
of which attributable to the owners of the parent company		1,800,826.54	(230,182.80)	2,464,064.46
Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted	4.10.	1.21	(0.11)	1.50
Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted	4.10.	1.16	(0.11)	1.44

Consolidated Statement of Changes in Equity

on 30 June 2017

Consolidated statement of changes in equity

T.12

EUR	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Consolidated balance sheet profit	Total
Figures on 1. Januar 2016	1,890,000.00	18,364,587.77	31,095.02	(491,252.91)	9,172,219.74	28,966,649.62
Share option scheme	0.00	91,588.04	0.00	0.00	0.00	91,588.04
Allocation based on IAS 121	0.00	0.00	0.00	(21,454.34)	0.00	(21,454.34)
Consolidated loss for the period	0.00	0.00	0.00	0.00	(208,728.46)	(208,728.46)
Figures on 30 June 2016	1,890,000.00	18,456,175.81	31,095.02	(512,707.25)	8,963,491.28	28,828,054.86
Share option scheme	0.00	131,789.22	0.00	0.00	0.00	131,789.22
Allocation based on IAS 19	0.00	0.00	0.00	(285,098.57)	0.00	(285,098.57)
Allocation based on IAS 21	0.00	0.00	0.00	(55,248.68)	0.00	(55,248.68)
Consolidated profit for the period	0.00	0.00	0.00	0.00	3,034,594.51	3,034,594.51
Figures on 31 December 2016	1,890,000.00	18,587,965.03	31,095.02	(853,054.50)	11,998,085.79	31,654,091.34
Share option scheme	0.00	110,845.12	0.00	0.00	0.00	110,845.12
Allocation based on IAS 19	0.00	0.00	0.00	(116,191.76)	0.00	(116,191.76)
Allocation based on IAS 21	0.00	0.00	0.00	(378,971.50)	0.00	(378,971.50)
Consolidated surplus for the period	0.00	0.00	0.00	0.00	2,295,989.80	2,295,989.80
Figures on 30 June 2017	1,890,000.00	18,698,810.15	31,095.02	(1,348,217.76)	14,294,075.59	33,565,763.00

Consolidated Cash Flow Statement

on 30 June 2017

Cash flows from operating business

T.13

EUR K	30.6.2017 (not audited)	30.6.2016 (not audited)
Cash flows from operating business		
Surplus/ shortfall for period	2,296	(209)
Share option scheme (non-cash expenditure)	111	92
Income taxes affecting results	1,069	321
Interest income/ expenses affecting results	213	193
Profit/ loss from the sale or disposal of property, plant and equipment	(3)	(9)
Reversals of deferred public sector subsidies	(20)	(20)
Write-downs recognised for receivables	0	51
Depreciation and amortisation	1,715	2,002
Actuarial gains/ losses	(116)	—
Net foreign currency losses	840	(21)
Net profits from financial tools assessed at their fair value	(512)	(142)
Other non-cash revenues and expenditure	(1)	(1)
Cash flow from operating business	5,592	2,257
Changes in net current assets		
Changes in trade accounts receivable and other receivables	962	181
Changes in inventories	(171)	(43)
Changes in trade accounts payable and other liabilities	5,504	240
Changes in initial payments received	(52)	367
Changes in provisions	(375)	(835)
Interest paid	(116)	(238)
Income taxes paid	(715)	(614)
Net inflow of funds (net outflow in previous year) from operating activities		
Amount carried forward	10,629	1,315

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

T.14	30.6.2017 (not audited)	30.6.2016 (not audited)
EUR K		
Amount carried forward		
Net inflow of funds (net outflow in previous year) from operating activities	10,629	1,315
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(3,803)	(1,465)
Proceeds from disposals of fixed assets	3	9
Disbursement as part of a company acquisition	—	(46)
Interest payments received	54	13
Disbursed loans	—	(10)
Proceeds from the repayment of loans	64	—
Net cash outflow for investment activities	(3,682)	(1,499)
Cash flow from financing activities		
Taking out loans	2,451	0
Repayment of loans	(1,367)	(819)
Net inflow (previous year: net outflow) in cash from financing activities	1,084	(819)
Net outflow of cash and cash equivalents	8,031	(1,003)
Cash and cash equivalents at the beginning of the financial year	2,812	6,360
Cash and cash equivalents at the end of the financial year	10,913	5,357
Impact of changes in exchange rates on cash and cash equivalents	70	0
Limited available funds	974	1,037

Composition of cash and cash equivalents

T.15	30.6.2017 (not audited)	30.6.2016 (not audited)
EUR K		
Liquid assets	13,206	7,383
Utilisation of current account credit/ credit card/ exchange rate	(2,293)	(2,026)
Cash and cash equivalents at the end of the financial year	10,913	5,357

Selected Explanations on the Notes on the Consolidated Accounts

for the first half of 2017

1. Principles of Reporting

1.1. General information

GK Software AG (hereinafter called GK Software) is a public limited company based in Germany. The address of the registered headquarters and head office for business operations is Waldstrasse 7, 08261 Schöneck. GK SOFTWARE AG is registered in the Commercial Register at Chemnitz Local Court under reference number HRB 19157.

