

January to March 2020

Interim Statement

Simply Retail.

Summary of Consolidated Results

		31.3.2020	31.3.2019	Change (2019/2020)
Sales	EUR K	29,023	24,555	18.2 %
Operating performance	EUR K	29,023	24,555	18.2 %
Total operating revenue	EUR K	29,801	25,133	18.6 %
EBIT	EUR K	1,064	(2,813)	—
EBIT margin (on sales)	%	3.7	(11.5)	—
EBIT margin (on total operating revenue)	%	3.6	(11.2)	—
EBITDA	EUR K	3,257	(639)	—
Employees		1,122	1,223	(8.3) %

First Quarter of 2020: Sales Increase Further, Earnings Positive

Dear Shareholders,

We are pleased to inform you that the first quarter of 2020 has been the strongest quarter in the company's history in terms of sales. Not only did we once more achieve a significant growth in sales, but we were also able to significantly improve EBIT compared to the same period last year. Revenue reached EUR 29.02 million, a marked increase of 18.2 percent (Q1 2019 = EUR 24.56 million). A significant portion of this growth was driven by excellent business with our existing customers. As a result, we achieved **EBITDA** of EUR 3.26 million in the first quarter, exceeding that of the same quarter last year (Q1 2019: EUR (0.64 million)) by EUR 3.90 million. The **operating result** (EBIT) of EUR 3.87 million also significantly exceeded the previous year's figure by EUR 1.06 million (Q1 2019: EUR (2.81 million)).

We were already able to acquire new customers in the USA and South Africa in the first quarter of 2020 in spite of the massive restrictions imposed by the Covid-19 crisis. These customers will equip around 4,200 systems with our solutions. This and the progress in the development of our sales pipeline, which is still apparent even under the altered conditions, give us confidence that a further reduction of the restrictions in other projects will allow us to make further decisions in the current financial year, especially since another existing customer has already chosen to switch to the Cloud Edition of OmniPOS in the second quarter.

In the second quarter, we in particular expect to make further decisions in connection with fiscalization in Germany, even though these are subject to a non-application decree until September 30. Our subsidiary, Deutsche Fiskal GmbH, was the first in the market to complete a cloud solution for fiscalization in co-operation with the Federal Mint, the Bundesdruckerei, and we expect that further retailers and partners will decide in its favor in the second quarter.

The Covid-19 crisis had only a very limited influence on the business development of GK Software in the first quarter of 2020. And we are also still seeing high capacity utilization in our project business in the current 2nd quarter because not all of our customers were affected by the business shut down. Furthermore, it seems that the current situation will give greater impetus to the **digitalization** process in retailing and boost new themes such as Click & Collect, Mobile Payment or self-scanning. To facilitate this, we have created the GetMyGoods solution, a new product with low technical requirements that allows customers to order goods from home and pick them up at the store.

Our **GK Drive** solution for gas stations and convenience stores was handed over to two dealers in the USA in the 1st quarter and we were able to present it for the first time at major trade fairs in New York and Düsseldorf before the global outbreak of Covid-19.

Due to the corona crisis, it is currently difficult to make a reliable forecast for the 2020 financial year. If it had not been for this special development, we are convinced on the basis of the quarterly results that we would have been able to achieve our medium-term forecast, which ends with this financial year. Much will now depend on how quickly the restrictions can be reduced and whether customers' propensity to consume returns to normal levels.

Market environment

The [outlook for the retail sector](#) in 2020 is currently difficult to assess. Originally, the German Retail Association (Handelsverband Deutschland, HDE) was again expecting growth of 2.5 percent to EUR 557.2 billion in 2020. However, because numerous retail segments have suffered a significant decline and consumer sentiment has been massively dampened, we can assume there will be a significant decline in retail sales for the year as a whole. In addition, online trading has also been affected by a decline. This development will be observed worldwide and may have an impact on retailers' investment behavior. It should also be noted, however, that some areas, such as food retailing in particular, have recorded significant growth in some areas, so there is no uniform picture of the sector.

Employees

GK Software still had 1,168 employees at the end of the year, and [1,122 employees](#) are currently working for the Group (as of March 31, 2020; previous year 1,227), making 105 less than at the end of the comparable period of the previous year.

Segment results

In the first quarter, the [core business area of GK/Retail](#) continued to grow strongly (+30.8 percent) whilst, as expected, the IT services area fell behind the previous year's figures. If one considers the composition of the [sales according to category](#), it can be seen that this growth was mainly supported by Services (+45.7 percent). Maintenance for GK/Retail also continued to grow (+26.6 percent) and more than compensated for the decline in IT Services.

Revenue in the [IT services](#) segment thus declined by 37.1 percent year-on-year to EUR 1.79 million, although the service business in this segment improved slightly year-on-year.

