GK

Annual Report 2022

The Retail Innovators

Summary of Consolidated Results

		31.12.2022	31.12.2021	31.12.2020	2022/2021 changes in %
Turnover	EUR K	152,054	130,847	117,560	16.2
Operating income	EUR K	152,054	130,847	118,391	16.2
Overall revenue	EUR K	158,220	139,589	122,688	13.4
EBIT	EUR K	16,779	17,306	10,535	(3.0)
EBIT, adjusted	EUR K	18,691	13,848		35.0
EBIT margin (on turnover)	%	11.0	13.2	9.0	–
EBIT margin (on turnover, adjusted)	%	12.3	10.6		–
EBITDA	EUR K	24,764	26,790	19,078	(7.6)
EBITDA, adjusted[1]	EUR K	25,437	23,332		9.0
EBITDA margin (on turnover)	%	16.3	20.5	16.2	–
EBITDA margin (on turnover, adjusted)	%	16.7	17.8		–
EBT	EUR K	16,911	16,454	9,090	2.8
Annual net profit/loss	EUR K	11,359	13,298	6,266	(14.6)
Earnings per share (weighted)	EUR	4.99	5.98	(1.60)	–
Earnings per share (diluted)	EUR	4.84	5.66	(1.60)	–
Equity ratio	%	57.8	58.0	44.0	–
Net debt	EUR K	(46,816)	(42,431)	11,907	10.3
Employees		1,168	1,096	1,168	6.6

Go to main table of contents
Search in document
Go forward a page
Go back a page
Go to previous view
Go to next view
Go to Financial Calendar

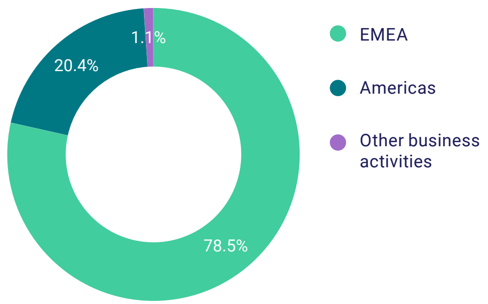
Turnover (EUR million)
152.1

Earnings per share (weighted, EUR)
4.99

EBIT (EUR million)
16.8

Equity ratio (%)
57.84

Turnover distribution by region



1 EBITDA 2022: EBITDA 2021, adjusted for transaction costs: Adjusted for revenue from sale of AWEK

To the Shareholders

"We are very satisfied with the results of the 2022 fiscal year and were able to continue to grow successfully in challenging times."

Rainer Gläss
CEO

Letter from the Management Board

Dear shareholders,

We are pleased to be able to account for another successful fiscal year as presented in the 2022 annual report for GK Software.[1] Despite the globally challenging situation that was marked by the war in Ukraine and the many consequences resulting from it, we were once again able to improve both our business figures and our market position. We continued our consistent progress toward becoming a cloud company and, at the same time, were able to maintain the fast pace of our growth in turnover.

The public offer from Fujitsu ND Solutions AG to acquire all shares in GK Software SE, which was announced after the end of the reporting period and whose exercise conditions have been fulfilled according to the announcement by Fujitsu ND Solutions AG dated 21 April 2023, is a clear sign of appreciation of our market position and the quality of our solutions. The fact that we have attracted the attention of one of the world's largest IT companies has proven to us that our consistent internationalisation strategy and our focus on flexible cloud solutions for the retail industry have borne fruit for both the company and the shareholders. We are all the more pleased that the necessary number of shareholders shares this view.

A glance at the key figures for the 2022 fiscal year also confirms this assessment. We were able to increase turnover to EUR 152.05 million, exceeding the previous year's result by EUR 21.21 million. This equates to a 16.2 percent increase.

1 The name 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 refers exclusively to the individual company.

Overall, we consider ourselves to be in a good position to continue our growth course and increase our profitability in 2023 and the coming years.

The EBIT adjusted for the special effects of this and the previous year reached EUR 18.69 million (compared to an adjusted EUR 13.85 million in the previous year) – an increase of over a third. These one-off effects were, in the previous year, the sale of AWEK microdata GmbH for EUR 3.46 million and, in the current year, the retroactive valuation impact of a real-estate transaction carried out in 2023, as well as the preparations for and support of said corporate transaction, which burdened the EBIT by EUR 1.91 million. This set the adjusted EBIT margin at 12.3 percent, exceeding the previous year's figure of 10.6 percent and fully meeting our expectations. The EBIT was EUR 16.78 million including the one-off effects (previous year: EUR 17.31 million).

The accordingly adjusted EBITDA increased from EUR 23.33 million (the EBITDA-relevant special effect for 2022 was EUR 0.67 million) by EUR 2.10 million to EUR 25.44 million. Thus, the reported EBITDA is now EUR 24.76 million compared to EUR 26.79 million in the previous year.