Based on a decision at the annual shareholders' meeting on 22 June 2017, GK Software AG will be changed into a European company (Societas Europaea or SE) to become GK Software SE. The transformation will maintain the identity of the legal entity. This will not lead to the winding up of GK Software AG or the founding of a new legal entity.

The transformation will take place according to Article 2 Para. 4 of the SE Order in conjunction with Article 37 of the SE Order. In addition to the SE Order, the stipulations in the Act Governing the Statutes of an SE and other individual stipulations in German law, particularly the Companies Act and the Transformation Act will apply. The basis for the transformation is the transformation plan compiled by the Management Board at GK Software AG and notarised on 4 May 2017 (Notary no. 1205/2017-L).

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

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

These goals are monitored by tracking financial indicators (e.g. the current liquidity balance, net debts, capital turnover speed) for the target corridors. The aim of maintaining adequate capital is supported by investing cash and cash equivalents in a non-risk manner. Derivative financial instruments are only used to the extent that they are needed to hedge actual business deals.

The consolidated group's major customers include:

- adidas AG
- Coop Genossenschaft
- EDEKA Zentralhandelsgesellschaft mbH
- Galeria Kaufhof GmbH
- Hornbach-Baumarkt AG
- Lidl Stiftung & Co. KG
- Loblaw Companies Limited
- Migros-Genossenschafts-Bund
- Netto Marken-Discount AG & Co. KG
- Parfümerie Douglas GmbH
- Tchibo GmbH
- X5 Retail Group

1.2. Principles of presentation

The abbreviated GK Software consolidated accounts have been prepared according to the International Financial Reporting Standards (IFRS) as they apply within the European Union (EU) and also the supplementary commercial law require-

ments according to Section 315a, Paragraph 1 of the German Commercial Code.

The IFRS covers the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC). We have taken into account all the IFRS published by the International Accounting Standards Board (IASB) and adopted by the European Commission for use in the EU, if they are already mandatory and relevant for the GK Group.

The following summary shows the new standards and interpretations needing to be applied for the first time during the reporting period and changes to standards and interpretations that are relevant for the 2017 financial year.

Summary of IFRS standards and interpretations

T.16

Announcements	Title	Applicability for GK Software from	Probable effects on the presentation of the assets, financial and earnings situation or the cash flow at GK Software.
Changes to IAS 7	Statement of cash flows	1.1.2017 ¹	No major effects
Changes to IAS 12	Income taxes	1.1.2017 ¹	No major effects
Clarification	Clarification of IFRS 2014-2016	1.1.2017 (only for IFRS 12) ¹	No major effects

¹ -The first date of usage envisaged by the IASB is assumed to be the probable period of first usage for any standards not yet adopted by the EU.

Further information on standards, interpretations and changes, which have been published, but not yet used, and details on the formation and the assessment of balance sheet items and also arbitrary decisions and uncertainties about estimates can be found in chapter 1.2 "Principles of presentation" in the notes on the consolidated accounts in the 2016 financial statement (2016 Financial Statement, pages 66ff).

1.3. Consolidated companies

The consolidated accounts include GK Software and all the companies where GK Software AG has majority voting rights, either directly or indirectly.

Reference is made here to section 1.3. "Consolidated companies" in the notes on the consolidated accounts in the 2016 financial statement (2016 Financial Statement, pages 69ff).

All the firms within the consolidated companies are either directly or indirectly owned solely by GK Software AG.

1.4. Principles of consolidation

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

Internal profits and losses within the group, sales, expenditure and earnings or the accounts receivable and payable, which exist between the consolidated companies, have been eliminated. The effects on taxes on profits have been taken into account in the consolidation procedures that

affect the results and deferred taxes have been taken into consideration.

1.5. Currency conversions

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

tional currency at the rate that applies on the balance sheet date.

1.6. Report on key events

There were no major events to report after 30 June 2017.

2. Balance sheet and assessment principles

The same balance sheet and assessment principles were used as in the consolidated accounts on 31 December 2016. Reference is made here to chapter 2. "Balance sheet and assessment principles" in the notes on the consolidated accounts in the 2016 financial statement (2016 Financial Statement, pages 73ff).

3. Notes on the Consolidated Balance Sheet

3.1. Property, plant and equipment

Property, plant and equipment

T.17

EUR	Real estate and buildings	Operating and business equipment	Initial payments made and facilities under construction	Total
Purchasing or production costs				
Figures on 1 January 2017	4,772,363.90	8,260,917.41	3,198,050.12	16,231,331.43
Accruals	108.00	1,279,468.72	2,076,113.90	3,355,690.62
Disposals	0.00	65,738.54	4,874.00	70,612.54
Figures on 30 June 2017	4,772,471.90	9,474,647.59	5,269,290.02	19,516,409.51
Accumulated depreciation				
Figures on 1 January	1,410,002.42	5,919,417.35	0.00	7,329,419.77
Accruals	73,223.98	781,505.94	0.00	854,729.92
Disposals	0.00	65,622.57	0.00	65,622.57
Figures on 30 June 2017	1,483,226.40	6,635,300.72	0.00	8,118,527.12
Carrying amounts on 30 June 2017	3,289,245.50	2,839,346.87	5,269,290.02	11,397,882.39

Procurement obligations for other office and business equipment amounted to approx. EUR 1.063 K (previous year: EUR 390 K).