As far as [the ratio of revenue types](#) to each other is concerned, licensing revenues were weaker than in the previous year at 7.7 percent, while service revenues (54.5 percent) in particular stood out once more. Maintenance made up 27 percent of total revenue as in the previous year.

The exchange of services between the segments is regulated through service agreements based on the segments' usual revenues in their third markets. Administrative services are calculated on the basis of service contracts in accordance with an estimate of the time required to perform the administrative services, based on experience.

Assets and financial position

Compared with the end of 2019, the Group's cash and cash equivalents increased by EUR 4.06 million, while current and non-current bank liabilities together fell by EUR 6.80 million.

New risks have arisen in the area of the company's [opportunities and risks due](#) to the Corona crisis. Until this March, the actual development in 2019 and previous years, as well as the outlook for

2020 and beyond, were subject to the generally calm and steady development of the economic and political situation in many parts of the world. With the Corona crisis, however, most predictions regarding economic development have become obsolete and should at least be given a question mark, as it can be assumed that even a negative impact on the overall economy, and thus also on trade, lasting only a few months will have both short- and medium-term consequences. These could reduce the investment readiness of some of GK Software's typical clientele in the long run.

Financial Forecast and Outlook

The development of the 2020 financial year to date shows that the company is fully on track to meet its medium-term forecast for 2020 in terms of both sales and operating results.

However, as a result of the Covid-19 crisis, sales growth, especially in new business and, in that area, in licensing in particular, could turn out to be lower than stated for the medium-term forecast for 2020 due to the various contact and travel restrictions. As a result, sales would still grow, but less strongly than anticipated. The potential impact on new business would also impair the fundamentally positive development of EBIT, which could lead to a lower EBIT margin than originally forecast. Looking at the course of the financial year to date, however, we still expect a significant improvement compared with the 2019 figure. These statements are subject to the considerable reservation that it will be difficult to estimate the duration and depth of the crisis and its consequences in the various regional markets in which the Group operates, so that actual developments could differ significantly from this assessment.

Schöneck, 29 May 2020

The Management Board



Rainer Glass
Chairman of the Board



André Hergert
Chief Financial and Personnel Officer

Addendum

on 15 June 2020

Consolidated Balance Sheet on 31 March 2020

T.01 Assets

EUR K	31.3.2020	31.12.2019
Property, plant and equipment	16,410	16,988
Right of use assets IFRS16	8,542	8,914
Real estate held as a financial investment	6,361	6,350
Intangible assets	27,443	27,607
Financial assets	49	49
Active deferred taxes	486	713
Total non-current assets	59,291	60,621
Goods	32	35
Unfinished goods and services	0	381
Auxiliary materials and supplies	303	—
Initial payments made	8	8
Trade accounts receivable	16,375	23,982
Trade accounts receivable from ongoing work	17,931	14,278
Income tax claims	565	820
Other accounts receivable and assets	6,188	5,978
Cash	12,147	8,086
Total current assets	53,549	53,568
Balance sheet total	112,840	114,189

T.02 Liabilities

EUR K	31.3.2020	31.12.2019
Subscribed capital	2,029	2,023
Capital reserves	27,616	27,332
Retained earnings	31	31
Other reserves	(1,726)	(1,670)
Profit brought forward	13,545	16,682
Shortfall for period minorities interests	(553)	(3,137)
Equity attributable to GK Software SE stockholders	40,942	41,261
Equity attributable to noncontrolling interest	1,075	1,068
Total equity	42,017	42,329
Provisions for pensions	2,937	2,765
Non-current bank liabilities	5,757	6,133
Non-current leasehold liabilities	5,906	6,279
Convertible bond	13,871	13,826
Deferred government grants	800	812
Deferred tax liabilities	3,369	2,872
Total non-current liabilities	32,640	32,687
Current provisions	1,286	1,418
Current bank liabilities	7,438	13,861
Current leasehold liabilities	2,745	2,735
Liabilities from trade payables	3,236	2,484
Initial payments received	7,120	3,547
Income tax liabilities	635	428
Other current liabilities	15,723	14,700
Total current liabilities	38,183	39,173
Balance sheet total	112,840	114,189

