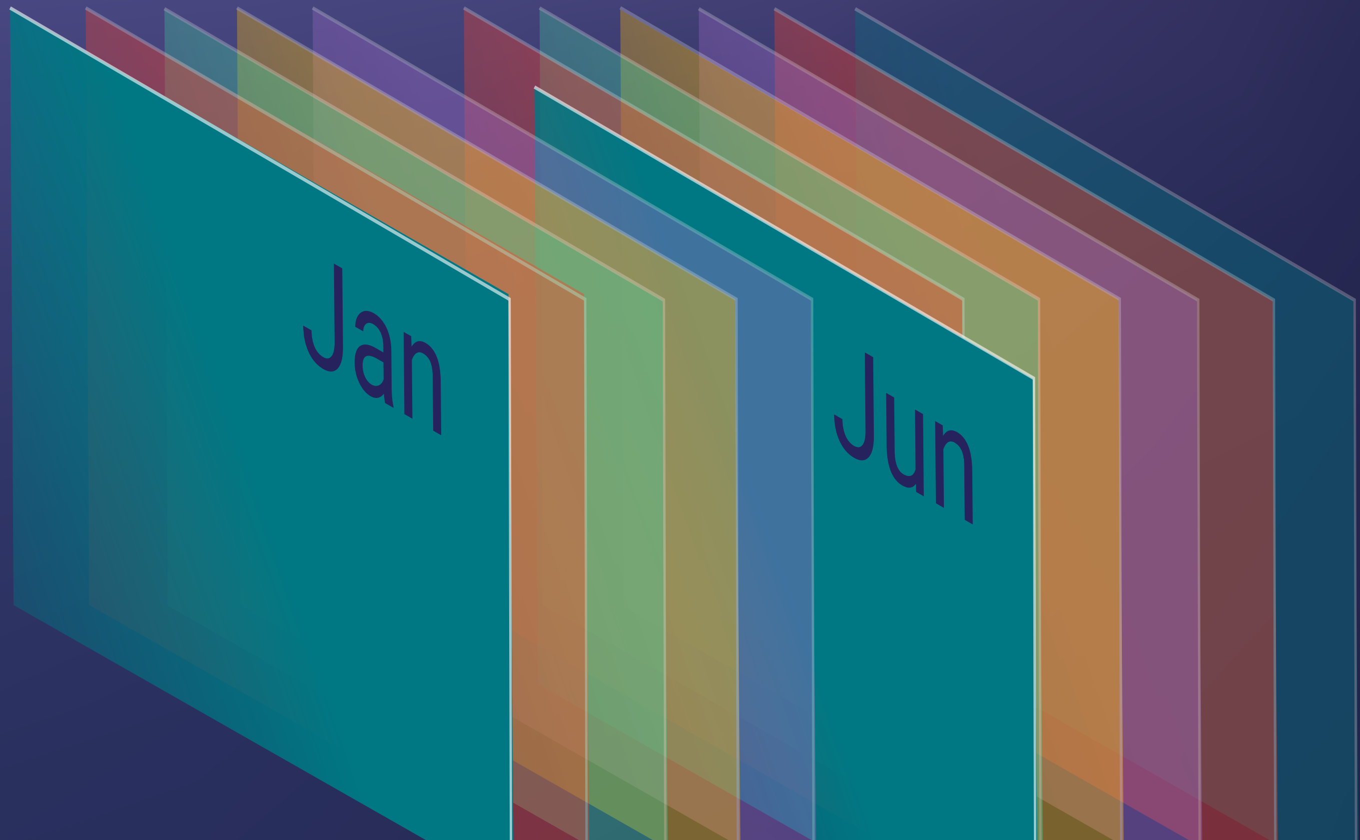
Interim Report

January–June 2022



The Retail Innovators

Summary of Consolidated Results

		30.6.2022	30.06.2021	31.12.2021	2022/2021 changes in %
Turnover	EUR K	75,123	64,363	130,847	16.7
Operating performance	EUR K	75,123	64,363	130,847	16.7
Total operating revenue	EUR K	77,841	69,408	139,589	12.2
EBIT	EUR K	11,278	11,790	17,306	(4.3)
EBIT margin (on turnover)	%	15.0	18.3	13.2	—
EBITDA	EUR K	14,652	15,628	26,790	(6.3)
EBITDA margin (on turnover)	%	19.5	24.3	20.5	—
EBT	EUR K	10,603	11,172	16,454	(5.09)
Annual surplus	EUR K	8,776	9,261	13,298	(5.23)
Earnings per share (weighted)	EUR	3.87	4.34	5.98	—
Earnings per share (diluted)	EUR	3.71	4.08	5.66	—
Equity ratio	%	60.7	55.8	58.0	—
Net debt	EUR K	(48,983)	(33,504)	(42,431)	(46.2)
Employees		1,114	1,094	1,096	1.8

Dear readers,

We are presenting this Interim Report to you in a screen-optimised layout. The purpose of this is to adapt the document to changes in digital reading and usage habits. Our goal is to make it is as simple as possible for you to navigate your way through the Report.

Despite optimising the Report to be read on a screen, we have, of course, made sure that the document can still be printed.

We hope that these changes make it easier for you to read our Annual Report.

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To the Shareholders

Letter from the Management Board

Dear shareholders,

This Interim Report shows a continuation of the extremely successful development in the first six months of the current fiscal year. The GK Software Group[1] has once again managed to achieve increases in all key figures and to combine the cloud transformation with significant growth in sales and earnings, and this considering that the general geopolitical and macroeconomical environment, particularly in terms of retail business, shows no signs of an upward trend, meaning that these results cannot be taken for granted.

Thanks to our strong market position and our innovative product portfolio, despite the general situation, we have managed to increase turnover during the first six months by 16.72% to a figure of EUR 75.12 million (H1 2020 = EUR 64.36 million). This was due not only to the continued consistent development of business with existing customers (Extensions and Retail Consulting), but also to an extremely large contract with Lidl, which has been a major customer for many years. We achieved an EBITDA of EUR 14.65 million on this basis. This figure was 13.8 percent higher than the (adjusted) EBITDA (reduced by the earnings from the sale of AWEK) of the same period in the previous year (EUR 12.88 million). The EBITDA margin (based on turnover) lay at 19.5 percent after the adjusted 20.0 percent in the previous year.[2]The EBIT reached EUR 11.28 million in the first six months, exceeding the adjusted previous year's EBIT by EUR 2.24 million. This figure had reached EUR 9.04 million after six months. The EBITDA margin (based on turnover) lay at 15.0 percent after six months after the adjusted 14.0 percent in the first half of 2021.[3]

Thanks to our strong market position and our innovative product portfolio, we have managed to increase turnover during the first six months despite the general situation.

We managed to win two new customers for our CLOUD4RETAIL core business in the first half of the year. In the first quarter, we won a major contract from Schwarz IT to re-equip all Lidl markets worldwide. A medium-sized fashion/sport retailer from Chile also opted for CLOUD4RETAIL using the SaaS model.

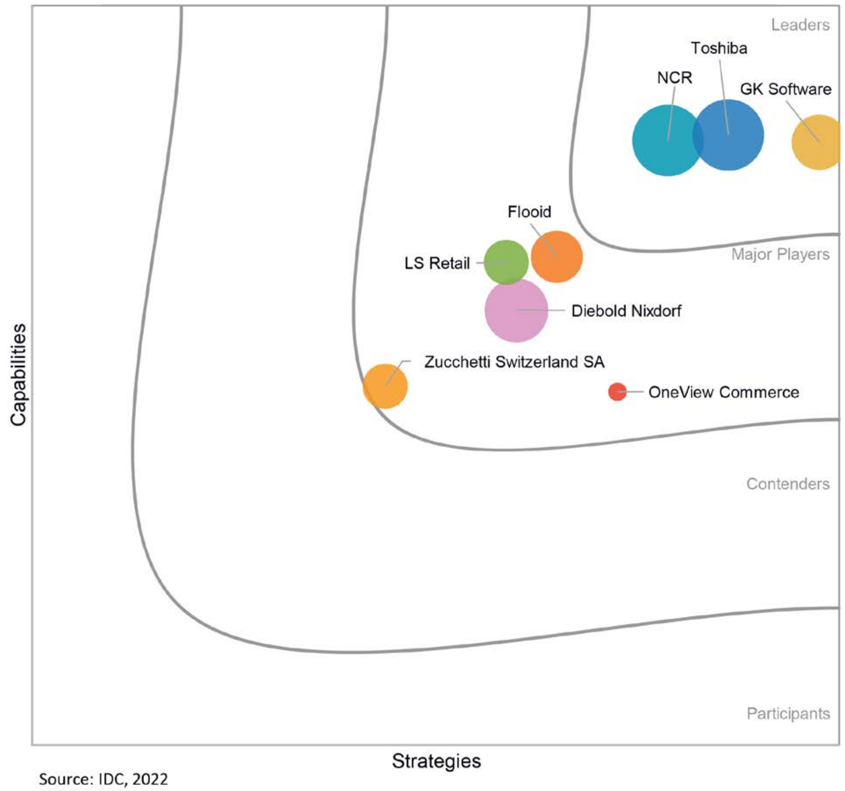
We are particularly pleased that, since 1999, we have been able to convince the Schwarz Group of the quality of our solutions time and again and help implement joint IT projects that are among the largest in this sector worldwide.

We also have further interesting opportunities of various sizes in the pipeline for the second half of the year and expect to win even more customers.

GK Software was named a Leader in the IDC MarketScape: Worldwide Point-of-Sale Software Vendors in Grocery and Food Store Retail 2022 Vendor Assessment.[4]

1 The expression GK Software always refers to the corporate Group in the following text. "The Company" is also used as a synonym. When GK Software SE is used, it exclusively refers to the individual company.
2 1. half of 2021 including the one-off effect of the AWEK sale: EBITDA = EUR 15.63 million, EBITDA margin = 22.5 percent.
3 1. half of 2021 including the one-off effect of the AWEK sale: EBITDA = EUR 11.79 million, EBITDA margin = 18.3 percent.
4 Source: IDC MarketScape: Worldwide Point-of-Sale Software Vendors in Grocery and Food Store Retail 2022 Vendor Assessment, by Margot Juros & Dorothy Creamer, May 2022, IDC #US46743220
IDC MarketScape vendor analysis model is designed to provide an overview of the competitive fitness of ICT suppliers in a given market. The research methodology utilizes a rigorous scoring methodology based on both qualitative and quantitative criteria that results in a single graphical illustration of each vendor's position within a given market. The Capabilities score measures vendor product, go-to-market and business execution in the short-term. The Strategy score measures alignment of vendor strategies with customer requirements in a 3–5-year timeframe. Vendor market share is represented by the size of the circles.

IDC MarketScape: Worldwide Point-of-Sale Software Vendors in Grocery and Food Store Retail 2022



Source: IDC, 2022

The independent study entitled “Customer satisfaction in B2B” carried out by Service Value on behalf of the WELT news channel also confirms GK’s top marks in the area of customer satisfaction. GK is the sector winner in the software category, beating a number of notable companies. Software AG and DATEV, for example, come next, followed by the established major players in the software industry.[1]

In the Research and Development sector, the first six months were dominated by numerous further developments to our range of solutions, whereby the focus remained on GK SPOT and GK GO. For our big data platform GK SPOT, the main focus was on the development of use cases for hyperpersonalisation. This involves drawing up personalised offers for customers in real time based on artificial intelligence. Our new solution GK GO was one of the highlights at this year’s trade fairs, particularly the EuroCIS in Düsseldorf in June. We expect the first pilot stores implementing this scannerless and unattended concept to open this year, following the test store at our headquarters.

There are currently 407,157 installations of various versions of our core range of solutions. An additional approximately 141,000 installations for electronic payment transactions using our TransAction+ solution in the USA mean that we have over 548,000 installations on various devices in retail outlets today. This does not include an additional six-digit number of Deutsche Fiskal installations or the installations of other solutions offered by the Group. The apps available in the Mobile Customer Assistant sector (in future: GK Engage) have been downloaded by well over 4 million consumers. We were able to make visible progress especially in the USA. With the rollout, we achieved significant gains with several customers and, since the last reporting period alone, we have equipped almost 1000 new stores with several thousand systems. These include numerous stores with fuel stations which are now operated with GK Drive.