3.2. Intangible assets

Intangible assets

T.18

EUR	Capitalised development costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Orders in hand	Total
Purchasing or production costs						
Figures on 1 January 2017	7,988,400.46	4,776,876.67	16,781,675.32	6,750,684.80	1,584,511.46	37,882,148.71
Accruals	0.00	454,024.57	0.00	0.00	0.00	454,024.57
Changes caused by exchange rates	0.00	(107,542.12)	(773,513.35)	(338,055.03)	0.00	(1,219,110.50)
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Figures on 30 June 2017	7,988,400.46	5,123,359.12	16,008,161.97	6,412,629.77	1,584,511.46	37,117,062.78
Accumulated depreciation						
Figures on 1 January 2017	7,079,255.09	2,709,862.74	870,000.00	1,882,799.22	1,512,364.29	14,054,281.34
Accruals	179,367.08	341,237.95	0.00	300,057.94	39,353.00	860,015.97
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Figures on 30 June 2017	7,258,622.17	3,051,100.69	870,000.00	2,182,857.16	1,551,717.29	14,914,297.31
Carrying amounts on 30 June 2017	729,778.29	2,072,258.43	15,138,161.97	4,229,772.61	32,794.17	22,202,765.47

3.3. Inventories

Inventories			
T.19	EUR	30.6.2017	31.12.2016
	Goods	1,005,756.68	955,799.48
	Auxiliary materials and supplies	292,280.43	224,437.31
	Advance payments on inventories	97,564.50	44,202.34
	Total	1,395,601.61	1,224,439.13

3.4. Trade accounts receivable

The trade accounts receivable have a term of less than one year. Because of the short term involved, it is assumed that the fair value will equal the carrying amount. No new value adjustments were formed during this half of the financial year (previous year EUR 313 K). Earnings from the cancellation of value adjustments were entered and amounted to EUR 34 K (previous year: EUR 19 K¹). Overall, value adjustments amounted to EUR 422 K on the balance sheet on the reporting date (previous year: EUR 456 K²).

There were foreign currency trade receivables in Czech crowns amounting to EUR 7K on the balance sheet reporting date (previous year: EUR 4 K), in US dollars amounting to EUR 910 K (previous year: EUR 1.439 K) and in South African rand amounting to EUR 454 K (previous year: EUR 875 K).

Trade accounts receivable from ongoing work Customer orders, for which turnover revenues were realised according to IAS 11 in conjunction with IAS 18.20, must be entered as assets. This item amounted to EUR 4,482,499.90 on the balance sheet reporting date (previous year: EUR 3.480 K).

3.5. Accounts receivable with associated firms

On the balance sheet reporting date, there were accounts receivable owed by associated firms amounting to EUR 0 K (previous year: EUR 0 K) and by AWEK Hong Kong Ltd amounting to EUR

1 – Previous year's figure changed

2 – Previous year's figure changed

0 K (previous year: EUR 3 K) towards GK Software Holding GmbH, the main shareholder of the parent company.

3.6. Other accounts receivable, assets and income tax receivables

Other accounts receivable, assets and income tax receivables			
T.20	EUR	30.6.2017	31.12.2016
	Loans paid to third parties	2,683,781.87	2,727,761.33
	Income tax claims	386,605.34	281,750.19
	Accounts receivable from members of the Management Board	32,429.78	42,683.40
	Others	3,712,194.96	2,436,111.08
	of which from legal claims	589,991.03	321,234.90
	of which from asset deferrals	1,917,192.62	1,472,273.99
	Total	6,815,011.95	5,488,306.00

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

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

Other accounts receivable in Czech crowns existed on the reporting date and amounted to EUR 193 K (previous year: EUR 120 K), in Swiss francs EUR 4 K (previous year: EUR 4 K), in Russian roubles EUR 5 K (previous year: EUR 8 K), in US dollars EUR 671 K (previous year: EUR 113 K), in South African rand amounting to EUR 5 K (previous year: EUR 4 K) and in Ukrainian hryvnia EUR 3 K (previous year: EUR 10 K).

3.7. Cash and cash equivalents (liquid funds)

Cash and cash equivalents are assessed at their nominal value. The item contains cash holdings and current bank deposits with terms of less than three months. Bank deposits amounting to EUR 11K (previous year: EUR 11K) were pledged as part of rent collateral for the bank providing the

guarantee. The Management Board is not expecting this security to be used. A further USD 1.100 K (EUR 963 K) were put aside as security for retention bonuses for employees.