In terms of new customer acquisition, in the reporting period we were able to gain five new or existing customers for significant CLOUD4RETAIL projects, including two new SaaS projects, despite a noticeable delay in decision-making ability due to the challenging political and economic situation worldwide. In addition to this, there are eight new customers or new projects for GK AIR. Deutsche Fiskal was also able to further expand its solid customer base and, in particular, get many Fiskal Cloud Archiv customers up and running. The decision of the Schwarz Group – one of the world's largest retailers – to once again opt for GK Software was an outstanding success for the 2022 fiscal year. This means that, in the coming years, we will be working on one of the largest retail

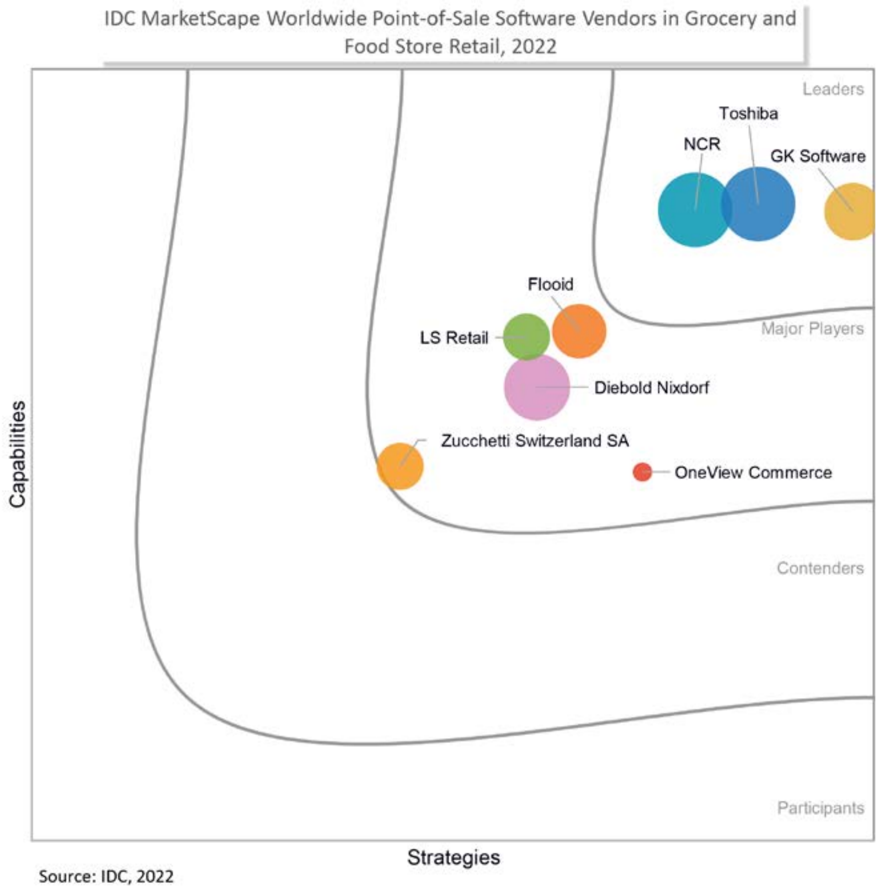
IT projects in the world. Although the actual number of new customers lagged behind the previous years' numbers, we have never been able to finalise deals on such a high number of new installations as we did this year. These finalised deals represent, in total, up to 81,000 installations in 18,000 stores in the coming years.

The major market research companies once again confirmed our internationally leading position in 2022. British advisory company RBR confirmed for the fourth year running that, in the respective preceding year (between June 2021 and June 2022), we rolled out more new POS installations worldwide in our target market (not including fuel stations and hospitality) than any other rival company. In Europe, with 26 percent of new installations, we have further strengthened our leading position over the past few years. The most recent IDC studies, entitled MarketScape Worldwide Point-of-Sale Software Vendors in Grocery and Food Store Retail 2022 and Worldwide Point-of-Sale Software for Large Apparel and Softlines Retail 2023, in each of which we were named as leader, further demonstrate the leading position of our range of solutions.

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 for the second time running. GK Software became the sector winner in the software category, beating a number of other renowned IT companies.

In the Research and Development sector, 2022 was dominated by numerous further developments to our range of solutions, whereby the focus remained on GK SPOT and GK Engage, after we had already brought GK GO to maturity mid-year. For our big-data platform GK SPOT, the main focus was on the seamless meshing with our newly developed AI use cases for hyperpersonalisation. We officially presented GK SPOT for the first time at this year's major trade fairs in New York and Düsseldorf, thereby entering the active sales phase.

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



Source: IDC, 2022

There are currently 429,256 installations of various versions of our core range of solutions. Around 110,000 additional installations for electronic payment transactions using our TransAction+ solution in the USA mean that we have over 540,000 installations on various devices in retail outlets today. This does not include a 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.

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.