1 The independent study entitled “Customer satisfaction in B2B” carried out by Service Value on behalf of the WELT news channel also confirms GK’s top marks in the area of customer satisfaction. GK is the sector winner in the software category, beating a number of notable companies. Software AG and DATEV, for example, come next, followed by the established major players in the software industry.

As in previous years, we were able to enhance our business relations with almost all our existing GK/Retail customers, as our customers are permanently adapting their solutions to new requirements. Roll-outs in current projects and in new countries as well as the launch of pilot schemes all contribute to the growth in the number of installations.

The 2020 Annual Report included a medium-term forecast for the period up to the end of the 2023 fiscal year. This would only apply, however, if the Coronavirus pandemic were brought under control by the end of 2022. Not only is this development unforeseeable, but the war in the Ukraine has also presented another issue, the ramifications of which could be significantly more serious and even more difficult to assess in terms of their duration. On the condition that these issues do not result in global upheaval, we continue to stand by our current forecast and expect to be able to achieve a sales range of between EUR 160 million and EUR 175 million by the end of 2023. This could be accompanied by additional inorganic growth, but also supported by sources of organic growth if GK SPOT is launched and new geographical markets or further potential are tapped – particularly in the Deutsche Fiskal and prudsys segments.

We still expect to grow in 2022 by the same amount we grew in the past year, bringing the trend in earnings closer to our target margin for the EBIT of 15 percent for 2023. With this, we are assuming that the transformation to SaaS products will also continue for CLOUD4RETAIL. The achievement of these targets will also be significantly influenced by overcoming the negative external factors caused by the pandemic and the war in Ukraine.

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

Schöneck, 30 August 2022

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

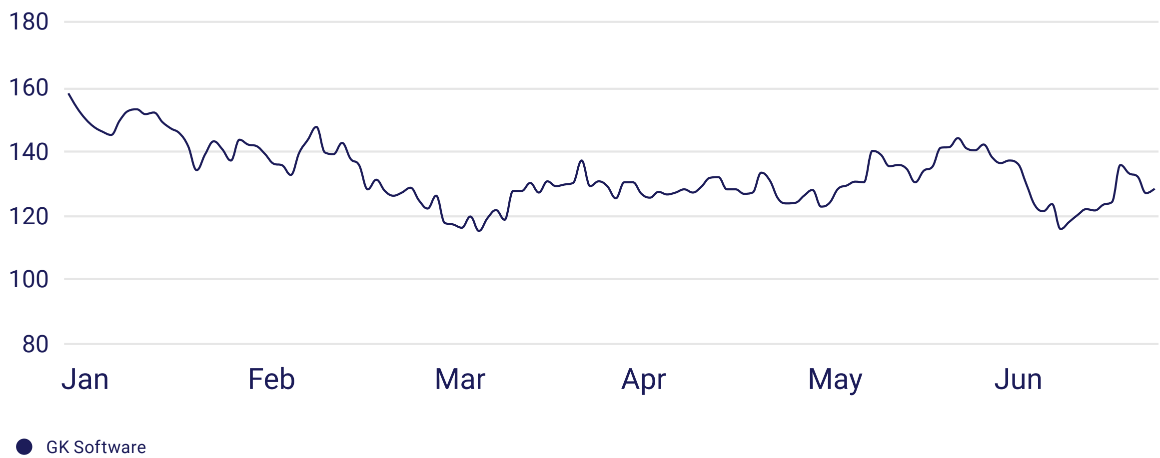
GK Software SE Shares

Basic data

T.01 Basic data

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	2,258,425
Share capital	EUR 2,258,425.00
Free float	58.15
Highest price in 2022	EUR 158.00 (3 January 2022)
Lowest price in 2022	EUR 115.00 (10 March 2022)

Share price performance (in %) in H1 2022



Summary/share performance

In the first half of 2022, GK Software SE shares, listed in the Prime Standard of the Frankfurt Stock Exchange, were unable to continue the growth trend of the previous year and at the end of the reporting period were trading lower than the value at the beginning of January of EUR 160.00. However, they held their ground in a difficult market environment better than the TechDAX. The shares were worth EUR 126.80 on 30 June. This corresponded to market capitalisation of EUR 286 million at the end of the first half of 2022. After the reporting period, the value of the shares rose again significantly and were worth EUR 139.00 on 15 August.

Number of shares issued

On 30 June 2022, the total number of voting rights was 2,258,425 shares at the end of the reporting period.

At the time this report was published, the total number of voting rights was 2,258,425 shares.[1]

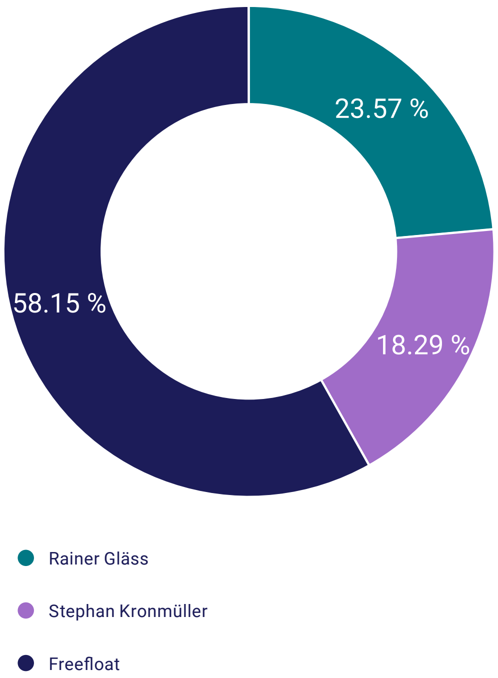
Shareholder structure

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

The shareholder structure on the reporting date (30 June 2022) was as follows, according to the information made available to us:

1 The calculation of the free float and the shares held by members of the Management Board reflects the total number of voting rights on the date on which the report was published. Information about shareholders' major holdings of voting rights are consistent with the last received report in this respect.

Shareholder structure on 30 June 2022



Rainer Gläss, a company founder and the CEO, directly and indirectly held 23.57 percent of the shares. Stephan Kronmüller, also a company founder and former member of the Management Board, directly and indirectly held 18.29 percent of shares. This meant that 58.15 percent of the shares were in free float on 30 June 2022.

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

T.02 Amounts exceeding/falling below the threshold value

Date	Shareholder	Proportion in %
1.10.2021	Universal-Investment-GmbH, Frankfurt am Main	5.03
21.7.2022	Norges Bank, Oslo	3.09

Directors' dealings in 2022

There were no director's dealings in the first half of 2022.

Investor relations

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

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

GK Software also attaches great importance to providing a continual 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 items. 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 hold its analysts' conference during the Frankfurt Equity Capital Forum in 2022 again. Investor and press roadshows also take place at regular intervals, so that the Company remains in permanent contact with the capital markets.

Products and Services

The CLOUD4RETAIL commerce platform

The CLOUD4RETAIL platform is the technological basis for the major share of GK Software's solutions. All solutions based on this cloud platform adhere to identical development paradigms and a comprehensive framework. The purpose of this is to enable software components to be used multiple times and resources to be shifted quickly between the various modules based on the platform. CLOUD4RETAIL's main goal is to further reduce the complexity of the various retail processes by way of a suitable platform solution and create solutions that remain operable and manageable for the users despite growing demands, particularly from consumers. "The Retail Innovators", the title claimed by the Company, symbolises the standard of market and innovation leadership practised by it. This is why the Company has made such significant investments during the last few years in order to enable the process of digital transformation with specific solutions. This has meant that significant parts of the range of solutions have been newly developed in order to safeguard the future viability of the GK range of solutions for years to come and not just rely on the status quo. The results of this fundamental management decision were not as clearly evident at first glance as, for example, the switch from DOS to Java. However, if we consider the resulting effect, the expenditure associated with it and the dimension of this change in general terms, the step that has been taken in the field of software development is probably much bigger as it gives digitalisation a powerful boost and leads to large parts of the corporate IT being transformed into the cloud.

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

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

The architecture of the platform has been designed to be used not only with a particular type or class of device (**device independence**). The underlying open client concept ensures that nearly all standard devices can be used on the basis of the same cloud-enabled services. They include mobile and stationary checkouts using very different hardware, scales, self-checkouts, self-scanning devices, mobile data logging devices for employees, tablets or, not least, the wide variety of consumer smartphones.

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

Elements of CLOUD4RETAIL

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

CLOUD4RETAIL as a transaction processor for retail
Starting in 2015, a fundamental new development in the range of GK solutions was launched. The first new solution that emerged from these investments was OmniPOS (POS = point of sale). The experience gained from this and the basic groundwork carried out on it formed the basis for the CLOUD4RETAIL solution platform. At the time of its official launch in 2016, OmniPOS was therefore far better than the preceding solution GK/Retail POS (version 12), which was already being used by most customers at that time. The idea of the fundamental architecture was to enable all functions to be used in both a modular and distributed way, both with and without user interfaces. Each function must be usable as a central service, but also as a local instance and be secure across network boundaries. At the same time, the central services must be able to handle the simultaneous operation of very many clients at a data centre or in a (private) cloud. This is the only way of guaranteeing operations at thousands of checkouts, calculating prices at a web shop or safeguarding communications with a huge number of customer devices, all at the same time.

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

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

With retail7, the Company offers a completely new cloud product for small retailers and restaurateurs; this can be purchased on app stores and is offered purely as an SaaS product.

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

Power apps
Power apps form the third segment of the CLOUD4RETAIL platform. They share the same technological basis as the GK/Retail range of solutions and GK Engage, but can be used completely as stand-alones. Each power app is geared towards a specific retail-re-

lated topic. The main solutions are currently being used in the Deutsche Fiskal and AIR segments. All power apps are usually available as cloud solutions only in a Software-as-a-Service form.

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

Since 1 April 2021, a large number of customers have activated their till and register systems. Transactions in the high double-digit million range are made every day in real time. Fiskal Cloud exceeded the 20-billion transaction mark in just one year. with an error rate of practically zero.

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

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

The AI service reduces the workload for management, optimises the price strategy and makes the best pricing decisions for the product range taking into account the respective targets (for example, increased turnover or a higher margin). A number of factors are included such as competition, costs, product relationships, relationships between the various price categories and price sensitivity.

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

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

GK e-receipt
Another power app has emerged in the retail7 segment. The slimline solution for all retailers makes it possible to issue completely digital receipts, saving cost and reducing environmental waste.

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

Ongoing product development

In the current fiscal year, investments were made in the further development of CLOUD4RETAIL and the associated services of the GK range of solutions as well as in GK Engage and the power apps. The solutions sold by SAP, including those from the AIR segment, have once again successfully completed the premium qualification process. New products and functions are checked by SAP as part of this kind of product test and in each case the current version is approved for sale. Development activities concentrated on the topics of GK SPOT and GK GO, the latter of which is almost ready for the market. In the Deutsche Fiskal segment, in addition to the further development of products, a new native version was developed for Android devices.

Other solutions in the portfolio

Payment services

In the field of payment services, GK Software, in our view, offers a market-leading solution for handling payments in the USA in the form of TransAction+ and it is able to integrate a large number of point-of-sale systems and a large range of payment authorisation providers. It meets the highest data protection standards and supports credit and debit cards and gift vouchers, “electronic benefits” as well as handling cheque authorisation and accounting for payment providers in the USA. The software controls the payment devices in the branches and makes it possible for retailers to significantly reduce their costs. We continue to work on the transition to cloud technology, meaning that this solution will become a power app in future.

Developing and adapting software

In addition to its products, GK Software also provides comprehensive software services. The most important component in this context involves customising and adapting software developments during the initial projects and subsequently implementing change requests (platform or smart extensions), which are a permanent feature of most projects. They include, 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

In addition to software maintenance that is subject to charges, where the aim is to eliminate errors and faults, GK Software offers other services to the retail trade. A customer care management department has been established as part of focusing the Company’s software service portfolio; it supports existing customers in a wide variety of tasks related to operating and adapting the solutions that they use. A special services department has also been made available to customers to help them continually optimise their productive applications and the way that they interact.

Partner training

The GK Academy is responsible for qualifying implementation partners and customer employees as well as training GK Software workers. The Group is also training implementation partners in 2021, which can then introduce CLOUD4RETAIL on their own.