3.8. Equity

Please refer to the equity capital change calculations for more information on the change in equity capital for GK Software until the reporting date of 30 June 2017.

The company's share capital amounted to EUR 1,890,000.00 on 1 January 2017 and was divided into 1,890,000 individual share certificates.

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

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

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

Contingency capital According to Section 4a (1) and (2) of the articles of association, the Manage-

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

According to Section 4a (4) of the articles of association, authorisation was provided to increase the nominal capital by a further EUR 50,000, divided into 50,000 individual share certificates. The increase in equity capital is only carried out if holders of share options, which were issued in the period up to 27 June 2017 on the basis of the resolution passed at the annual shareholders' meeting on 28 June 2012, exercise their subscription rights to Company shares and the Company issues new shares to service them. Members of the Management Board, managers of companies in which GK Software has an indirect or direct majority holding ("associated firms") and managers of the Company and its associated firms are entitled to participate in the share option scheme.

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

There have been no changes in relation to the share option programme in 2017.

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

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

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

3.9. Statutory provisions for pensions

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

The pension benefit plans have been organised so that they form a life-long, fixed retirement pension, which is to be paid when a member of staff retires from the company upon reaching the age of 65. A contingent right to a widow's pension amounting to 60 percent of the old-age pension exists if the member of staff suffers invalidity or dies.

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

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

Interest change risks Any reduction in the loan interest rate will lead to an increase in the plan liability, but this is partially offset by an increased yield from the plan asset investment in debt instruments with fixed interest rates.

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

Salary risks The cash value of the defined benefit obligation from the plan is determined on the basis of the future salaries of the employees benefiting from the scheme. As a result, any increases in salaries for the employees benefitting from the scheme create an increase in the plan's liability.

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

The calculations are based on the following assumptions:

Assumptions for calculating cash values

T.21	H1 2017	FY 2016
Pensionable age (m/f)	60-65/60-65	60-65/60-65
Discount factor(s) on 1 January	1.40% p.a.	2.20% p.a.
Discount factor(s) on 30 June	1.40% p.a.	1.40% p.a.
Salary development/ expectation of future benefits	0.00% p.a.	0.00% p.a.
Rate of pension increase	1.50% p.a.	1.50% p.a.
Probability of fluctuation	none	none

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

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

Reconciliation accounts of the opening and closing balances for the cash value of the defined benefit obligations with the reasons for the changes provide the following picture:

Reconciliation account to determine the cash value

T.22	EUR	H1 2017	FY 2016
	Figures on 1 January:	3,698,153	3,232,027
	+ Interest expenditure	25,461	69,782
	+ Working period costs	47,719	79,054
	- Benefits paid out	(46,882)	(112,289)
	+ Actuarial losses	(273,991)	429,579
	Figures on 30 June	3,450,460	3,698,153

The development of the plan assets is shown as follows:

Development of the plan assets

T.23	EUR	H1 2017	FY 2016
	Figures on 1 January	1,931,179	1,772,097
	+ Expected yields from plan assets	14,293	40,039
	+ Contributions	94,775	189,548
	- Benefits paid out	(43,467)	(93,852)
	- Actuarial losses (-)/ profits	(446,423)	23,347
	Figures on 31 December	1,550,357	1,931,179

This therefore gives rise to a planned deficit of EUR 1,900,103.00 (previous year: EUR 1,766,974).

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

Expenditure on pensions

T.24	EUR K	H1 2017	FY 2016
	Current service costs	48	79
	Past service costs	0	0
	Net interest expenditure	11	30
	Expenditure on requirement benefits	59	109
	Actual revenues from plan assets	(432)	63

Of the current expenditure of EUR 59 K at the end of the six months (previous year EUR 109 K), interest income amounting to EUR 14 K (previous year: EUR 40 K) and interest expenditure amounting to EUR 25 K (previous year: EUR 70 K) were entered under the "Interest results" and the remaining expenses amounting to EUR 48 K (previous year: EUR 79 K) as "Expenditure for old-age pensions".

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

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

Development of the cash values of defined benefit obligations and plan assets

T.25	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (-) surplus (+)
	H1 2017	3,450,460	1,550,357
	FY 2016	3,698,153	1,931,179
	FY 2015	3,232,027	1,772,097
	FY 2014	3,277,278	1,612,827
	FY 2013	2,444,471	1,532,422
	FY 2012	3,188,199	1,479,873