We are almost at the end of the period covered by the medium-term forecast we gave in 2020 regarding business development up to 2023. As this forecast has also been correct so far, we will be issuing a new forecast that will extend to 2025. At the same time, we naturally want to meet the previous forecast for 2023. This involves adhering in 2023 to the targets that we set for this fiscal year in the previous medium-term forecast: Due to growth that is still assumed to be in the double-digit range, turnover is expected to be between EUR 165 and 170 million, and the operating EBIT margin (i.e., without the effect on costs of the planned corporate transaction) around 15 percent. For the whole of 2025, we expect to achieve, on average, at least a double-digit growth rate in turnover. This means a sales target of between EUR 193 and 205 million for 2025. The margin should develop beyond our previous target margin of 15 percent over the forecast period. Our goal for 2025 is to achieve a target margin that slightly exceeds 15 percent.

The forecast is made on the assumption that the ongoing international crises do not lead to any further negative developments that would have a longer lasting impact on the willingness of the retail industry worldwide to invest.

Overall, we consider ourselves to be in a good position to continue our growth course and increase our profitability in 2023 and the coming years. So we will continue to be optimistic about the years ahead and are delighted that you are accompanying GK Software SE and its pathway of growth. We would also like to take this opportunity to thank you for placing your long-term trust in the company.

Schöneck, 27 April 2023

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

“The Supervisory Board would like to thank the Management Board, the complete management team and all employees for their work in 2022.”

Dr Philip Reimann
Chair of the Supervisory Board

Supervisory Board's report

Dear Shareholders,

We would like to take this opportunity to present you with the report of the Supervisory Board of GK Software SE for the 2022 fiscal year.

The year was characterised by the very encouraging further economic development of GK Software SE despite the international crisis triggered by Russia's war on Ukraine. The results of the fiscal year confirm to the Supervisory Board that the course adopted by the Company since 2019 is leading to the right results. Furthermore, the strategic realignment of GK SOFTWARE SE makes even clearer and more tangible the networking of decades of experience as a leading European provider of integrated branch solutions and thus consistency on the one hand, with the innovative capacity, dynamism, readiness for change and agility of GK Software SE on the other, and therefore also contributes significantly to successful development. The Supervisory Board is convinced that, in the 2022 fiscal year, GK Software SE reached further milestones on the way to achieving its goal of becoming the worldwide leading provider of modern cross-channel retail applications. Of particular importance for the work of the Supervisory Board in 2022 was, of course, advising the Management Board and passing resolutions on corporate development issues. These eventually culminated in the 1 March announcement of a public offer from Fujitsu to the shareholders of GK Software SE. The Supervisory Board is convinced that this will open up a wealth of new opportunities for GK Software and its employees, and supports the offer together with the Management Board, and is pleased to have learned from the corresponding announcement by Fujitsu ND Solutions AG on Friday 21 April 2023 that the exercise conditions of the offer have been fulfilled.

Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board consists of three members. During the 2022 fiscal year, these were:

- Dr Philip Reimann (Chair)
- Thomas Bleier (Deputy Chair) and
- Herbert Zinn

Meetings

The Supervisory Board held its ordinary meetings on 23 February, 27 April, 15 June, 29 September, and 8 December 2022, with all meetings able to be held and personally attended in Schöneck. Additionally in 2022, regular meetings were held as phone or video conferences, many of which led to resolutions being passed. Such meetings at which resolutions were passed were held on 31 January, 4 February, 24 February, 14 March, 25 March, 8 April, 19 July, 29 July and 25 November. There were also several written circular resolutions on 17 January, 9 February, 16 March, 9 August, 13 September, 29 September and 23 November.

All members of the board attended all ordinary meetings and conferences. It is customary practice at GK Software to always involve the representatives of the Management Board in the meetings. Beyond these meetings, the members of the Supervisory Board were also regularly in contact with each other and – particularly through the Chair of the Supervisory Board – also with the Management Board and the members of the Group Management Board. Decisions were made during the meetings or by way of a circulation procedure. During its meetings, the Supervisory Board was briefed in detail about the Company's economic and financial situation and its fundamental corporate policy by way of verbal and written reports from the Management Board. At the request of the Supervisory Board, the Management Board also provided interim reports on the latest course of business and earnings at regular intervals between the meetings and promptly forwarded the minutes of each Group Management Board meeting.

Activities of the Supervisory Board

During the 2022 fiscal year, GK Software SE fulfilled the tasks incumbent upon it according to law, the articles of association, the recommendations of the government's "German Corporate Governance Code" commission and the Supervisory Board's latest rules of procedure, and monitored the Company's management in a continuous and careful manner.

In the 2022 fiscal year, the Supervisory Board focused in particular on the realignment of the strategy and the brand of GK Software SE, as well as, of course, on the impact of the war in Ukraine, especially on GK Software SE's site in Lviv. It also supported the Group Management Board in defining and implementing the targets for the fiscal year and beyond.

In 2022, the Supervisory Board supported and assisted the Management Board with their strategy to establish further sites in Eastern Europe based on the Eurosoftware model. The Supervisory Board welcomes these strategic measures, not least in view of the ever-increasing challenge of finding and holding on to suitable and qualified persons for GK.