New customer acquisition in the first half of 2022

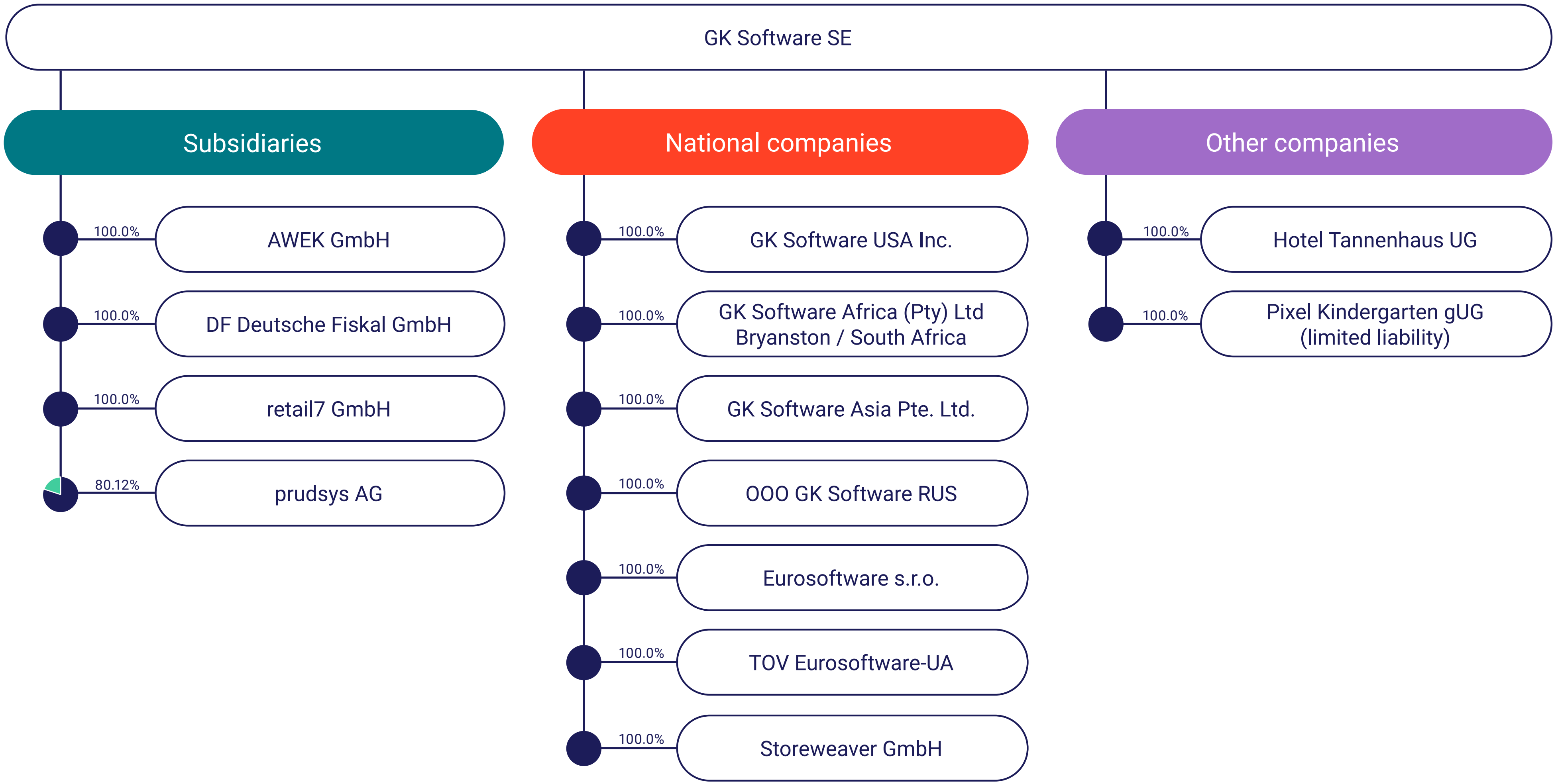
GK Software and its subsidiaries oversee a total of more than 400 customers. A distinction must be made between customers using the core solutions, which run today under CLOUD4RETAIL, and were primarily sold under the name OmniPOS or GK 12 until 2019, and customers using other solutions. This segment also includes customers who purchased GK solutions from SAP under the SAP brand. In most cases these solutions are still implemented and overseen by GK Software. The core solutions segment covers all major and long-term customer projects. Overall, i.e., not only directly, but also in cooperation with SAP, GK Software oversees in this segment around 100 mainly large and medium-sized customers on all continents and in many different branches of industry. SAP also sells a central solution for pricing and promotion, which was developed by GK, directly and solely under its own brand. Taking into account this pricing engine, SAP and GK Software share around 150 customers.

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

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

In the reporting period, the Group won two new customers for CLOUD4RETAIL, including a major existing customer who had previously been using an older GK solution. Besides the new projects, revenue was generated by most of the existing customers through the platform or smart extensions.

Consolidated Management Report


GK Software SE
Subsidiaries
100.0%
AWEK GmbH
100.0%
DF Deutsche Fiskal GmbH
100.0%
retail7 GmbH
80.12%
prudsys AG
National companies
100.0%
GK Software USA Inc.
100.0%
GK Software Africa (Pty) Ltd
Bryanston / South Africa
100.0%
GK Software Asia Pte. Ltd.
100.0%
OOO GK Software RUS
100.0%
Eurosoftware s.r.o.
100.0%
TOV Eurosoftware-UA
100.0%
Storeweaver GmbH
Other companies
100.0%
Hotel Tannenhaus UG
100.0%
Pixel Kindergarten gUG
(limited liability)

Consolidated Interim Management Report

The Company's Business Model

Subject matter and purpose

GK Software SE[1] is one of the world's leading technology companies for retail sector software with a special focus on solutions for large and very large retail companies with many local stores. GK Software SE and its predecessor company, G&K Datensysteme GmbH, which was founded in 1990 by Rainer Gläss and Stephan Kronmüller and changed its name to GK Software AG in 2001, have been successfully operating in the marketplace for over 30 years. The Company's flotation took place in the Prime Standard segment of the Frankfurt Stock Exchange in 2008. GK Software AG was transformed into GK Software SE on 19 January 2018.

Group structure and holdings

In principle, the Group companies can be divided into three groups. On one hand, national companies provide sales services and support customers in the further development of the standard software platforms used in various international regions. On the other hand, there are subsidiaries responsible for the development and distribution of special product components of the overall product range of the GK Software Group, as well as those that take care of development work within the Group without having relationships with external customers. All subsidiaries are wholly owned by GK Software SE. The sole exception is prudsys AG, in which GK Software SE holds more than 80 percent of the shares. A third group comprises other companies that provide services for the company that are not related to the Group's range of solutions.

The Group's headquarters have been located in **Schöneck/Vogtl.** since it was founded. Alongside its administration department, the product development department, project management and third-level support facilities are all based at this site. GK Software SE also has a business site in **Berlin** which is primarily responsible for the marketing, sales and partner activities; parts of the software development work are also based there. The branch in **Jena** started operating in 2018 so that the Company can benefit from the excellent opportunities for gaining personnel in this high-tech region in the state of Thuringia. There are also other sites located in St. Ingbert, Cologne, Hamburg and Chemnitz.

The core solution of GK Software is our CLOUD4RETAIL platform, which is now marketed outside the European Union by six companies. The largest of these companies is **GK Software USA, Inc.**, founded in December 2013, which takes charge of CLOUD4RETAIL sales in North and South America and at the same time is responsible for specific solutions for the US market such as our Payment solution or the US version for the standard supplementary solution GK Drive. **GK Software Africa (Pty) Ltd**. in South Africa has been performing these activities for CLOUD4RETAIL since 2015. There is also a corresponding company in Russia, namely **OOO GK Software RUS**. GK Software SE has another wholly owned subsidiary in **Dübendorf** in Switzerland called **StoreWeaver GmbH**, which takes care of the Group's Swiss-based clients. The Company has a further German branch at **St. Ingbert** in Saarland. This branch is primarily concerned with product development and the implementation of customer requirements. In 2021, GK Software SE (France) was launched as another (legally independent) foreign company. Additionally, two further national companies were founded: GK Software Asia Pte. Ltd. in Singapore and GK Software Australia Pty. Ltd. in Melbourne. The latter two companies are still in the process of being established and their purpose is both to further develop sales in the respective countries and their environments, and to build up local project organisations.

Supplementary solutions (so-called "power apps") to CLOUD4RETAIL are developed by **prudsys AG**, Chemnitz, and **DF Deutsche Fiskal GmbH**, Berlin. **Prudsys AG**, in which GK Software SE holds more than 80 percent of the shares, develops the Group's solutions, which are based on the application of artificial intelligence methods and are connected via the platform concept AIR (Artificial Intelligence for Retail), a so-called "power app",

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

according to customer requirements. With the Fiskal Cloud, **DF Deutsche Fiskal GmbH** offers a cloud-based core solution to automatically satisfy the requirements of the legislation on so-called "German fiscalisation".

The subsidiaries that take care of software development and research and development exclusively on behalf of the Group form an essential part of the corporate Group. **Plzeň** in the Czech Republic has been the Group's second-largest location for 25 years. The subsidiary company **Eurosoftware s.r.o.**, which is located there, carries out the essential parts of the CLOUD4RETAIL product development, as well as research and development work. This is complemented by the development of enhancements to the platform (so-called extensions) for the Group's customers. Since the beginning of 2016, **TOV Eurosoftware-UA** in **Lviv** has also been working on developing platform extensions.

AWEK GmbH, which focuses on providing services, is also a wholly owned subsidiary. It has its headquarters in **Hamburg**. The business is currently being phased out.

Berlin is also home to the subsidiary retail7 GmbH, founded in 2020, which develops and sells a cloud solution for small retailers in a wide range of industries, the marketing of which began in 2021.

The Management Board of GK Software SE consists of the company founder Rainer Gläss (CEO, Strategy, Marketing & Sales) and André Hergert (Finances). The Management Board is supported by a Group Management Board, which consisted of the following members in 2022: Michael Jaszczyk (CEO of GK Software USA, who is responsible for North and South America), Harald Göbel (Senior Vice-President at GK Software SE, who is responsible for Europe, the Middle East and Africa) and Michael Scheibner (Chief Strategy Officer).

Since 24 March 2020, the three-membered Supervisory Board at GK Software SE is led by Dr Philip Reimann. The 2022 Annual General Meeting confirmed Dr Reimann in this position until the annual shareholders' meeting in 2026. Thomas Bleier was elected to the Supervisory Board in 2003. His period in office was confirmed until the annual shareholders' meeting in 2026 at the annual shareholders' meeting in 2018. Herbert Zinn was first elected to the Supervisory Board at the annual shareholders' meeting in 2011. His current period in office ends with the annual shareholders' meeting in 2026.

Control parameters for the Group

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

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

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

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

Human resources

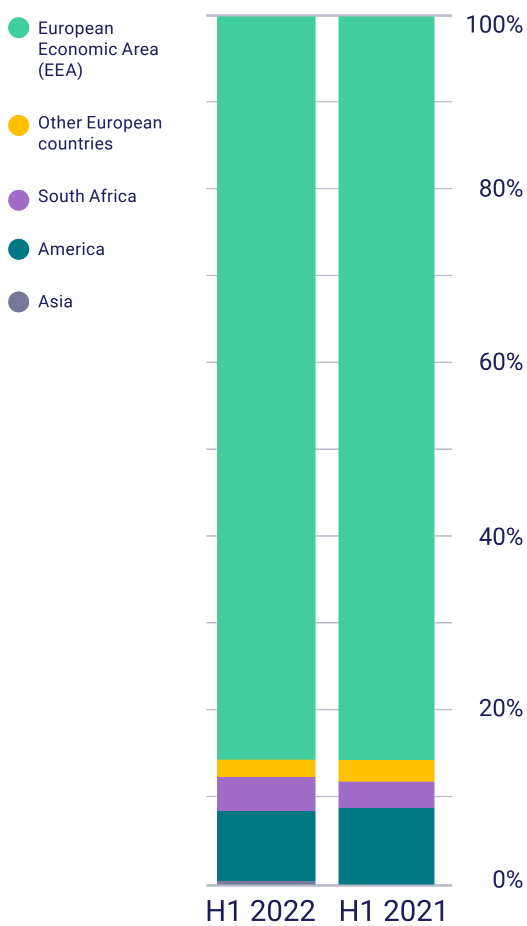
1,114 people in all were employed within the Group on the reporting date of 30 June 2022 (excluding members of the Management Board and trainees). This means that there are 20 more employees than on the same reporting date in the previous year (1,094). The increase is due to the intake of 33 new employees from Tannenhaus UG (0 in the previous year). A large number of the Group's employees, 364, (363 in the previous year), continue to work at the business site in Schöneck. The Berlin branch of GK Software SE currently has 79 employees working in the sales & marketing, project and partner management and development fields (the figure was 63 in the previous year). The number of people employed at the Czech subsidiary Eurosoftware s.r.o in Plzen declined to 245 (as against 253 in the previous year). 32 people were employed in the IT Services division in Hamburg at the end of the first half of the year (H1 2019: 53). 94 people were working at the business site in St. Ingbert at the end of the reporting period (H1 2019: 105). 5 workers are currently employed in Dübendorf, Switzerland, (5 in the previous year). DF Deutsche Fiskal GmbH has employed 5 workers. The branch in France has 4 employees. GK Software Asia Pte. Ltd in Singapore has 1 employee.