3.10. Non-current and current bank liabilities

Two investment loans were taken out with the Commerzbank AG Plauen during the 2007 financial year (original amounts: EUR 750 K and EUR 450 K). The Company also took over a loan (EUR 225 K) from Gläß & Kronmüller OHG, Schöneck during the course of the merger in 2007. Security for the loans is provided through registered land charges on the business real estate, recorded in the land register for Schöneck, Plauen Local Court, page 1895. The loan, which was taken over during the course of the merger, was rescheduled during the 2009 financial year. The two other loans were valued at a total of EUR 225 K on the reporting date. In order to provide additional security, there is a blanket assignment of the receivables from goods deliveries and services owed by third-party debtors, with the exception of the accounts receivable associated with the "LUNAR" project. Other loans were taken out during the 2009 financial year as a result of the new building extension, the aforementioned rescheduling and the acquisition of Solquest (DZ Bank EUR 748 K and KfW EUR 180 K). These loans were valued at EUR 274 K in total on 30 June 2017. In order to provide security for the loans from the DZ bank, land charges amounting to EUR 1,085 K were entered in the land registry for Schöneck, Plauen Local Court, pages 999, 1378 and 1895. These loans, which were valued at EUR 499 K (previous year: EUR 604 K) on the reporting date, are due for repayment in the fol-

lowing year with a total amounting EUR 134 K (previous year: EUR 209 K). In order to increase liquidity even further, a loan (amounting to EUR 3,000 K) was taken out with Sparkasse Vogtland during 2015. This loan was valued at EUR 2,250 K on the reporting date. The repayment for the following year amounts to EUR 429 K. In order to finance the corporate acquisition in the USA, a loan (amounting to EUR 10,000 K) was taken out with IKB Bank during 2015. This loan was valued at EUR 7,500 K on the reporting date. The repayment for the following year amounts to EUR 2,000 K. In addition, a further loan amounting to EUR 2,750 K was provided by Sparkasse Vogtland to fund building work during the first half of the year. This was valued at EUR 2,404 K on the reporting date. The repayment for the following year amounts to EUR 187 K. A corresponding land charge was entered in the land registry for Schöneck, Plauen Local Court, page 1895, for the loan.

This included securing liabilities amounting to EUR 2.903 K through a mortgage on 30 June 2017. This share of repayments for the following year was entered under "Current bank liabilities."

In addition to this, the current bank liabilities include utilised credit card limits amounting to EUR 184 K (previous year: EUR 94 K) and a current account credit line that was used amounting to EUR 2,149 K (previous year: EUR 3.086 K).

3.11. Deferred public sector grants

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

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

3.12. Deferred taxes

Please refer to 4.9

3.13. Provisions

Provisions					
T.26	EUR	Personnel department	Production-department	Other departments	Total
	Situation on 1 January 2017	203,310.00	1,070,427.70	181,720.13	1,455,457.83
	Amounts used	193,219.60	396,699.47	63,868.94	653,788.01
	Liquidation	10,090.40	0.00	470.00	10,560.40
	Additional funds	101,702.00	55,600.00	9,650.00	166,952.00
	Figures on 30 June 2017	101,702.00	729,328.23	127,031.19	958,061.42

The current provisions in the personnel department primarily concern bonuses and nothing but warranties in the production department.

The calculation for the warranty provision is based on the historic warranty expenditure and estimates regarding the future costs. Any provisions formed in previous years for projects and amounting to EUR 300 K were used during the reported half year.

Trade accounts payable

Trade payables are still due for settlement within one year.

There were foreign currency trade payables amounting to EUR 26 K in Czech crowns on the balance sheet date (2016 financial year: EUR 32 K), EUR 181 K in US dollars (2016 financial year: EUR 149 K), EUR 1 K in South African rand (2016 financial year: EUR 3 K) and EUR 0 K in Ukrainian hryvnia (2016 financial year: EUR 1 K).

3.14. Initial payments received

As in the previous year, the initial payments received have a term of less than one year. The Company did not have any initial payments received in foreign currencies on the balance sheet date.

3.15. Income tax liabilities

This item includes liabilities arising from corporation tax, the solidarity surcharge and trade tax in Germany as well as the Switzerland and the Ukraine.

3.16. Other current liabilities

The tax liabilities cover outstanding income tax payments and value-added tax.

There were other foreign currency liabilities amounting to EUR 682 K in Czech crowns (2016 financial year: EUR 514 K), EUR 4,545 K in US dollars (2016 financial year: EUR 5,172 K), EUR 110 K in Swiss francs (2016 financial year: EUR 138 K), EUR 6 K in Russian roubles (2016 financial year: EUR 0 K), EUR 222 K in South African rand (2016 financial year: EUR 249 K) and EUR 0 K in Ukrainian hryvnia (2016 financial year: EUR 1 K).

The other liabilities particularly include overpayments from customers.

Other current liabilities			
T.27	EUR	30.6.2017	31.12.2016
	Tax liabilities	923,548.32	1,853,248.77
	Liabilities from wages and salaries	6,867,649.05	7,199,921.71
	Other liabilities towards members of staff	0.00	17,844.06
	Liabilities from the acquisition of companies	2,190,676.47	2,371,691.48
	Others	11,305,465.83	3,594,510.37
	of which from deferrals	3,510,555.58	1,743,959.03
	Total	21,287,339.67	15,037,216.39

4.7. Other operating expenditure

As in the previous year, this item largely covers legal and advisory costs, expenditure on warranties, advertising and travel expenses, office and operating costs as well as administrative and sales expenditure.