The ongoing development and adaptation of risk-management systems was a subject again pursued by the Supervisory Board during the 2022 fiscal year, as were the increase in efficiency and quality in the HR area, the advancement of further expansion and the continued focus on the topic of data security and protection. The Supervisory Board welcomed the progress made in these respects.

The Supervisory Board also focused on the appropriateness of the remuneration paid to Management Board members, particularly in respect of the adjustments that have to be made to the existing employment contracts and pension agreements. As in previous years, we focused our attention on the relation of the remuneration payments to the economic situation of the Company and on the conditions prevalent at comparable companies, the soundness of the overall remuneration structure within GK Software and the composition of fixed and variable salary elements.

In order to monitor the Company's management, the Supervisory Board took the annual budget passed for 2022 for guidance and had reports prepared by the Management Board, particularly regarding the ongoing cost trends, profitability, specific characteristics of corporate policy, the reasons behind the corporate planning in all business segments, the further course of business and important measures adopted by the Company. Throughout the entire fiscal year, the Supervisory Board also requested additional reports on business development. Throughout the year, the Management Board also supplied the Supervisory Board with information – both during and outside the meetings – that was discussed and critically reviewed by the Supervisory Board.

Corporate Governance

The Supervisory Board and Management Board have been acting for many years in the knowledge that good corporate governance forms an important basis for the Company's success and is therefore in the best interests of shareholders and capital markets. In April 2023, the Management Board and the Supervisory Board issued their annual declaration of compliance in accordance with Section 161 AktG [German Stock Corporation Act]. The wording of this declaration is included in this annual report as part of the Corporate Governance Report. In this declaration, both the Management Board and the Supervisory Board have pledged to follow the recommendations of the German Corporate Governance Code as far as possible. On 31 August 2015, a decision was made on the legal stipulation to have equal representation of women and men in management positions; this continues to apply. Again in 2022, no conflicts of interest arose for the members of the Supervisory Board.

Sustainability reporting

In line with the statutory provisions, an independent sustainability report is being published by GK Software SE together with this report for the fifth time. The Supervisory Board therefore requested an explanation of the principles of reporting and the content of the sustainability report from the Management Board at the same time as the annual and consolidated financial statements in accordance with requirements.

Audit of the annual financial statements for 2022

The GK Software SE annual financial statements compiled by the Management Board in keeping with the guidelines set by the German Commercial Code, the IFRS consolidated accounts, and the respective management report were audited by the auditing firm PWC GmbH, Leipzig (Branch), and were given an unqualified audit certificate. Taking into account these audit reports, the Supervisory Board inspected the annual financial statements compiled by the Management Board, the consolidated accounts, the dependency report, the management report of GK Software SE and of the Group, and the Management Board's proposal for the appropriation of profits for 2022. At its meeting on 26 April 2023, the Supervisory Board asked the Management Board to explain the 2022 annual and consolidated financial statements and to report on the profitability, the Company's equity, the ongoing course of business and the Company's broader situation. All members of the Supervisory Board received the necessary paperwork and documents prior to this meeting.

During the meeting, the auditors commented on the Management Board's presentation and explained the audit findings on the basis of the audit reports and answered all the questions on these reports. The auditors were able to satisfactorily answer all issues raised. There are no concerns regarding the auditors' independence. At its meeting on 26 April 2023, the Supervisory Board approved the annual financial statements of GK Software SE and endorsed the consolidated financial statements of GK Software. The annual financial statements have therefore been approved.

The Management Board also prepared a report on the relationships with associated companies in accordance with Section 312 AktG. The auditors examined this report and gave a verbal account of the results of their examination at the meeting on 26 April 2023. The review by the Supervisory Board did not give rise to any grounds for objection. Accordingly, it had no objection to the Management Board's final statement in its report in accordance with Section 312 AktG and confirmed this by voting in favour of it at the meeting on 26 April 2023.

The Supervisory Board would like to thank the Management Board, the complete management team and all employees for their work in 2022.

Schöneck, 26 April 2023

Dr Philip Reimann
Chair of the Supervisory Board

Corporate Governance Report

in accordance with Section 289a HGB [German Commercial Code]

GK Software considers responsible and transparent behaviour to be absolutely essential for its long-term economic value creation. Both the Management and the Supervisory Board have therefore issued the statutory declaration of compliance in accordance with Section 161 AktG. Accordingly, monitoring compliance with the declaration is considered an important task for the Management Board and Supervisory Board. The declaration is issued every year and is available to the public on the Internet at https://investor.gk-software.com in the "Corporate Governance" section.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board have been working together for many years on a basis of trust. The Management Board reports to the Supervisory Board at regular intervals on profitability and the Group's strategy and its implementation, and also on existing or potential risks. These reports are given during the scheduled Supervisory Board meetings, five of which were held in the past fiscal year, and also directly through regular monthly meetings with the Chair of the Supervisory Board. Further information on this can be found in the Supervisory Board's report. Due to the fact that it has only three members, the Supervisory Board did not form any committees. All issues are discussed and decided by the full board. The Chair of the Supervisory Board is solely authorised to conduct negotiations on personnel decisions that pertain to the Management Board, but these must be approved by the full board. No conflicts of interest arose for members of the Management Board or the Supervisory Board.