The number of employees working at the Cologne site remained unchanged from the previous year (17 employees). Ninety-one people were working for GK Software in the USA (2021: 93). The South African subsidiary employed 43 people on the reporting date (34 in 2021). The number of people employed at TOV Eurosoftware UA in Lviv has dropped from 26 to 21 since mid 2021. Twenty-one people were employed at the branch in Jena on the reporting date (previous year: 20).

Prudsys AG in Chemnitz employed 37 people on the reporting date compared with 42 at the same time in the previous year. The Group pools its expertise in the field of artificial intelligence at this business site.

Huge investments have been made in training and developing employees for years in order to be able to provide a foundation for and boost growth in turnover at GK Software from a human resources point of view too. Most of our employees attended training courses at the GK Academy (some of them on more than one occasion), for example. New employees undergo extensive and standardised introductory courses, while a permanently adapted training programme is made available to all employees too. The range of online training courses has also been extended, and this increases the potential number of those attending them. The Group is also actively involved in training new or future employees. They include trainees on apprenticeship courses, students from universities of cooperative education or students on sandwich courses. These different measures are already providing the first success stories in

Distribution of employees by region as at 30 June 2022



attracting new employees and the aim is to further intensify them in future.

T.04 Change in employee structure

	6M 2022	6M 2021	Change in %
Schöneck	397	363	9.4
Berlin	84	67	25.4
Hamburg	32	53	(39.6)
St. Ingbert	94	105	(10.5)
Chemnitz	47	47	0.0
Cologne	17	17	0.0
Jena	21	20	5.0
Czech Republic	245	253	(3.2)
Ukraine	21	26	(19.2)
Switzerland	5	5	0.0
France	4	0	—
Russia	2	2	0.0
Other European countries	10	9	11.1
South Africa	43	34	26.5
US	91	93	(2.2)
Singapore	1	0	—
Total	**1,114**	**1,094**	**1.8**

The GK Software Business Model

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

CLOUD4RETAIL

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

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

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

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

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

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

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

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

Transaction+

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

retail7

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

GK Academy

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

AWEK – IT Services

AWEK GmbH offers services for the trade sector primarily in the area of hardware and on-site maintenance. The Group closed down this business on 30 April 2022.

Sales via partners

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

Research and development

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

GK Software is continually investing in research and development in order to maintain its leading technological position in the long term too. A distinction needs to be made here between applied research, which is handled by its own innovation and research teams, and application-oriented product development. The expenditure for research amounted to EUR 0.53 million during the reporting period. The research teams are based at several of the Group's business sites. Application-related "product development work" is primarily conducted in Germany and the Czech Republic. Overall, about EUR 9.82 million was spent on this work during the reporting period.

Overall, GK Software spent EUR 10.34 million on research and development work during the reporting period, which amounted to about 14% of the Group's turnover.

Economic report

General assessment of the course of business

In terms of the development of the 2022 fiscal year, the Executive Board had forecast that the Group would record a similar increase in turnover as in 2021 and a further slight improvement of the EBIT margin towards achieving the medium-term target for 2023 (15 percent EBIT margin on turnover). In the course of the fiscal year so far, GK Software has been able to increase its sales compared to the same period of the previous year as expected and further improve its earnings situation, adjusted for one-off effects in the previous year, towards the target of the medium-term forecast.

Revenue increased by almost 17 percent from EUR 64.36 million to EUR 75.12 million over the previous year. This meant that the previous year's growth was even slightly accelerated again. Major drivers are the business relationships with existing customers that continue to develop consistently, and also one customer's decision to now use CLOUD4RETAIL throughout its group of companies.

By adjusting the EBIT and EBITDA at the same time in the previous year by the one-off effects from the sale of AWEK microdata GmbH (sale of all shares in May

2021) in the amount of EUR 2.75 million with those of the reporting period, it was possible to improve both figures. The EBITDA reached a figure of EUR 14.65 million. This figure was 13.8 percent higher than the adjusted figure of the same period in the previous year (EUR 12.88 million)[1]. The EBITDA margin (based on turnover) reached 19.5 percent. The margin for the adjusted previous year's value was 20.0 percent. The EBIT reached EUR 11.28 million in the first six months, exceeding the adjusted previous year's EBIT of EUR 9.04 million by EUR 2.24 million. The EBITDA margin (based on turnover) lay at 15.0 percent after six months after the adjusted 14.0 percent in the first half of 2021.[2]

The pleasing development in the previous fiscal year also resulted in further improvement of the Group's liquidity situation. The cash flows from ongoing business activities amounted to EUR 18.62 million (up from EUR 13.27 million in the previous year). In order to avoid deposit fees, a total of EUR 10.00 million was invested in commercial papers with investment-grade ratings and a term of up to three months.

1 1. half of 2021 including the one-off effect of the AWEK sale: EBITDA = EUR 15.63 million, EBITDA margin = 22.5 percent.
2 1. half of 2021 including the one-off effect of the AWEK sale: EBITDA = EUR 11.79 million, EBITDA margin = 18.3 percent.

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

Earnings situation

- **Sales at 75.12 million euros**
- **EBITDA at 14.65 million euros**

GK Software was again able to significantly expand its business in the first half of 2022 despite the general situation. The increase to EUR 75.12 million (EUR 64.36 million recorded in the previous year) more than compensated for the EUR 8.94 million rise in costs.

Total Group sales rose by around 16.7% from EUR 64.36 million to EUR 75.12 million.

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

The Group recorded EUR 47.45 million generated from the development and maintenance of software, 12.9 percent more than in the same period of the previous year. Recurring sales, which rose by EUR 4.16 million to EUR 19.95 million (+26.34 percent), are largely responsible for the overall increase of EUR 5.42 million. The software created for the customised extensions of the standard platforms resulted in sales of EUR 20.03 million, up from EUR 18.68 million in the previous year. We view these sales as recurring sales due to the stability of the demand for these services. We are pleased to report that turnover of EUR 7.48 million from granting conventional usage licences ("perpetual licences") remained at the previous year's level (EUR 7.55 million) despite the increasing shift towards subscription models. Overall, sales of EUR 15.30 million (EUR 12.08 million in the previous year) were generated from conventional and subscription licences.

We recorded turnover of EUR 20.62 million (EUR 14.73 million in the previous year) for services provided for product launches (Retail Consulting Integration) and turnover of EUR 5.62 million (EUR 5.96 million in the previous year) for services we provide to help our customers operate our platforms. It is notable that the percentage of sales requested in this sector on a recurring basis continues to increase. We are preparing a separate statement for this share of the sales.

In total, this results in recurring (contractually fixed) or repeatable (not contractually agreed but – based on experience – highly likely to recur) sales of EUR 39.97 million compared to EUR 34.47 million in the previous year. This corresponds to a 53.2% proportion of the total sales of all segments (previous year: 53.6%).

In the first six months, the EMEA segment achieved sales of EUR 61.82 million (H1, 2021: EUR 53.68 million). The Americas segment achieved sales of EUR 12.62 million (H1, 2021: EUR 10.68 million).

The EMEA segment includes the IT Field Services business, which was discontinued as of 30 April. This business operation achieved sales with third parties in the amount of EUR 0.49 million, essentially distributed between Retail Consulting (Support) and Others.

Compared to the previous year, the Other Business Activities segment includes additional revenue in the amount of EUR 0.69 million from the Tannenhaus UG hotel business, which was acquired in July 2021. This is why sales in this segment already exceed the entire previous year's sales figure of EUR 0.64 million after six months.

T.05 Turnover according to segments

	EMEA		Americas		Other Business Activities		Group	
EUR K	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Sales with third parties	**61,819**	**53,682**	**12,618**	**10,680**	**686**	**–**	**75,123**	**64,363**
Licences and software	**28,328**	**24,024**	**6,995**	**6,741**	**–**	**–**	**35,323**	**30,765**
Platform licences	6,911	6,468	564	1,084	–	–	7,476	7,552
Platform-extension licences	3,579	2,444	129	234	–	–	3,707	2,678
Smart extension	10,735	10,586	5,584	5,420	–	–	16,319	16,006
Platform licences from subscription agreements	7,103	4,527	718	2	–	–	7,821	4,529
Maintenance	**9,687**	**9,673**	**2,439**	**1,587**	**–**	**–**	**12,127**	**11,261**
Software maintenance	9,687	9,673	2,439	1,587	–	–	12,127	11,261
Retail consulting	**23,077**	**18,354**	**3,158**	**2,336**	**–**	**–**	**26,235**	**20,690**
Retail Consulting Integration	17,514	12,477	3,105	2,253	–	–	20,619	14,731
Retail Consulting Support	5,563	5,877	53	82	–	–	5,617	5,960
Others	**726**	**1,630**	**26**	**16**	**686**	**–**	**1,438**	**1,647**

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

The Other operating revenues figure amount to EUR 2.72 million in the reporting period, significantly lower than the figure of EUR 5.05 million from the previous year that was shaped by the sale of AWEK microdata and turnover in the Deutsche Fiskal segment. The item for exchange gains of EUR 1.74 million (previous year: EUR 0.43 million) included in the current figure of EUR 2.72 is largely neutralised by the relative increase in exchange losses (EUR 1.20 million as opposed to EUR 0.32 million in the previous year) recorded under Other operating expenses.

In total, this results in a total operating revenue of EUR 77.84 million, compared to EUR 69.41 million in the previous year.

T.06 Total operating revenues

	30.6.2022		30.6.2021		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales	75,123	96.5	64,363	92.7	10,760	16.7
Operating revenues	75,123	96.5	64,363	92.7	10,760	16.7
Other Operating Income	2,718	3.5	5,045	7.3	(2,327)	(46.1)
Total Operating Revenue	**77,841**	**100.0**	**69,408**	**100.0**	**8,433**	**12.2**

The expenditure on semi-finished products, goods and purchased services increased from EUR 5.72 million to EUR 7.14 million in the first half of 2022. The increase is mainly attributable to the increased volume of purchased services due to the operation of Deutsche Fiskal that now also includes the first six months of the year. In the previous year, only 3 months were accounted for here.

Expenditure for data centre capacity, partner services and cloud infrastructures rose here by EUR 0.85 million. A further EUR 0.38 million of the increase can be attributed to the greater use of external capacities in the CLOUD4RETAIL product environment.

Personnel costs now amount to EUR 43.88 million, a year-on-year increase of 12.1 percent, although the average number of employees by headcount in H1 2021 compared to the same period last year has fallen from 1,159 to 1,105. At the half-year reporting date, the number of employees in the Group increased from 1,094 to 1,114.