4.8. Financial results

Financial results

T.31	EUR	H1 2017	H1 2016
	Interest income	48,730.66	80,097.04
	Interest expenditure	(261,853.38)	(272,572.31)
	Account balance	(213,122.72)	(192,475.27)

4.9. Income taxes

Income taxes

T.32	EUR	H1 2017	H1 2016
	Current tax liabilities	367,512.16	310,939.96
	Deferred tax expenditure	701,836.20	10,441.13
	Account balance	1,069,348.36	321,381.09

Deferred taxes were determined according to the individual corporate tax rates in Germany, which were 29.5 percent, 29.2 percent and 32.6 percent based on corporation tax, the solidarity surcharge and the business tax. The deferred taxes in the individual companies were determined on a tax rate of 25.8 percent in Switzerland, 19 percent in the Czech Republic, 39 percent in the USA, 20 percent in Russia, 28 percent in South Africa, 20 percent in Russia and 18.0 percent in Ukraine. An average Group tax rate of 25.5 percent was used to determine the deferred taxes on changes arising from the elimination of Group interim profits.

4.10. 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 2017 financial year was 1,890,000 (previous year:

(1,890,000). The consolidated net profits for 2017 amounted to EUR 2,296 K (2016: EUR 2,826 K). As a result, the earnings per share amount to EUR (1.21) for H1.2017 (2016: EUR 1.50).

The calculation for the diluted earnings per share took into account the number of shares where the share price on average lay above the exercise thresholds during the year.

The company's share price for 129,575 share options lay above the exercise thresholds as an annual average figure. These were taken into account when calculating the diluted weighted average for the ordinary shares on 30 June 2017. The diluted earnings per share amounted to EUR 1.16 (2016: EUR 1.44).

5. Notes on the Cash Flow Statement

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

6. Segment Reporting

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

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

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

turnover according to fields of work is part of the reporting process.

The IT Services segment offers services for operating IT systems at store-based retailers. The software services include user support as well as monitoring and maintaining hardware and software. The isolation of this segment exclusively concerns the business operations of the AWEK Group during this financial year. It is assumed that this business segment will change during the process of integrating the AWEK Group.

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

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

The Company generated turnover of EUR 17,353 K with customers that have their administration headquarters located outside Germany (previous year: EUR 8,459 K). The share of turnover generated by the SQRS business unit amounted to EUR 0 K here (previous year: EUR 0 K) and the figure for the IT Services unit was EUR 127 K (previous year: EUR 493 K). In addition, there were sales with customers, which have their headquarters in Germany, but which asked the Company to render accounts to the relevant national firms receiving

Turnover by segments

T.33

EUR K	GK/Retail			SQRS			IT Services			Eliminations			Group		
	H1 2017	H1 2016	FY 2016	H1 2017	H1 2016	FY 2016	H1 2017	H1 2016	FY 2016	H1 2017	H1 2016	FY 2016	H1 2017	H1 2016	FY 2016
Turnover with third parties	37,054	28,428	64,866	400	466	877	6,688	6,190	11,590	0	0	0	44,142	35,084	77,333
Licences	4,979	4,520	11,484	—	—	—	578	432	909	—	—	—	5,557	4,952	12,393
Maintenance	9,058	6,525	12,799	399	416	821	4,119	3,746	7,425	—	—	—	13,576	10,687	21,045
Services	22,847	16,979	39,833	1	50	52	618	654	1,162	—	—	—	23,466	17,683	41,047
GK Academy	81	225	397	—	—	—	—	—	—	—	—	—	81	225	397
Other business	105	191	376	—	—	4	1,402	1,380	2,133	—	—	—	1,507	1,571	2,513
Revenue reductions	(16)	(12)	(23)	—	—	—	(29)	(22)	(39)	—	—	—	(45)	(34)	(62)
Turnover with other segments	39	127	199	—	—	—	304	182	1,035	(343)	(309)	(1,234)	—	—	—
EBIT segment	2,026	220	3,222	229	212	434	1,316	(133)	286	7	6	—	3,578	305	3,942
Assets	74,682	66,593	69,404	2,643	2,387	2,355	11,217	8,579	8,700	(9,567)	(9,759)	(8,843)	78,975	67,800	71,616
Debts	44,646	39,694	40,327	185	270	74	7,937	6,559	6,194	(7,357)	(7,549)	(6,633)	45,411	38,972	39,962
Cash and cash equivalents	9,543	5,782	5,059	1,382	908	547	2,281	693	411	—	—	—	13,206	7,383	6,017

Depreciation and amortisation for the GK/Retail segment amounted to EUR 1,543 K (previous year: EUR 1,807 K), for SQRS EUR 0 K (previous year: EUR 0 K) and for IT Services EUR 172 K (previous year: EUR 195 K).

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

Work based on software service contracts, which are governed by the normal segment revenues in

the services. This turnover amounted to EUR 838 K (previous year: EUR 450 K), but is valued as domestic turnover because of the contractual basis and has been fully assigned to the GK/Retail business segment.