Transparency

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.

The Company will also appoint a voting proxy for the 2023 Annual General Meeting; this will allow shareholders to exercise their voting rights, even if they are unable to attend the meeting in person. All public information, such as ad-hoc announcements and press releases, financial reports or reports on the annual shareholders' meeting, can be viewed at any time on the Company's website.

Risk management

The risk-management system established by the Company is geared towards the needs of its business. It is designed to help identify risks at an early stage and to prevent or limit any risks that occur. Please see the Consolidated Management Report for details.

Statement of compliance

On 12 April 2023, the Management Board and the Supervisory Board of GK Software SE declared that, since issuing the last annual declaration of compliance in April 2022, the recommendations of the government's German Corporate Governance Code commission had been met, apart from the exceptions noted in the declaration of April 2022, and will continue to be met with the following exceptions. The Corporate Governance Code in its 28 April 2022 version, which was valid at the time this declaration was issued, forms the basis for this declaration.

A. Management and supervision

I. Business management tasks of the Management Board

Principle 2, Recommendation A.1 The Management Board takes into account the social and environmental impacts of the Company's activities. An expansion of the corporate strategy to include these aspects is planned.

Principle 3, Recommendation A.2 In the interests of the Company, the candidates for management positions will be selected by the Management Board mainly on the basis of their personal skills and abilities. Only then will other objective background circumstances of the candidates be taken into account so as not to generally restrict the interests of the Company. When setting the target rate for the proportion of women at the first management level below the Management Board, the Management Board will take into account that this consists of only three members.

Principle 4, Recommendation A.3 The expansion of the internal monitoring system and the risk management system to include sustainability-related objectives as well as the development of processes and systems for recording and processing sustainability-related data is planned.

Principle 5, Recommendation A.5 A description of the essential features of the overall internal monitoring system and the risk management system as well as an opinion on the adequacy and effectiveness of these systems is not provided, as the recommendation goes beyond the information required by law and the current description of the accounting-related internal monitoring system is considered sufficient.

III. Function of the annual shareholders' meeting

Principle 8, Recommendation A.8 In the event of a takeover offer, the Company's articles of association do not provide for the convening of an extraordinary general meeting at which the shareholders can discuss the takeover offer and, if necessary, decide on measures under company law. The Management Board will comply with the statutory provisions envisaged for these cases and reserves the right to summon an extraordinary shareholders' meeting.

B. Composition of the Management Board

Principle 9, Recommendation B.1 When filling vacant positions on the Management Board, the Supervisory Board will mainly take into account the candidates' personal suitability, based on their individual skills and specialist expertise, so as not to generally restrict the interests of the Company. Only then will other criteria be considered. When setting the target rate for the proportion of women on the Management Board, the Supervisory Board will essentially take into account that this consists of only two members.

Principle 9, Recommendation B.2 The Supervisory Board and the Management Board will jointly ensure long-term planning with regard to successors. This method will be adapted to the relevant requirements of the specific situation in each individual case and will be described in the declaration on company management for 2023.

Principle 9, Recommendation B.5 There is no age limit for members of the Management Board; GK Software SE believes that the professional qualifications of the members of the Management Board are of greater significance.

C. Composition of the Supervisory Board

I. General requirements

Principle 11, Recommendation C.1 The election and therefore the composition of the Supervisory Board of GK Software SE is not decided by the Supervisory Board, but by the Company's Annual General Meeting. The Supervisory Board aims at successful cooperation between its members and constructive cooperation with the Management Board. The nominations submitted by the Supervisory Board at the annual shareholders' meeting will take into account the geographical distribution and the degree of complexity of the business activities of GK Software. Criteria such as age, origin or gender of the candidates are not preferential factors for admission in considerations. When setting the target rate for the proportion of women on the Supervisory Board, the Supervisory Board will essentially take into account that this consists of only three members. Due to the size of the Supervisory Board, no qualification matrix regarding the implementation of the competence profile is disclosed in the Corporate Governance Statement.

Principle 11, Recommendation C.2 There is no obligatory age limit for the members of the Supervisory Board as particularly the older members of the Supervisory Board enrich the board with their wealth of experience and their professional qualifications are of greater significance.

II. Independence of the members of the Supervisory Board

Principle 12, Recommendation C.7 In special situations, such as proposals for the necessary appointment of members to the Supervisory Board by a court, the Management Board will, in the best interest of the Company, also propose candidates who do not meet the criteria of the Code as regards independence. The Company does not see any restrictions of independence for the Supervisory Board members who have served on this board for more than twelve years.

Principle 12, Recommendation C.10 In special situations, such as proposals for the necessary appointment of members to the Supervisory Board, who at the same time are to be appointed as Chairs of the Supervisory Board by a court, the Management Board will, in the best interest of the Company, also propose candidates who do not meet the criteria of the Code as regards independence.