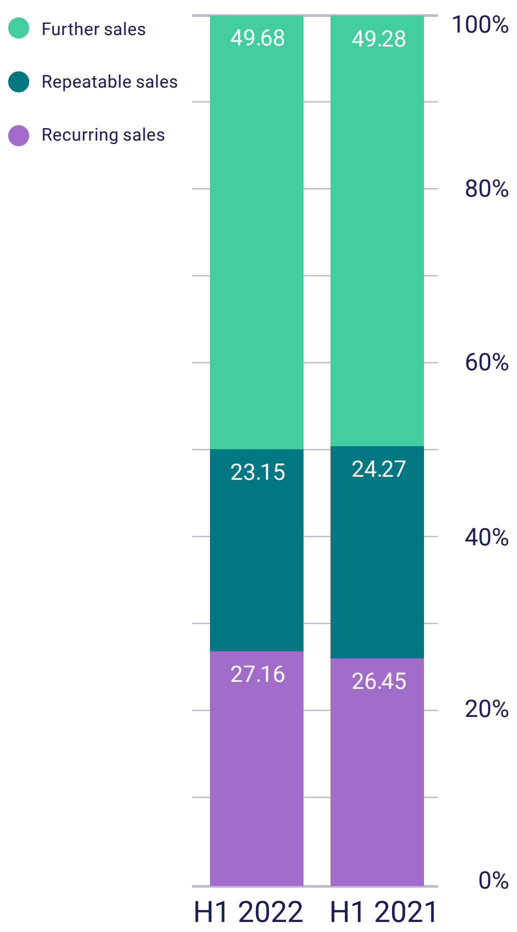
Other operating expenditure amounted to EUR 12.17 million, exceeding the previous year's figure by EUR 3.26 million (36.6 percent). This increase came from various items, but the main drivers are the rise in travel and vehicle costs by EUR 0.79 million, the rise in sales and marketing costs in general – particularly due to the fact that it is possible to participate in trade fairs again – by EUR 0.64 million and the increase in currency exchange losses (the largest component though compensated under Other Operating Income) by EUR 0.88 million.

In summary, this led to EBITDA of EUR 14.65 million, following a figure of EUR 15.63 million in the previous year. Ongoing business divisions gave an EBITDA of EUR 14.90 million, while the discontinued business division reduced the EBITDA in the first half-year by EUR 0.24 million.

Depreciation and amortisation amounted to EUR 3.37 million and were down (EUR 0.46 million) on the previous year's figure of EUR 3.84 million, which is mainly due to expiring rights of use according to IFRS 16.

Consequently, this results in an EBIT of EUR 11.28 million compared to EUR 11.79 million in the same period of the previous year, whereby the reported value for the

Percentage comparison of sales by sales type H1 2020–H1 2021



EBIT needs adjusting for the one-off effect from the sale of AWEK microdata. The EBIT lay EUR 2.24 million above the operating result from the same period in the previous year which, when adjusted, reached EUR 9.04 million. It only the ongoing business divisions are considered, the EBIT was EUR 11.74 million, while the burden on the EBIT due to the discontinued business division was a planned (EUR 0.46 million).

In the first half of 2022, there was a negative financial result of (EUR 0.67 million). In the previous year, the burden from the financial result amounted to (EUR 0.62 million). The slight increase is mainly attributable to the interest income that decreased by EUR 0.10 million.

EBT (earnings before taxes) in the reporting period thus amounted to EUR 10.60 million (previous year: EUR 11.17 million); income taxes totalling EUR 1.83 million were calculated and recorded for these pre-tax earnings (previous year: EUR 1.91 million), resulting in a net income for the period of EUR 8.78 million. A tax credit of EUR 8,000 was recorded for the discontinued business division. In the same period of the previous year, a slightly higher surplus of EUR 9.26 million was recorded due to the one-off effect of the sale of AWEK microdata.

T.07 Earnings figures

	30.6.2022		30.6.2021		Change	
	EUR K	in %[1]	EUR K	in %[2]	EUR K	in %
EBITDA	14,652	19.5	15,628	24.3	(976)	(6.3)
EBIT	11,278	15.0	11,790	18.3	(512)	(4.3)
EBT	10,603	14.1	11,172	17.4	(568)	(5.1)
Group result	8,776	11.7	9,261	14.4	(484)	(5.2)

1 Margin on turnover
2 Margin on turnover

Assets situation

The development of the balance sheet since the previous year's balance sheet date was influenced solely by the positive business development.

Overall, the balance sheet total has increased since 31 December 2021 from EUR 144.18 million to EUR 154.98 million as of the balance sheet reporting date for the first half of 2022. On the assets side, this increase of EUR 10.80 million is mainly due to an increase of EUR 4.36 million in cash and cash equivalents (driven by the business development) as well as an increase of EUR 5.53 million in the other current assets, resulting from investing current excess liquidity in the procurement of short-term (remaining terms of currently 3 months or less) securities in the amount of EUR 10.00 million. The non-current assets decreased by EUR 0.97 million due to scheduled depreciation being in surplus over new and replacement purchases. Cash and cash equivalents now amount to EUR 51.31 million, other current assets to EUR 49.59 million and non-current assets to EUR 54.08 million.

On the capital side, there was a corresponding increase in equity by EUR 10.34 million to EUR 93.10 million. The main reason is the Group's positive development (profit for the period EUR 8.78 million), with further effects coming from exchange rate impacts and effects of assumptions made when evaluating the pension plans (both together EUR 1.42 million, see the Statement of Changes in Equity). Non-current liabilities are only slightly reduced compared to this change, now amounting to EUR 14.30 million and are thus (EUR 1.51 million) lower than at the end of 2021. The reasons for this development include the drop in long-term debts to credit institutions (EUR 1.89 million) due to scheduled repayments and the resulting shift to Current liabilities. In contrast, current liabilities increased by EUR 1.93 million to EUR 46.67 million. The main drivers here are the increase in income tax liabilities (EUR 0.97 million) and contractual liabilities from advance payments received (EUR 3.01 million).

T.08 Assets situation

	30.6.2022 EUR K	in %	31.12.2021 EUR K	in %	Change EUR K	in %
Non-current assets	54,080	34.9	53,176	36.9	904	1.7
Current assets without cash and cash equivalents	49,589	32.0	44,060	30.6	5,529	12.6
Cash and cash equivalents	51,307	33.1	46,945	32.6	4,362	9.3
Assets	**154,976**	**100.0**	**144,181**	**100.0**	**10,795**	**7.5**
Equity	94,004	60.7	83,628	58.0	10,375	12.4
Long-term liabilities	14,303	9.2	15,814	11.0	(1,511)	(9.6)
Current liabilities	46,669	30.1	44,739	31.0	1,931	4.3
Liabilities	**154,976**	**100.0**	**144,181**	**100.0**	**10,795**	**7.5**

The following should be noted in detail regarding fixed assets (without deferred taxes, which contributed a further EUR 0.12 million). In terms of figures, exchange rate impacts (EUR 1.10 million) are predominantly responsible for the absolute increase in the book values of the non-current assets by EUR 0.97 million. Apart from that, accruals and disposals (EUR 1.61 million) and the corresponding scheduled depreciation and amortisation (EUR 1.73 million) largely balance each other out.

The rights of use in accordance with IFRS 16 and the intangible assets amount to EUR 32.42 million as of the reporting date, which represents 59.9 percent of the non-current assets; at the end of the 2021 fiscal year, EUR 31.66 million were tied up here (59.5 percent of the non-current assets at that time). The quota remains largely constant due to the additions to the rights of use within the meaning of IFRS 16 based on the assumption of an extension of use for the leased office property.

Property, plant and equipment and real estate held as a financial investment (IAS 40) include assets with a carrying amount of EUR 21.53 million (end of 2020: EUR 21.31 million).

In current assets, trade receivables in particular dropped by EUR 6.40 million compared to the figure at the end of 2021, while contract assets (those services that have not yet been invoiced to customers) increased by EUR 0.79 million.

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

The main changes on the liabilities side are due to the earnings performance. Business activity increased equity by EUR 8.78 million due to the net income for the half year.

The decrease in long-term debts is due to factors including the decline in pension provisions by (EUR 1.42 million). This is due to the significantly increased actuarial interest rates (1.130 percent for 2021 and 2.686 percent to 30 June 2022) leading to corresponding actuarial profits in the evaluation of provisions. In contrast, the long-term leasing liabilities are EUR 0.83 higher than on the reporting date of the previous year as the assumption of an extension of use by a further year was taken into account for office-property lease agreements. Non-current bank liabilities are reduced by (EUR 1.89 million) due to scheduled repayments and the early repayment of a loan in connection with the reorganisation of external financing via banks as part of the newly taken out syndicated loan. These reducing movements are offset by an increase of EUR 0.50 million in deferred tax liabilities.

Current liabilities increased primarily due to an increase in contractual liabilities. These are EUR 3.01 million higher than the figure at the end of 2021, mainly due to the once-again increased deferred revenue in the wake of new maintenance contracts and the further increase in the number of subscription contracts. Due to the positive business development, the recorded income tax liabilities also increased by EUR 0.97 million compared to the 2021 balance sheet reporting date. These developments were counteracted by the repayments of current account and loan liabilities, so that current bank liabilities were (EUR 0.30 million) lower than on 31 December 2021. Current provisions were also reduced, falling short of the value at the beginning of 2022 by (EUR 0.11 million).

The values above include the following assets and liabilities of the discontinued IT Field Services business division. The non-current assets have been reassessed in the light of the business discontinuation. An overall carrying amount for non-current assets in the amount of EUR 0.75 million remains, which will be further used by the ongoing business divisions consistently with the original procurement purpose. At EUR 0.73, this is by far mainly due to discontinued business-premises rentals.

The current assets of the business division in question in the amount of EUR 1.62 million include cash and cash equivalents in the amount of EUR 1.39 million and an intrinsic value of receivables from tax in the amount of EUR 0.21 million.

The remaining assets from the discontinued business division in the amount of EUR 1.33 million are due entirely to GK Software SE. The liabilities of the business division amount to EUR 0.95 million, of which EUR 0.40 million arise in the long term from rental contracts for office premises. In the short term, there are liabilities of EUR 0.55 million, of which EUR 0.37 million are related to rent for office premises. The other short-term debts are related to the discontinued business operation and are covered by available liquid funds.

Financial situation

The financial situation has continued to develop positively in line with the business trend, and cash and cash-equivalent funds have increased further in the reporting period.

Due to the general trend towards charging fees on demand deposit accounts held with credit institutions and in view of the Group’s very positive economic development, the Executive Board has decided, with the Supervisory Board’s approval, to invest not immediately needed cash and cash equivalents with short-term maturity dates in debt instruments with investment-grade addresses in order to save, or at least reduce, such fees. We consider these instruments to be marketable securities and, despite their current maturity of no more than three months from the date of purchase, marketable securities held as current assets rather than cash equivalents. Accordingly, the cash flows between cash funds and current assets are shown as balanced out from investment activities under deposits and withdrawals.

This positive development in operational terms can already be seen in the cash flow from operating activities in the narrower sense (i.e. essentially due to the result for the period excluding depreciation, tax payments and valuation effects or disposals of non-current assets without the impact of changes in net working capital). At this level, inflows of EUR 14.86 million were recorded in the first half of 2022; for the first half of 2021, these still amounted to EUR 13.98 million.

The change in the net working capital relieved the operational cash flow by EUR 3.94 million, whereas it was still burdened by (EUR 1.16 million) in the previous year. The main reason for this development lies in the timing of the invoicing of two major licensing agreements; in the current year the invoices were issued at the end of the first quarter while, in the previous year, at the end of the second quarter. This allowed receivables from deliveries and services, contract generated current asset and other receivables to be reduced by a total of EUR 3.63 million (i.e., a cash-flow increase) compared to the start of the year, while this value for the previous year still showed an increase of EUR 5.08 million in the amount of receivables. These movements were due to the decrease in liabilities compared to the start of the year by (EUR 2.01 million) (previous year: (EUR 0.57 million)) and the increase in contractual liabilities, which supplement conventionally requested and received down payments and deferred revenue from business with CLOUD4RETAIL such as Deutsche Fiskal, by EUR 3.01 million.

This brings the cash flow from operating activities since 1 January 2022 to a very pleasing EUR 18.62 million on 30 June 2022 (for the first half of 2021 the amount was EUR 13.27 million).

Cash flows from investing activities saw payments for additions to non-current assets of (EUR 1.23 million) (compared to (EUR 1.07 million) in the first half of 2021). The Group received income of EUR 0.07 million from interest. There was also an investment of (EUR 10.00 million) in short-term securities (see the preliminary remark on this section), resulting in a total cash outflow from investing activities of (EUR 11.76 million) (in the first half of 2021, a cash inflow of EUR 2.92 million from the sale of AWEK microdata GmbH was recorded).

Financing activities resulted in an outflow of funds totalling EUR –3.70 million in the first half of 2022 (same period in the previous year: EUR 16.55 million). This was due to the repayment of loans and lease liabilities as well as interest payments, whereas the previous year's figures were influenced by the capital increase undertaken in March 2021.

Overall, cash and cash equivalent funds increased by EUR 12.64 million to EUR 51.31 million. The financial resources fund (balance of cash and cash equivalents and utilisation of current account and credit lines) was increased by EUR 12.71 million to EUR 51.17 million. With current account lines of EUR 0.10 million and credit cards of EUR 0.06 million being used, the Group had at its disposal unused credit lines of EUR 29.90 million for operating equipment plus an additional line of EUR 15.00 million to be used for the potential repayment of the convertible bond.