Turnover with customers, which each have a share of sales that is greater than 10 percent, amounted to approximately EUR 6,935 K (previous year: EUR 14,792 K) or 15.7 percent (previous year: 42.1 percent) of total turnover at the end of the first six months of 2017. This turnover related to the GK/Retail segment with one customer.

7. Other Information

7.1. Contingent liabilities

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

Contingent liabilities include one guarantee credit amounting to EUR 38 K (previous year: EUR 38 K), which was granted by Volksbank Vogtland e.G. The guarantee is part of the normal collateral for leasing payments at the Berlin office and is secured by credit balances pledged as collateral and amounting to EUR 11 K (previous year: EUR 11 K). The Management Board does not expect it to be necessary to make use of the guarantee.

Agreements on retention bonuses were agreed with employees as part of the acquisition of the retail segment of the US company, DBS Data Business Systems Inc. USD 1,100 K (approx. EUR 0.96 million) has been deposited in an American bank account for this purpose.

The operating leasing agreements relate to vehicle leasing arrangements. The payments entered as expenditure for the first six months of the 2017 financial year amounted to EUR 698 K (previous year: EUR 648 K).

There were payment obligations arising from operating leasing contracts amounting to EUR 2,193 K (previous year: EUR 1,514 K). This includes EUR 1.207 K, which is due within one year (previous year: EUR 841 K) and EUR 986 K, which is due within five years (previous year: EUR 673 K). There are no finance leasing agreements.

7.2. Subsidiaries

Subsidiaries of GK Software AG

T.34

Name of the subsidiary	Headquarters	Capital share %	Share of voting rights %	Main business
EUROSOFTWARE s.r.o.	Plzen/Czech Republic	100.0	100.0	Software development, software programming
StoreWeaver GmbH	Dübendorf/Switzerland	100.0	100.0	Software development, software programming
1. Waldstraße GmbH	Schöneck	100.0	100.0	Software development, software programming
OOO GK Software RUS	Moscow, Russian Federation	100.0	100.0	Software development, software programming
AWEK GmbH	Barsbüttel	100.0	100.0	IT Services
AWEK microdata GmbH	Bielefeld	100.0	100.0	Software development, software programming
GK Software USA Inc.	Cape Coral/USA	100.0	100.0	Software development, software programming
GK Software Afrika (Pty)	Bedfordview, South Africa	100.0	100.0	Software development, software programming
TOV Eurosoftware-UA	Lviv, Ukraine	100.0	100.0	Software development, software programming

All the companies named here are fully consolidated in these consolidated accounts.

7.3. Details of associated persons and firms

There was no need for any expenditure on valuation adjustments or irrecoverable debts with regard to associated persons or these items did not exist.

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

7.3.1. Parent company

The direct parent company is GK Software Holding GmbH, Schöneck. Business relations existed as part of an agency agreement until 30 June 2017. EUR 1 K income from this has been included under "Other operating income". Accounts receivable amounted to EUR 0 K on 30 June 2017.

7.3.2. Management Board

The following people are or have been members of the Management Board:

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

The salaries of the Management Board amounted to EUR 587 K in all. This included EUR 369 K in fixed earnings, EUR 165 K in variable earnings and monetary benefits amounting to EUR 53 K. The

variable earnings relate to the degree to which targets were met in the financial year and the previous year. The non-monetary benefits relate to company cars that are made available.

Share awards that expire at some time are granted as long-term share-based remuneration (share options). If they are exercised, the options are serviced by the issue of new non-par value company shares made out to the holder with a calculated share in the nominal capital of one euro from the authorised capital without any additional payment by the recipient. In terms of the organisation of the share awards, the same general conditions apply to the Management Board as to senior members of staff. The Management Board held a total of 34,000 options on 30 June 2017. 3,000 of these were allocated to the share option scheme for 2012, 10,000 options for 2013, 6,000 for 2014, 5,000 for 2015 and 10,000 for 2016; the options had a fair value of EUR 11,929, EUR 6,240, EUR 6,420, EUR 8,302 and EUR 9,202 on the date of issue. The share-based remuneration for the first half of 2017 therefore totalled EUR 11 K. 13,000 options are held by a former member of the Management Board.

Therefore, the total remuneration for the Management Board amounted to EUR 598 K, including options.

The annual shareholders' meeting on 29 June 2015 decided in line with Sections 286 Paragraph 5 and 314 Paragraph 2 Sentence 2 of the German Commercial Code to forego the disclosure of the indi-

vidual salaries according to Sections 285 No. 9 Letter a) Sentences 5 – 8 and 314 Paragraph 1 No. 6 letter a) Sentences 5 – 8 of the German Commercial Code for the 2015 to 2019 financial years. As a result, no detailed information is made available here.

The company formed pension provisions amounting to EUR 312 K for former members of the Management Board and their surviving dependents (previous year: EUR 325 K). The sum required to cover this provision amounted to EUR 649 K (previous year: EUR 628 K) and the net planned assets had a fair value of EUR 337 K (previous year: EUR 303 K). Other non-current due benefits therefore amounted to EUR 312 K in all on the reporting date, EUR -13 million of which was added to the figure in 2017.