D. How the Supervisory Board operates

I. Rules of procedure

Recommendation D.1 The rules of procedure for the Supervisory Board are not made public.

II. Cooperation within the Supervisory Board and with the Management Board

Principle 14, Recommendation D.2 The Supervisory Board of GK Software SE does not form any committees as, due to its size (the Supervisory Board consists of three members), meetings attended by all members of the Supervisory Board are the most efficient way to guarantee that consistent and extensive information is provided to all members of the Supervisory Board. All questions can be discussed and answered appropriately when the full board meets.

Principle 15, Recommendation D.3 See the justification for the deviation from Recommendation D.2.

Principle 15, Recommendation D.4 See the justification for the deviation from Recommendation D.2.

E. Meetings and passing of resolutions

Recommendation D.6 The Supervisory Board usually meets together with the members of the Management Board, as both boards believe that the flow of information and the discussion of subjects that concern the Company can be best handled this way.

Recommendation D.10 See the justification for the deviation from Recommendation D.2.

F. Transparency and external reporting

Recommendation F.2 The consolidated financial statements will not be published within 90 days of the end of the fiscal year, but – in keeping with the current guidelines of Deutsche Börse AG – after four months. The interim reports will not be presented after 45 days, but – in keeping with the current guidelines of Deutsche Börse AG – after two months. GK Software SE believes that the periods of time stipulated by Deutsche Börse AG are sufficient to provide shareholders with detailed information.

G. Remuneration of the Management Board and the Supervisory Board

I. Remuneration of the Management Board

Recommendation G.1 It is not possible to precisely determine the relative share that the fixed remuneration on the one hand, and short-term variable and long-term variable elements of remuneration on the other hand, have in the overall target remuneration. Whereas the ratio of fixed remuneration and maximum short-term variable remuneration has been clearly defined, the long-term variable remuneration is paid out solely in the form of share options; however, the value these shares will have on the date of issue cannot be determined at the time the option is exercised.

The remuneration system stipulates the correlation between the achievement of the previously agreed performance criteria and the variable remuneration. However, the Supervisory Board reserves the right to consider the Company's overall situation when assessing the targets that have actually been achieved in terms of overall target achievement.

Recommendation G.6 The variable remuneration that results from achieving long-term targets does not exceed the proportion resulting from short-term targets pro forma. However, it is deliberately assumed that the instruments for the remuneration of long-term goals (share options) with a growth value such as the company represents, have an inherent value lever - even if not exactly determinable - which can and should lead to the remuneration of the long-term goals clearly exceeding that for the short-term goals.

Recommendation G.10 The members of the Management Board are not expected to invest the variable remuneration granted to them mainly in Company shares, because the long-term remuneration is already paid out solely in the form of share options.

Recommendation G.11 In justified cases, there is no possibility for the Supervisory Board at GK Software to withhold or reclaim any variable remuneration earned. In such cases, mutual agreement will be sought with the members of the Management Board.

Recommendation G.13 In principle, the Supervisory Board endeavours to follow recommendation G.13 of the GCGC. In the case of the intended termination of the contract of the Chair of the Management Board, Mr Rainer Gläß, in the course of the corporate transaction, the Supervisory Board was unable to achieve a different result due to the legal and contractual obligations it entered into for the company by concluding the Management Board contract. Moreover, in the opinion of the Supervisory Board, compliance with the recommendation makes the conclusion of Management Board contracts of more than three years unattractive for potential candidates and, in addition, is associated with higher annual costs in our estimation.

Recommendation G.15 For those members of the Management Board who hold positions on the Supervisory Board within the Group, the remuneration is not currently taken into account in their salaries as the decisions were made before the corresponding rules of the Code were adopted and the additional responsibility associated with this is compensated. When making future decisions, the Supervisory Board plans to ensure that the remuneration for supervisory board positions within the Group is taken into account in the salaries.