In the reporting year the discontinued IT Field Services business division contributed to the various cash flows as follows: At the operational business level, there was an outflow of (EUR 0.32 million). This outflow was essentially caused by the discontinuation of the business division and occurred within the expected framework. The cash outflow from investment activities was EUR 0.02 million, and there was an outflow of EUR 0.20 million from financing activities, specifically rental payments. In total, a cash outflow from IT Field Services of EUR 0.54 million was recorded; on the reporting date, the business division had cash and cash equivalents in the amount of EUR 1.39 million.

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

Starting from 1 July 2022, EUR 46.67 million in liabilities will have to be serviced in the following twelve months, including the convertible bond worth EUR 15.00 million due for repayment in October 2022. These liabilities are offset by cash and cash equivalents of EUR 51.31 million and current liquid assets of EUR 49.59 million.

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

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

Financial and non-financial performance indicators

Financial performance indicators. It should be noted that the key indicators, on which the financial data is based, are very much connected to each other. As a result, the development of these figures largely depends on the development of two key indicators. These are turnover and earnings. In order to normalise tax effects, GK Software uses earnings before income taxes and the financial results (EBIT) and the margin on operating performance derived from this and figures derived from these like earnings before interest taxes, depreciation and amortisation (EBITDA).

T.09 Financial performance indicators

		30.6.2022	30.6.2021
Gross earnings margin on turnover	%	94.1	99.0
Personnel ratio	%	58.4	60.8
EBITDA margin on operating performance	%	19.5	24.3
EBIT margin on operating performance	%	15.0	18.3
Equity ratio	%	60.7	55.8
Investment ratio I	%	34.9	38.5
Excess in cash and cash equivalents over interest-bearing liabilities	EUR K	(48,983)	(33,504)

The key performance indicators listed above help to analyse developments and discrepancies from plans. For example, the personnel ratio is an important figure for analysing the development of the earnings situation. On the other hand, this largely depends on the “turnover” key performance indicator and any deterioration in its value may express both wrongly established production apparatus and missing the target figure for the “turnover” key performance indicator. However, this can be directly deduced. In this sense, these key indicators are important aids in analysing developments, but are not control parameters in themselves.

The one-off effect of EUR 2.75 million from the sale of AWEK microdata GmbH, included in the previous year’s figures, should be taken into account for determining the actual development of the performance indicators EBITDA margin and EBIT margin as this effect shows a 4.3 percent improvement in these indicators.

Non-financial performance indicators. Management largely observes key figures in sales activities when it comes to non-financial performance indicators. There are two key values here: customer satisfaction and the number of customer contacts. They are not observed in a formalised manner, but are documented and assessed through regular reports about existing projects and sales activities with possible new customers and are presented to the responsible members of the Group Management Board and the Management Board and then assessed. Decisions about ongoing actions and procedures are made at an individual case level. Overall, we expect customer satisfaction to continue to improve.

Report on the Risks and Opportunities for the GK Software Group

As a result of the business development in the first six months of 2022 and the general development of the environment, it is our basic opinion that the Group's risk structure compared to the reports on risks and opportunities for GK Software since the 2021 annual financial statement has only changed to the extent that political and economic risks have potentially increased even further due to the added tensions concerning Taiwan. On the whole, however, the Management Board has decided to view the analysis of opportunities and risks as largely unchanged due to the uncertainty regarding the further development of this situation.

Overall risk position

The overall risk position means all individual risks to which GK Software is exposed in its entirety. There are no discernible risks that could pose a threat to the company's existence.

Ukraine war

The longer this war lasts, the more evident its negative impact on the whole of society becomes. Yet the impact of the war on the company is still limited. However, the situation remains stressful and uncertain for the workers concerned in Lviv, Ukraine. The political situation means that the further development of the site needs to be reassessed. As things look at the moment, the site will not be developed further, and alternative options will be reviewed. Events are permanently monitored and evaluated by a specially created task force at the company headquarters. If the site were to become non-operational, this would naturally result in a restriction of the company's development resources. For customers and potential customers of the company who were or are active in Russia, the war and its consequences will also result in burdens, the effects of which currently cannot be assessed. There are no impacts on finances or earnings worthy of mention to be expected as a result of sanctions imposed on or by Russia. It is already certain that the direct and indirect economic consequences of the war, as well as the sanctions and counter-sanctions, will lead to a serious disruption of the world economy for the unforeseeable future.

A complete closure of the Russian market would have only minor direct consequences for the company, but would close off access to a not inconsiderable market in the longer term and thus jeopardise the sales investments made in recent years.

Taiwan crisis

As yet unknown is the importance of the developments in the Taiwan situation, which could embroil another power – globally significant not only on a political, but particularly on an economical level – in a deeper conflict with the Western World. The trend towards blanket economic sanctions could, in this case, impact not only the supply of products from the USA and Europe to China, but vice versa primarily the supply of important upstream and consumer products from China to the rest of the world. This could put even more strain on the supply chains that were hit particularly hard by the effects of the COVID 19 crisis.

COVID-19

The renewed review of the recorded risks did not result in any significant changes to the risk structure for the "normal" circumstances of the forecast report. The exceptional circumstances caused by the COVID-19 pandemic, which, contrary to expectations, has now lasted for more than two years, remain essentially unchanged since the Group's last forecast report. It remains difficult to assess the impacts of these circumstances. We continue to expect that the affected economies and companies will experience significant "downstream damage", which will be correspondingly higher the longer the current situation persists.

The issue raised by this concerns the effects of this crisis on GK Software's general business environment and particularly its financial situation.

The crisis is having effects on the operating business of our customers, and therefore on their investment and demand behaviour, as well as their assets, financial and earnings situation. It is also having effects on various company departments at GK Software. We are trying to meet the risks that result from these by adopting very different sets of measures. Hygiene measures have been intensified to protect our employees and work from home has been almost exclusively introduced on a temporary basis. At the same time, control and budgeting processes for turnover, costs and liquidity have been adapted to the situation.

We closely observe the development in the countries in which GK Software is active and also keep ourselves informed with regard to possible programs for crisis management and support of companies in these countries.

However, it is still appropriate to refer to the opportunities GK Software is facing in the crisis and which will become manifest by the crisis.

Risk management system

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

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

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

The process initially involves recording all possible negative deviations from the specified company targets. In a further step, these deviations identified as risks are analysed in terms of their possible damage and probability that they will occur. The possible damage is determined by its negative impact on the company's development, assets, equity and liquidity. The effects of the risks are quantified as far as possible. The risks are grouped into risk areas.

The risks are categorised as follows:

T.10 Risk analysis

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

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

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

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

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

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

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

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

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

The Group accounts and the accounts of the individual companies are organised and handled in-house, as is the financial accounting of GK Software and all the individual companies. GK Software completes the accounts for the German subsidiaries or branches of subsidiaries as part of agency agreements, with the exception of AWEK GmbH. The foreign Group companies each have their own accounting departments, which are responsible for the local accounts of the companies. The wage and salary administration for the German companies is carried out by GK Software as part of agency agreements.

The financial accounting of GK Software SE and some of its subsidiaries is carried out directly in the accounting software Microsoft Dynamics NAV (NAV). The individual accounts according to the local accounting standards of the other subsidiaries are imported in detail into NAV. The adjustment of the local accounts to the uniform Group accounting and valuation methods and the reconciliation to IFRS accounting are carried out centrally by the parent company's financial accounting department at the headquarters in Schöneck. The individual accounts are also consolidated centrally in Schöneck and in NAV. During the preparation of both the individual accounts and consolidated accounts, internal checks are in place under the “four eyes” principle to ensure the reliability of the individual and consolidated accounts.

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

Risk reporting in relation to the use of financial instruments

Financial market risks

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

Exchange rate risks arise from the Group's exposure to various foreign currencies such as Czech koruna, Swiss francs, South African rand, US dollars and Canadian dollars. The Group therefore accepts payment obligations arising from work, rental and leasing contracts. The Group therefore not only issued invoices for sales and services in euros on the balance sheet reporting date, but also primarily in Swiss francs, US dollars, Canadian dollars and South African rand. In order to be able to handle the Group's currency risks in a standard manner, GK Software SE tries to combine the currency risks internally. The Group carried out a sensitivity analysis to determine its risk of exposure to foreign currencies.

We normally handle business transactions in the operational currency of the Group firm concerned. Operational business transactions are not handled in the operational currency in individual cases so that there is a currency risk for monetary financial instruments. As of 30 June 2022, the Group had foreign currency receivables of approximately EUR 950 thousand that differed from local currencies. Currency rate fluctuations in conjunction with our original monetary financial instruments do not have any major effects on our profits. The Group's exchange-rate risk sensitivity mainly increased because of the increased business activities in the US dollar region and in South Africa.

In the view of the Management Board, the sensitivity analysis, however, only reflects one part of the exchange rate risk, as the risk at the end of the reporting period only reflects the risk during the year to a certain extent. Risks exist in possible changes to exchange rates for services, which the Group companies provide to the parent company to settle in local currencies every month. In the first half of 2022, services totalling EUR 8.36 million were purchased which were paid in a currency other than euros. These service invoices were settled mainly by Group companies in Czech koruna, South African rand, Swiss francs or US dollars.

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

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

Forecast report

Market environment

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

Looking at the trends in Germany, one of GK's most important markets, we see that in the first half of 2022, after the previous year that was dominated by the coronavirus pandemic, the retail trade recorded a slight increase of 0.7 percent, adjusted for inflation, compared to the same period in the previous year. In contrast to this trend, however, June 2022 saw a decline in sales of around 2.0 percent in real terms compared with the same month in the previous year.[1] Driven by the developments as a consequence of the Ukraine war, retail trade already recorded a drop in sales of food and non-food products in the last months, while fuel stations were able to significantly increase their sales.[2] The currently declining sales in the retail trade can be attributed to the extremely high rate of inflation and the war in the Ukraine as well as the high energy prices associated with it. Worldwide supply shortages are additional drawbacks. Overall, these developments caused the mood among consumers to deteriorate.[3] In comparison, consumer behaviour in the USA is currently extremely robust. Sales in the US retail sector have risen and have greatly exceeded the forecasts.[4]

In terms of the overall economy in Germany, the ifo still assumes that the gross domestic product (GDP) will grow by around 2.5 percent in 2022 despite these adversities. The ifo also expects the GDP to grow by around 3.7 percent in 2023. Overall, the GDP is expected to grow by around 3.3 percent in the eurozone in 2022, with this figure likely to be slightly lower in 2023.[5] On a worldwide scale, the ifo also assumes that there will be economic growth of around 3 percent in 2022 and, in turn, expects an increase of around 3 percent for 2023.