People, who were or are members of the company's Management Board or Supervisory Board, held the following shareholdings in GK Software during the 2017 financial year on 30 June 2017:

Shareholdings held by members of the Management Board and Supervisory Board

T.35	Name	Number of shares	in %
	Rainer Gläss	62,792	3.32
	Herbert Zinn	1,000	0.06
	André Hergert	500	0.03

Mr Gläss and Mr Kronmüller each held 468,350 shares indirectly through GK Software Holding GmbH on 30 June 2017.

7.3.3. Supervisory Board

The following people are members of the Supervisory Board:

- Mr Uwe Ludwig, Neumorschen, management consultant, Chairman of the Supervisory Board
- Mr Herbert Zinn, Ebersburg, trade and commerce expert
- Mr Thomas Bleier, Oelsnitz, businessman

The total salaries for the Supervisory Board of GK Software AG for the first six months of the 2017

financial year amounted to EUR 40 K (previous year: EUR 40 K) and they represent current due benefits.

No other claims for remuneration exist.

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

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

Accounts receivable from associated firms and persons

T.36	EUR K	30.6.2017	31.12.2016
	Loans to associated firms, which are not part of the consolidated group	1,963	1,995
	Other claims from members of the management team in key positions (Management Board members)	32	43
	Accounts receivable from associated firms, which are not part of the consolidated group	98	391
	Total	2,093	2,429

Two loans were granted to closely associated firms. One loan, which provides credit amounting to EUR 2,000 K (previous year: EUR 2,000 K), has been granted for an indefinite period and can be terminated at the end of any year with a period of notice of three months. The interest payable amounts to 4% p.a. This was worth EUR 1,963 K on the balance sheet reporting date (previous year: EUR 1,995 K). Salary claims from Mr Rainer Gläss and Mr Stephan Kronmüller to GK Software serve as collateral for the loan.

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

The other accounts receivable towards members of the Management Board amounted to EUR 32

K (previous year: EUR 43 K) and include various advance payments for purchases, travel expenses and similar items and they are therefore not subject to interest. These accounts receivable can be recovered at any time.

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

Expenses for outside services were also incurred with closely associated firms and these amounted to EUR 229 K (previous year: EUR 257 K). In addition to this, income was generated with closely associated firms in connection with providing vehicles and other services. This amounted to EUR 88 K (previous year: EUR 69 K), and there were also expenses for additional services amounting to EUR 132 K (previous year: EUR 98 K). Furthermore, earnings were generated from pension schemes amounting to EUR 34 K (previous year: EUR 49 K) and expenditure for the provision of project services amounting to EUR 388 K (previous year: EUR 243 K). The outstanding accounts receivable with this company were worth EUR 98 K on the balance sheet reporting date (previous year: EUR 381 K).

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

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

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

7.5. Declaration of compliance

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

7.6. Information after the annual accounts reporting date

Any information about circumstances, which was available on the accounts reporting date, has been taken into account, provided that the Management Board knew about it by 28 August 2017

7.7. Day on which the accounts are approved for publication

The Management Board cleared the Group accounts for forwarding to the Supervisory Board on 28 August 2017. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Schöneck, 28 August 2017

The Management Board

Assurance by 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 AG in line with the relevant accounting principles and that the Group management 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 that reflects the actual circumstances and describes the main opportunities and risks for probable developments at the company.

Schöneck, 28 August 2017

The Management Board



Rainer Gläss
CEO



André Hergert
CFO

Financial calendar

21 - 23 November 2016

Analyst Conference in Frankfurt/M

29 November 2016

Interim report as of 30 September 2016

27 April 2017

Annual report 2016

30 May 2017

Interim report as of 31 March 2017

22 June 2017

Annual Shareholders' Meeting 2017
in Schönebeck/V.

30 August 2017

Interim report as of 30 June 2017

November 2017

Analyst Conference in Frankfurt/M

29 November 2017

Interim report as of 30 September 2017

Imprint / Notes

Imprint

Publisher:

GK Software AG
Waldstraße 7
08261 Schöneck

P: +49 37464 84-0
F: +49 37464 84-15

www.gk-software.com
investorrelations@gk-software.com

Chairman of the Supervisory Board:

Dipl.-Volkswirt Uwe Ludwig

Management board:

Dipl.-Ing. Rainer Glaess, CEO
Dipl.-Kfm. André Hergert, CFO

Amtsgericht Chemnitz HRB 19157

USt.-ID. DE 141 093 347

Contact Investor Relations

GK Software AG
Dr. René Schiller
Friedrichstr. 204
10117 Berlin

P: +49 37464 84-264
F: +49 37464 84-15

rschiller@gk-software.com

Notes

Note to the interim report

This interim report is the English translation of the original German version. In case of deviations between these two the German version prevails. This interim reports 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 report 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.