GK Software SE Shares

Basic data

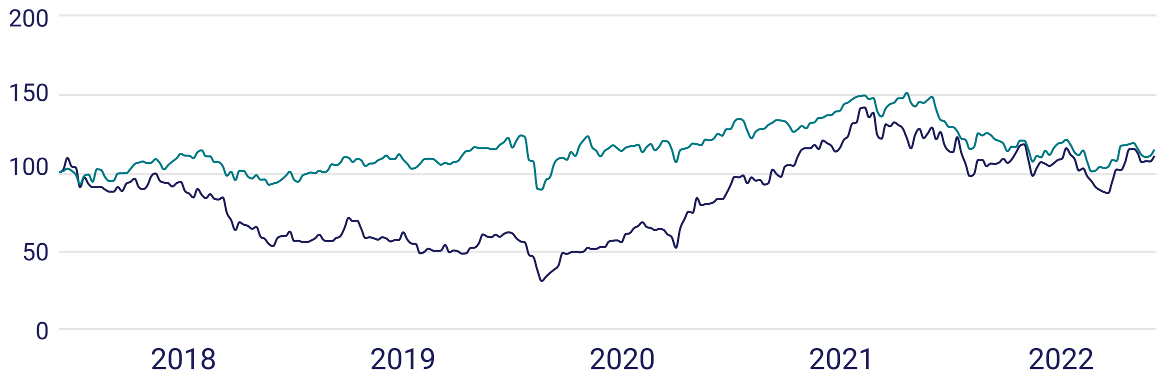
T.01 Basic data

Securities Identification Number (Wertpapierkennnummer; WKN)	757142
ISIN	DE0007571424
Trading symbol	GKS
GK Software AG IPO	19.6.2008
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	2258425
Share capital	EUR 2,258,425
Free float	59.08%
Highest price in 2022	EUR 158.00 (3 January 2022)
Lowest price in 2022	EUR 102.60 (11 October 2022)

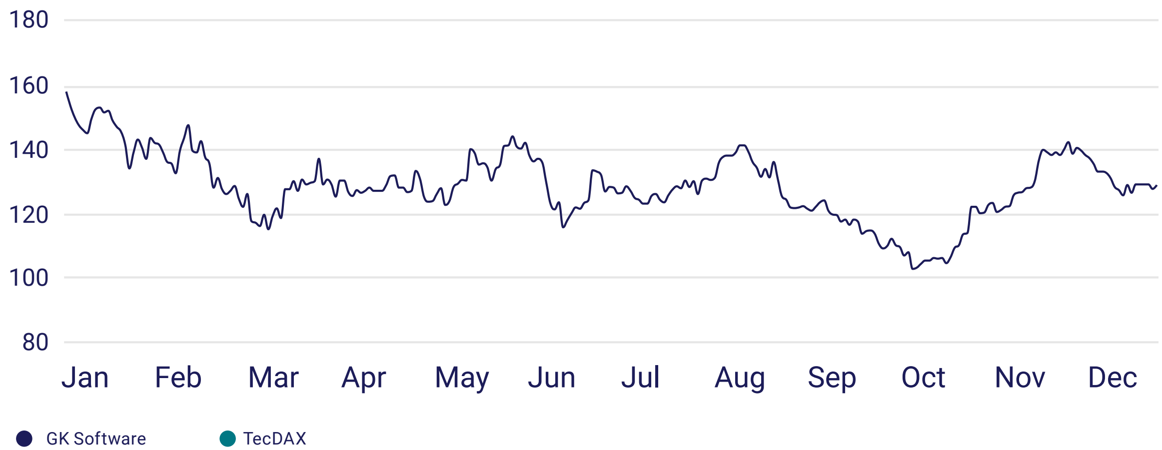
Summary / share performance

In the 2022 stock market year that was dominated by the war in Ukraine and the growing tensions between the USA and China, as well as the numerous global challenges arising from these, the GK Software share listed in the Prime Standard of the Frankfurt Stock Exchange showed a persistently negative sideways trend. Nevertheless, the GK share stood up comparatively well on the market and reduce the losses again by the end of the year. After the share price started the year at EUR 158.00 and troughed at EUR 104.40 in mid October, it closed at EUR 128.80 at the end of the reporting period. Market capitalisation was EUR 291 million at the end of the year.

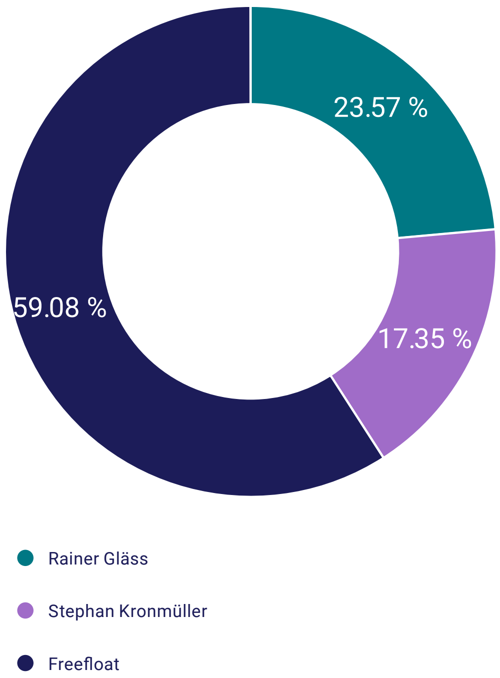
Share price development (in %) 2018 to 2022



Share price development (in %) in 2022



Shareholder structure on 31 December 2022



Number of shares issued

On 31 December 2022, the total number of voting rights was 2,258,425 shares at the end of the reporting period.

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 (31 December 2022) was as follows: Rainer Gläß, company founder and Chair of the Management Board, directly held 3.00 percent and, indirectly through Rainer Gläß Vermögensverwaltungs GmbH & Co. KG, 20.57 percent of the shares. Stephan Kronmüller, also a company founder and the former Head of Technology and Development, directly held 2.02 percent and, through Stephan Kronmüller Vermögensverwaltungs GmbH & Co. KG, 15.33 percent of shares. This meant that 59.08 percent of the shares were in free float on 31 December 2022.