Despite the currently tense overall economic situation, the growth trend in the IT sector continues. The German IT companies expect to see a positive business development for 2022 as shown by the Bitkom-ifo Digital Index.[6] For example, most of the German IT companies are assuming an increase in orders in the second half of the year despite the war in the Ukraine. This expectation is in line with the current assessment by the industry association Bitkom, which anticipates considerable growth in the German IT market. Sales of EUR 113 billion are expected for the IT sector.[7] This is equivalent to a growth of 6.7 percent compared with the previous year. The largest growth in the IT sector is expected in the software segment. The industry association Bitkom anticipates software expenditure of around EUR 33 billion, a growth of almost 9.0 percent compared with the previous year. Furthermore, forecasts see an increase in expenditure for IT hardware and IT services.[8]

As a direct consequence of the coronavirus pandemic, the EHI Retail Institute assumes that the importance of

1 https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/08/PD22_323_45212.html;jsessionid=E35B95DD627586B5F355FED4F8869824.live741
2 https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/08/PD22_323_45212.html;jsessionid=E35B95DD627586B5F355FED4F8869824.live741
3 https://einzelhandel.de/presse/aktuellemeldungen/13873-hde-konsumbarometer-im-august-verbraucherstimmung-faellt-auf-allzeittief
4 https://tradingeconomics.com/united-states/retail-sales
5 https://www.ifo.de/fakten/2022-06-15/ifo-konjunkturprognose-sommer-2022-inflation-lieferengpaesse-und-krieg-bremsen
6 https://t3n.de/news/it-branche-deutschland-krisen-1484446/
7 https://www.bitkom.org/Marktdaten/ITK-Konjunktur/ITK-Markt-Deutschland
8 https://www.bitkom.org/Marktdaten/ITK-Konjunktur/ITK-Markt-Deutschland

omni-channel strategies will increase, and that the digitalisation of consumer behaviour will gain more importance even in bricks-and-mortar retail businesses. The assessment of the EHI Retail Institute is therefore not surprising: "In particular, AI-based decision-making in procurement, range management and pricing will continue to become more important". Overall, as the study "IT Trends in Retail 2021" shows, the retail sector's need for investment was already assessed as high at the start of the pandemic. 41% of those questioned believe that analytics/AI and 39% believe that connected retail will be the most important IT projects during the next two years. The respondents see customer centricity and self-checkout/self-scanning, as well as the use of mobile devices with checkout functions, as further key trends.[1]In addition, according to an EHI study, 16 percent of the surveyed retail companies can imagine cloud-based checkouts in their branches in future.[2] Cloud and dynamic pricing are other areas that are predicted to grow significantly. The white paper "Sustainable Smart Stores" by EHI and Microsoft shows that cloud-based applications for electronic price labelling are in use at 79% of the grocery retailers surveyed; the remaining 21% are planning to implement this in the near future.[3]

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

1 EHI study: POS systems 2022, p13
2 EHI study, POS systems 2022, p39
3 https://cloudblogs.microsoft.com/industry-blog/de-de/retail/2021/03/30/whitepaper-sustainable-smart-stores-2021-digitale-nachhaltigkeitslosungen-fur-den-handel-von-ehi-und-microsoft/

Company outlook

The company outlook remains unchanged in contrast to the statements made in the last annual report; we hereby confirm this outlook.

Despite the ongoing global pandemic, the company was able to grow more strongly in 2021 than in the previous year and to further improve the earnings. Further progress in the Americas and the full utilisation of Deutsche Fiskal since April 2021 contributed to this – as did the new customers acquired in the previous fiscal year in the area of core solutions. **The first six months of 2022 suggest that positive trends are continuing to consolidate and the trend in financial indicators is likewise positive.**

In view of the fact that, contrary to assumptions, the coronavirus pandemic is evidently lasting much longer than expected, and that the war in Ukraine has created massive new uncertainties, and that the situation between Taiwan and China sees another global power involved in a process at risk of escalation, all longer-term forecasts are subject to stronger reservations than they were a year ago. Nevertheless, with reference to these incalculables, the Management Board still sees itself in a position to fully maintain the medium-term forecast made last year until the end of the 2023 fiscal year. We still expect turnover to continue to grow considerably, ranging between EUR 160 million and EUR 175 million by the end of the forecast period for 2023.

We expect this growth to primarily occur on the basis of the solutions and products we are currently offering on the market. Further potential could develop as a result of new solutions or the geographical expansion of our sales regions. This forecast is based on organic growth and could be enhanced by inorganic growth, although a more detailed plan for this is not available at present.

We are expecting annual gains for the SaaS business for the CLOUD4RETAIL product (without Deutsche Fiskal) to reach the level seen in 2021, with the share of subscriptions growing continuously but not at a rapid rate. In the area of Deutsche Fiskal, we will be able to achieve sales for the full 12 months for the first time in 2022. Because the initial distribution to the market has largely taken place, we are initially assuming a steady but slower growth here. Further potential could arise if fiscal legislation is extended to other sectors, or if branches originally equipped with hardware are switched to software solutions. An expansion to other geographical markets is plausible as well.

In the area of EBIT, we are sticking to the target of 15% of turnover in the medium-term forecast until 2023. This target is subject to the proviso that the pandemic in the developed markets has been overcome and that the war in Ukraine and the resulting increase in inflation have no massive longer-term impact on purchasing power and, as such, retail sales. It remains our goal to maintain and stabilise EBIT at this level after reaching this mark.

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

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

General statement for 2022

The general statement for 2022 made in the 2021 Annual Report remains unchanged. Based on the assumptions and influencing factors described, we still expect the GK Software Group to achieve an increase in revenue from turnover similar to that in the 2021 fiscal year and a further slight improvement in EBIT towards achieving the medium-term target for 2023 (15 percent EBIT margin on turnover).

These statements and the medium-term forecast are, however, still subject to the extreme difficulty in estimating the global impact of the Ukraine war, the developing situation with Taiwan and how the coronavirus crisis will run its course and what consequences it will have in the various regional markets in which the Group operates. Unfortunately, the actual development can, however, still differ considerably from this estimation due to factors beyond our control.

Consolidated Interim Financial Statement

Consolidated Balance Sheet

on 30 June 2022

T.11 Assets

EUR K	30.6.2022	31.12.2021
Property, plant and equipment	21,312	21,087
Right of use assets IFRS16	8,457	7,665
Property held as a financial investment	218	224
Intangible assets	23,961	23,999
Financial assets	6	6
Active deferred taxes	125	193
Total non-current assets	**54,080**	**53,176**
Goods	74	70
Auxiliary materials and supplies	0	0
Initial payments made	11	1
Trade accounts receivable	17,897	24,298
Trade accounts receivable from ongoing work	12,938	12,152
Income tax claims	885	997
Receivables from associated companies	34	0
Other accounts receivable and assets	7,752	6,541
Securities	9,998	0
Cash and cash equivalents	51,307	46,945
Total current assets	**100,896**	**91,005**
Balance sheet total	**154,976**	**144,181**

T.12 Liabilities

EUR K	30.6.2022	31.12.2021
Subscribed capital	2,258	2,258
Capital reserves	49,483	49,302
Retained earnings	31	31
Other reserves	(324)	(1,742)
Profit brought forward	32,912	19,755
Consolidated surplus before non-controlling shares	8,741	13,157
Equity attributable to GK Software SE stockholders	93,101	82,761
Non-controlling shares	902	867
Total equity	**94,004**	**83,628**
Provisions for pensions	458	1,881
Non-current bank liabilities	1,625	3,512
Long-term lease liabilities	6,156	5,328
Deferred public-sector subsidies	1,194	723
Deferred tax liabilities	4,870	4,370
Total non-current liabilities	**14,303**	**15,814**
Current provisions	432	546
Current bank liabilities	700	1,002
Short-term lease liabilities	2,376	2,457
Liabilities from deliveries and services	3,453	5,162
Contractual liabilities	8,635	5,626
Liabilities to affiliated companies	4	0
Income tax liabilities	3,013	2,041
Other current liabilities	13,201	13,265
Convertible bond	14,856	14,639
Total current liabilities	**46,669**	**44,739**
Balance sheet total	**154,976**	**144,181**

Consolidated statement of income and accumulated earnings

For the financial year from 1 January until 30 June 2022

T.13 Consolidated statement of income and accumulated earnings

EUR K	6M 2022 ongoing business operation	6M 2022 discon-tinued busi-ness oper-ation	6M 2022 Group	6M 2021 Group	FY 2021 Group
Turnover revenues	74,635	488	75,123	64,363	130,847
Other operating revenues	2,641	77	2,718	5,045	8,742
of which exchange-rate revenue	1,745	0	1,745	429	2,106
Turnover and other revenues	**77,276**	**565**	**77,841**	**69,408**	**139,589**
Materials expenditure	(7,101)	(44)	(7,145)	(5,722)	(14,168)
Personnel expenditure	(43,385)	(490)	(43,875)	(39,147)	(78,740)
Depreciation and amortisation on non-financial assets	(3,155)	(219)	(3,374)	(3,838)	(9,484)
Losses from derecognition of financial assets	(5)	(49)	(55)	(9)	(153)
Other expenditure	(11,889)	(227)	(12,115)	(8,903)	(19,739)
of which exchange-rate expenditure	1,200	0	1,200	323	1,072
Total operating expenses	**(65,535)**	**(1,029)**	**(66,563)**	**(57,619)**	**(122,283)**
Operating results	**11,741**	**(463)**	**11,278**	**11,790**	**17,306**
Financial earnings	57	0	57	159	575
Negative interest on bank balances/deposit rates	(116)	0	(116)	0	(148)
Financial expenditure	(571)	(45)	(616)	(777)	(1,279)
Financial results	**(630)**	**(45)**	**(675)**	**(618)**	**(852)**
Income tax results	**11,112**	**(509)**	**10,603**	**11,172**	**16,454**
Income taxes	(1,835)	8	(1,827)	(1,911)	(3,156)
Surplus/ shortfall for period	**9,277**	**(501)**	**8,776**	**9,261**	**13,298**
of which attributable to non-controlling shares	35	0	35	85	141
of which attributable to GK Software SE stock-holders	9,242	(501)	8,741	9,176	13,157

T.14 Other results after income taxes

EUR K	6M 2022 ongoing business operation	6M 2022 discon-tinued busi-ness oper-ation	6M 2022 Group	6M 2021 Group	FY 2021 Group
Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions					
Differences in exchange rates from recalculating foreign business operations	547	0	547	676	48
Deferred taxes from differences in the conversion rates for foreign business operations[1]	(124)	0	(124)	(161)	(45)
Items, which will not be reclassified in the consolidated profit and loss statement in future					
Actuarial gains/ losses from defined benefit pension plans	1,408	0	1,408	1,073	648
Deferred taxes on actuarial gains/losses from defined benefit pension plans[2]	(414)	0	(413)	(176)	141
Overall results	**10,695**	**(501)**	**10,194**	**10,673**	**14,090**
of which attributable to non-controlling shares	35	0	35	85	141
of which attributable to GK Software SE stock-holders	10,659	(501)	10,159	10,588	13,949
Earnings per share (EUR/share) from consolidated surplus – undiluted			**3.87**	**4.34**	**5.98**
Earnings per share (EUR/share) from consolidated surplus – diluted			**3.71**	**4.08**	**5.66**

1 Deferred taxes in accordance with IAS 21 shown separately, adjusted for previous year.
2 Deferred taxes in accordance with IAS 19 shown separately, adjusted for previous year.

Consolidated Cash Flow Statement

For the financial year from 1 January until 30 June 2022

T.15 Cash flows from operating business

EUR K	6M 2022	6M 2021
Cash flow from operating business		
Surplus for period	8,776	9,261
Income taxes affecting results	1,827	1,911
Interest income affecting results	(57)	(159)
Interest expenditure affecting results	732	777
EBIT	**11,278**	**11,790**
Depreciation and amortisation	3,374	3,838
EBITDA	**14,652**	**15,628**
Share option scheme (non-cash expenditure)	181	187
Profit from the sale or disposal of property, plant and equipment	(3)	(21)
Reversals of deferred public sector subsidies	(20)	(20)
Write-downs recognised for receivables (including losses from receivables)	757	357
Write-ups recognised for receivables	(35)	19
Impact on earnings from deconsolidation	–	(2,750)
Net profits from financial tools assessed at their fair value	–	66
Other non-cash revenues and expenditure	(674)	515
Cash flow from operating business before the change in working capital	**14,859**	**13,980**
Changes in net current assets		
Changes in trade accounts receivable and other receivables	3,631	(5,076)
Changes in inventories	(15)	2
Changes in trade accounts payable and other liabilities	(2,005)	(573)
Changes in initial payments received	3,009	4,862
Changes in provisions	(682)	(371)
Cash flow from ongoing business activities before taxes	**18,797**	**12,824**
Income taxes paid	(174)	442
Cash flow from ongoing business activities	**18,623**	**13,266**

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

EUR K	6M 2022	6M 2021
Cash flow from ongoing business activities	**18,623**	**13,266**
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(1,230)	(1,070)
Proceeds from disposals of fixed assets	3	21
Proceeds from the sale of subsidiaries	–	3,836
Payment for other securities	(9,998)	–
Interest payments received	74	128
Investment grants utilised	491	–
Cash flow from investment activities	**(10,660)**	**2,915**
Cash flow from financing activities		
Taking out equity	–	19,137
Taking out loans	–	–
Interest paid	(184)	(111)
Repayment of loans	(2,289)	(1,020)
Issue of convertible bond	(1,227)	(1,460)
Net income in cash and cash equivalents from financing activities	**(3,700)**	**16,545**
Net cash inflow	**4,263**	**32,727**
Cash at the beginning of the financial year	46,884	5,696
Cash and cash equivalents at the end of the fiscal year	51,170	38,462
Influence of exchange-rate changes on cash and cash equivalents	22	39

The cash flow statement includes the following contributions from discontinued operations: The cash inflow from operating activities was reduced by the discontinued operations with (EUR 0.32 million). There was a further outflow of funds from investment activities amounting to (EUR 0.02 million). Financing activities reduced the Group's cash flow with (EUR 0.20 million). This business unit contributed EUR 1.39 million to cash and cash equivalents.