Group Overall Results Statement from 1 January to 31 March 2020

T.03 Consolidated results accounts

EUR K	3M 2020	3M 2019	FY 2019
Ongoing business operations			
Turnover revenues	29,023	24,555	115,448
Other operating revenues	778	(1,286)	3,837
Turnover and other revenues	29,801	(19,478)	119,285
Materials expenditure	(2,072)	(2,174)	(6,229)
Personnel expenditure	(19,441)	(5,008)	(78,134)
Depreciation and amortisation	(2,193)	(27,946)	(8,826)
Other operating expenditure	(5,031)	(2,813)	(22,666)
Total operating expenses	(28,737)	11	(115,855)
Operating results	1,064	(399)	3,430
Financial income	16	(388)	74
Financial expenditure	(498)	(3,201)	(2,271)
Financial results	(482)	(408)	(2,197)
Income tax results	582	(3,609)	1,233
Income taxes	(1,127)	(1)	(4,372)
Consolidated shortfall / surplus for the period	(545)	(3,608)	(3,139)
of which attributable to noncontrolling interest	7	0	(2)
of which attributable to GK Software SE stockholders	(552)		(3,137)
Other results after income taxes		654.00	
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			
	(56)	0	90
Items, which will not be reclassified in the consolidated profit and loss statement in future			
		(2,955.00)	
Actuarial gains/ losses from defined benefit pension plans	0	(1)	(879)
Overall results	(601)	(2,954)	(3,928)
of which attributable to noncontrolling interest	7	0	(2)
of which attributable to GK Software SE stockholders	(608)	(2)	(3,926)
		(1.87)	
Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - undiluted	(0.27)	(1.87)	(2.70)
Earnings per share (EUR/ share) from the consolidated surplus/ shortfall - diluted	(0.27)	(1.87)	(2.70)

Consolidated Cash Flow Statement from 1 January to 31 March 2020

T.04 Cash flows from operating business

EUR K	3M 2020	3M 2019
Cash flows from operating business		
Surplus/ shortfall for period	(546)	(3,609)
Share option scheme (non-cash expenditure)	96	112
Income taxes affecting results	1,127	408
Interest expenditure affecting results	498	399
Interest income/ expenses affecting results	(16)	(11)
Profit/ loss from the sale or disposal of property, plant and equipment	(7)	(2)
Reversals of deferred public sector subsidies	(12)	(12)
Write-downs recognised for receivables	6	255
Write-ups recognised for receivables	(4)	(11)
Depreciation and amortisation	2,193	2,175
Actuarial gains/ losses	0	0
Net foreign currency losses /gains	0	0
Net profits from financial tools assessed at their fair value	84	129
Other non-cash revenues and expenditure	(309)	445
Cash flow from operating business	3,110	278
Changes in net current assets		
Changes in trade accounts receivable and other receivables	3,660	915
Changes in inventories	81	(4)
Changes in trade accounts payable and other liabilities	1,509	(70)
Changes in initial payments received	3,573	55
Changes in provisions	(28)	(4)
Income taxes paid	42	1,465
Net inflow of funds from operating activities	11,947	2,635
Amount carried forward	11,947	2,635

T.05 Cash flows from investment and financing activities, loans and cash and cash equivalents

EUR K	3M 2020	3M 2019
Amount carried forward		
Net inflow of funds from operating activities	11,947	2,635
Cash flow from investment activities		
Payments for property, plant and equipment and non-current assets	(413)	(1,016)
Proceeds from disposals of fixed assets	7	2
Investment subsidies used	—	—
Incoming payments as part of the company acquisition	—	—
Disbursement as part of a company acquisition	—	—
Interest payments received	14	11
Disbursed loans	—	—
Proceeds from the repayment of loans	—	—
Net cash outflow for investment activities	(392)	(1,003)
Cash flow from financing activities		
Taking out equity	194	97
Taking out loans	0	7
Interest paid	(149)	(128)
Repayment of loans	(3,395)	(738)
Issue of convertible bond	(741)	(699)
Net inflow (previous year: net outflow) in cash from financing activities	(4,091)	(1,461)
Net outflow of cash	7,464	171
Cash at the beginning of the financial year	2,291	6,151
Cash at the end of the financial year	9,705	6,385
Impact of changes in exchange rates on cash	(50)	63
Limited available funds	—	—

T.06 Summary of cash and cash equivalents

EUR K	3M 2020	3M 2019
Liquid assets	12,147	10,629
Utilisation of current account credit/ credit card/ exchange rate	(2,442)	(4,244)
Cash and cash equivalents at the end of the financial year	9,705	6,385

Financial Calendar

30 June 2020

Annual shareholders' meeting 2020 in Schöneck/V.

27 August 2020

Interim report as of 30 June 2020

16 – 18 November 2020

Analyst conference in Frankfurt/M.

26 November 2020

Interim statement as of 30 September 2020

28 April 2021

Annual report as of 31 December 2020

27 May 2021

Interim statement as of 31 March 2021

17 June 2021

Annual shareholders' meeting 2021 in Schöneck/V.

26 August 2021

Interim report as of 30 June 2021

November 2021

Analyst conference in Frankfurt/M.

25 November 2021

Interim statement as of 30 September 2021

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Notes

Note to the statement

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

Note regarding the rounding of figures

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

Disclaimer

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