T.17 Summary of cash and cash equivalents

EUR K	6M 2022	6M 2021
Cash and cash equivalents	51,307	38,665
Utilisation of current account credit / credit card and exchange rates	(138)	(203)
Cash at the end of the financial year	**51,170**	**38,462**

Consolidated statement of changes in equity

For the financial year from 1 January until 30 June 2022

T.18 Consolidated Statement of Changes in Equity

EUR K	Subscribed capital	Capital reserves	Retained earnings	Other reserves	Earnings attributable to GK Software SE stockholders	Equity attributable to GK Software SE stockholders	Equity attributable to non-controlling interest	Total
Figures on 30 June 2021	**2,246**	**47,797**	**31**	**(1,121)**	**28,931**	**77,883**	**810**	**78,694**
Share-option scheme	13	1,465	0	0	0	1,478	0	**1,478**
Capital increase	0	40	0	0	0	40	0	**40**
Allocation based on IAS 19	0	0	0	(108)	0	(108)	0	**(108)**
Allocation based on IAS 21	0	0	0	(512)	0	(512)	0	**(512)**
Consolidated surplus for the period	0	0	0	0	3,981	3,981	57	**4,037**
Figures on 31 December 2021	**2,258**	**49,302**	**31**	**(1,742)**	**32,912**	**82,761**	**867**	**83,628**
Share-option scheme	0	181	0	0	0	181	0	**181**
Capital increase	0	0	0	0	0	0	0	**0**
Allocation based on IAS 19	0	0	0	423	0	423	0	**423**
Allocation based on IAS 21	0	0	0	994	0	994	0	**994**
Consolidated surplus for the period	0	0	0	0	8,741	8,741	35	**8,776**
Figures on 30 June 2022	**2,258**	**49,483**	**31**	**(324)**	**41,653**	**93,101**	**902**	**94,004**

Notes on the Consolidated Accounts

For the financial year from 1 January until 30 June 2022

1. Principles of Reporting

1.1. General information

GK Software SE is a European public limited company based in Germany. The address of the registered headquarters and head office for business operations is Waldstrasse 7, 08261 Schöneck.

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

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

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

1.2. Consolidated companies and consolidation principles

The seven domestic and six foreign subsidiaries named as at 31 December 2021 have changed in that R7MA GmbH & Co. KG, based in Schöneck, was founded in the first half of 2022 but has not yet been consolidated due to immateriality. With GK Software Asia Pte. Ltd in Singapore and GK Software Australia Pty. Ltd. in Melbourne, two further national companies are being established which were also not consolidated as of the reporting date.

The company's own kindergarten PIXEL gUG (haftungsbeschränkt) belonged to the group of consolidated companies, but was not fully consolidated due to its immateriality for the half-year report. Receivables and liabilities are each reported under the item affiliated companies.

There have not been any changes to the consolidation principles since the financial statement relating to 31 December 2021 either. We would therefore refer you to chapter 1.3. 'Consolidated companies and principles of consolidation' in the notes on the consolidated accounts in the 2021 annual accounts (Financial Statement for 2021, pages 74f).

2. Segment reporting

There were no changes to the organisational structure of the segments needing to be reported during the current financial year. Whereas the annual report was previously subdivided by business segments, as of 31 December 2021, reporting has been divided into regions and responsibilities of the sales regions according to the decision-making basis of the Management Board. The figures as of 30 June 2021 have been reconciled accordingly.

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

T.19 Turnover according to segments

	EMEA			Americas			Other Business Activities			Consolida-tions			Group		
EUR K	H1 2022	H1 2021	FY 2021	H1 2022	H1 2021	FY 2021	H1 2022	H1 2021	FY 2021	H1 2022	H1 2021	FY 2021	H1 2022	H1 2021	FY 2021
Sales with third parties	**61,819**	**53,682**	**108,114**	**12,618**	**10,680**	**22,092**	**686**	**–**	**640**	**–**	**–**	**–**	**75,123**	**64,363**	**130,847**
Licenses and software	**28,328**	**24,024**	**46,473**	**6,995**	**6,741**	**13,938**	**–**	**–**	**–**	**–**	**–**	**–**	**35,323**	**30,765**	**60,411**
Platform licenses	6,911	6,468	9,212	564	1,084	2,292	–	–	–	–	–	–	7,476	7,552	11,504
Platform-extension licenses	3,579	2,444	7,546	129	234	374	–	–	–	–	–	–	3,707	2,678	7,920
Smart extension	10,735	10,586	18,889	5,584	5,420	10,853	–	–	–	–	–	–	16,319	16,006	29,743
Platform licences from subscription agree-ments	7,103	4,527	10,826	718	2	418	–	–	–	–	–	–	7,821	4,529	11,244
Maintenance	**9,687**	**9,673**	**19,351**	**2,439**	**1,587**	**3,544**	**–**	**–**	**–**	**–**	**–**	**–**	**12,127**	**11,261**	**22,895**
Software maintenance	9,687	9,673	19,351	2,439	1,587	3,544	–	–	–	–	–		12,127	11,261	22,895
Retail consulting	**23,077**	**18,354**	**39,402**	**3,158**	**2,336**	**4,554**	**–**	**–**	**–**	**–**	**–**	**–**	**26,235**	**20,690**	**43,956**
Retail Consulting Integration	17,514	12,477	27,877	3,105	2,253	4,411	–	–	–	–	–	–	20,619	14,731	32,288
Retail Consulting Support	5,563	5,877	11,526	53	82	142	–	–	–	–	–	–	5,617	5,960	11,668
Others	**726**	**1,630**	**2,888**	**26**	**16**	**57**	**686**	**–**	**640**	**–**	**–**		**1,438**	**1,647**	**3,586**
Turnover with other segments	**796**	**642**	**2,568**	**–**	**160**	**–**	**138**	**–**	**149**	**(934)**	**(803)**	**(2,717)**	**–**	**–**	**–**
Amortisations/depreciations	**(2,661)**	**3,139**	**(9,331)**	**(502)**	**520**	**(1,051)**	**(211)**	**180**	**(1,120)**	**–**	**–**	**–**	**(3,374)**	**3,838**	**(11,502)**
Segment EBIT	**9,912**	**10,679**	**14,718**	**1,492**	**1,111**	**2,862**	**(126)**	**(2)**	**(261)**	**(1)**	**1**	**(14)**	**11,278**	**11,790**	**17,305**
Assets	**139,802**	**125,908**	**128,428**	**22,516**	**21,427**	**22,801**	**7,953**	**7,074**	**8,170**	**(15,295)**	**(13,491)**	**(15,218)**	**154,976**	**140,918**	**144,181**
thereof long term[1]	33,658	35,250	33,242	12,905	12,242	12,315	7,591	6,849	7,693	(74)	(74)	(74)	54,080	54,267	53,176
Debts	**47,591**	**49,205**	**45,766**	**19,061**	**19,362**	**20,247**	**9,541**	**7,074**	**9,683**	**(15,220)**	**(13,417)**	**(15,144)**	**60,973**	**62,225**	**60,553**
Cash and cash equivalents	**47,439**	**36,016**	**42,430**	**3,865**	**2,649**	**4,508**	**4**	**–**	**7**	**–**	**–**	**–**	**51,307**	**38,665**	**46,945**

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

3. Accounting Methods

The same balance-sheet and assessment principles were used as in the Consolidated Accounts as of 31 December 2021. We would refer you here to chapter 2, 'Accounting Methods' in the notes on the consolidated accounts in the 2021 annual accounts (Financial Statement for 2021, pages 78 ff.).

4. Notes on the Consolidated Balance Sheet

4.1. Non-financial assets and liabilities

4.1.1. Property held as a financial investment
The real estate held as a financial investment still includes the items listed in chapter 4.2.3. of the Consolidated Accounts for 2021 'Property held as a financial investment' (Consolidated Accounts for 2021, pages 102ff). The assess assessment methods and periods of amortisation have not been changed from those mentioned in the consolidated accounts for 2021.

4.1.2. Intangible assets
For details on the assessment principles for in-house created intangible assets, we refer you to chapter 2.4.2. entitled "In-house created intangible assets" in the 2021 annual report (Consolidated Financial Statements for 2021, pages 80 f).

4.2. Equity

For more information on the change to GK Software's equity up to the balance sheet date on 30 June 2022, we would refer you to the 'Consolidated Statement of Changes in Equity'.

The Company's share capital amounted to EUR 2,258,425 as of 30 June 2022 (2,258,425 as of 31 December 2021) and was divided into 2,258,425 par value, individual share certificates each worth EUR 1. All the shares issued had been fully paid for by the reporting date.

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

5. Notes on the Consolidated Profit and Loss Statement

The exchange-rate revenue/expenditure has been shown for the purpose of better presentation. Figures for comparison with the previous year were determined.

6. Notes on the Cash Flow Statement

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

7. Items Not Entered

7.1. Contingent liabilities

No changes had taken place in terms of contingent liabilities since the 2021 consolidated annual accounts. We refer you to these in chapter 7.1. 'Contingent liabilities' (Consolidated Accounts for 2021, page 115) for this reason.

7.2. Financial obligations

Neither GK Software nor its consolidated companies had engaged in any relevant purchase obligations by 30 June 2022. The obligations arising from leases and rental contracts were recognised on the balance sheet in line with IFRS 16.

7.3. Results after the reporting period

No relevant events took place after the reporting date.

8. Other Information

8.1. Earnings per share

The earnings per share are determined as a quotient of the total results and the weighted average of the number of shares in circulation during the financial year. The average number of shares in circulation during the first six months of the 2022 fiscal year was 2,258,425 (previous year: 2,330,637). The consolidated annual surplus for 2022 amounts to EUR 8,776 K (previous year: EUR 9,261 K). As a result, the earnings per share in 2022 amounted to EUR 3.71 (diluted) and EUR 3.87 (undiluted) per share (previous year: EUR 4.08 diluted / EUR 4.34 undiluted).

When calculating the diluted earnings per share, the total number of shares, the number of existing and potential new shares from the share-option schemes and the convertible bond were all taken into consideration. The earnings from the period were also increased by the interest-rate advantage from the convertible bond and reduced by the resulting tax effect.

8.2. Details of associated persons and firms

There was no need for any expenditure on valuation adjustments or irrecoverable accounts receivable with associated persons or these items did not exist at all.

Any business transactions between GK Software and its consolidated subsidiaries were illuminated as part of the consolidation process.

8.2.1. Management Board

There was no change to the composition of the Management Board compared to the consolidated accounts for 31 December 2021.

There were no changes to the distribution of shares for members of the Management Board and Supervisory Board either.

8.2.2. Supervisory Board

The composition of the Supervisory Board has not changed compared to the 2021 consolidated financial statement.

8.3. Statement of compliance

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

8.4. Details of Group affiliation

GK Software SE, and therefore the GK Software Group, are subject to the direct control of GK Software Holding GmbH (HRB 24111 Chemnitz), which has its headquarters in Schöneck and is the senior parent company.

8.5. Day when the accounts were approved for publication

The Management Board cleared these consolidated accounts to be forwarded to the Supervisory Board on 30 August 2022. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

Guarantee by the Legal Representatives

We guarantee to the best of our knowledge that the consolidated accounts present a realistic view of the actual circumstances in the assets, financial and earnings situation at GK Software SE in line with the relevant accounting principles and that the consolidated annual report reveals the course of business including the business results and the situation within the Group in such a way that it communicates a view, which reflects the actual circumstances, and describes the main opportunities and risks for probable developments at the Company.

Schöneck, 30 August 2022

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

Financial Calendar

28 – 30 November 2022
Equity Quality Forum in Frankfurt/M.

28 November 2022
Quarterly Report as of 30 September 2022

24 April 2023
Annual Report as of 31 December 2022

25 May 2023
Quarterly Report as of 31 March 2023

15 June 2023
Annual Shareholders' Meeting 2023

29 August 2023
Interim Report as of 30 June 2023

November 2023
Equity Quality Forum in Frankfurt/M.

28 November 2023
Quarterly Report as of 30 September 2023

Legal Notice

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Notes

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

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

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