On 1 March 2023, Fujitsu Ltd. announced a public offer to the shareholders of GK Software SE, which it published on 23 March 2023. In connection with this, both of the Company's founders, Rainer Gläss and Stephan Kronmüller, signed an irrevocable pre-emption right regarding all shares held by them. Fujitsu ND Solutions AG also announced on 21 April 2023 that the minimum acceptance threshold of the offer had been exceeded.

The Company was informed about the following holdings in GK Software SE, which exceeded the 3 percent threshold in the 2022 fiscal year and until the preparation of the annual and consolidated financial statements:

T.02 Amounts exceeding / falling below the threshold value (As of 24 April, 18:00)

Date of notification	Shareholder	Share in %
3.3.2023	Norwegian Ministry of Finance, Oslo	1.87
3.3.2023	Fujitsu Limited, Kawasaki	40.65
20.3.2023	Universal-Investment-GmbH, Frankfurt am Main	2.27
20.4.2023	Barclays PLC, London	0.41
21.4.2013	Simon Davies	5.91
21.4.2023	Sand Grove Opportunities, George Town	5.89
24.4.2023	UBS, Zürich	2.33
24.4.2023	Morgan Stanley, Wilmington	10.72
24.4.2023	James Nicholas Barrie Smith	5.56
24.4.2023	Jonathan Esfandi	16.53

Directors' dealings in 2022

T.03 Directors' dealings

Date	Person trading	Position	Activity	Volume EUR	Quantity
7.9.2022	Herbert Zinn	Supervisory Board	Purchase	121,486.00	1000

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. This guarantees that any enquiries from investors and potential investors are answered immediately.

GK Software SE also attaches great importance to providing a continuous 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. In 2023, as in previous years, GK Software will again hold its analysts' conference during the Frankfurt Equity Capital Forum. Investor and press road shows also take place at regular intervals, so that the Company remains in permanent contact with the capital market.

Products and Services

The CLOUD4RETAIL commerce platform

The CLOUD4RETAIL platform is the technological basis for the majority 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 to 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 that it practises. 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 toward 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 behind OmniPOS 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) was complemented by GK GO to permit 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.

The CLOUD4RETAIL platform has been designed for use in very large and widespread branch networks.

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 through 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 for this. 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 directly on their smartphones, for example. The solution works together seamlessly with the modules of the CLOUD4RETAIL platform, signifi-

The focus is currently on integrating GK Engage into GK SPOT so as to exploit the added value available from real-time data analysis.

cantly increasing its added value and thus its competitive ability. The focus is currently on integrating GK Engage into GK SPOT in order to realise the added value resulting from the real-time data analysis, particularly in the areas of personalisation and recommendations for all types of devices, for both retailer and customer. This will add more use cases for GK SPOT.

GK GO
GK presented GK GO, a complete solution for self-service stores that does away with conventional scanning and traditional checkouts, for the first time at the EuroCIS 2022 in Düsseldorf. Items are registered fully automatically using lidar sensors and intelligent scales. Checkout is also fully automatic and can be done using a variety of smartphone- or smartwatch-based methods. GK GO is a further development of the CLOUD4RETAIL platform and can be seamlessly integrated into existing concepts. Unlike computer-vision-based solutions, GK GO offers numerous advantages such as real-time communication with the consumers and the absence of camera recordings, which could cause privacy concerns. Combined with AI processes, GK GO enables direct communication with the shopper during the shopping trip (e.g., offering coupons or recommendations).

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-related 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 the German legal fiscal system in its subsidiary known as “DF Deutsche Fiskal GmbH”.

Since 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 from the cloud, 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 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 last 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 SPOT, GK GO, 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.
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, gift vouchers and "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

> GK presented GK GO, a complete solution for self-service stores that does away with conventional scanning and traditional checkouts, for the first time at the EuroCIS 2022 in Düsseldorf.

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 introducing change requests, 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 consulting, project management and training courses also come under the heading of services.

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 2022, which can then introduce CLOUD4RETAIL on their own.

New customers acquired in 2022

GK Software and its subsidiaries support a total of more than 375 customers. A distinction must be made between projects that apply the core solution, which run today under CLOUD4RETAIL, and were primarily sold under the name OmniPOS or GK 12 until 2019. This segment also includes projects that were sold by SAP under the SAP brand, but in most cases are still implemented and overseen by GK Software. The core solutions segment covers all major and long-term projects. Overall, i.e., not only directly, but also in cooperation with SAP, in this segment GK Software supports mainly large and medium-sized customers on all continents and in many different retail sectors. 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 100 customers.

Further customers are supported by GK Artificial Intelligence for Retail AG (GK AIR), the US company and Deutsche Fiskal. The AI solutions offered by GK AIR and the US company's payment solution TransAction+ are each being used by around 50 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. Today, Deutsche Fiskal has a total of 237 customers.

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 counts 20 percent among its customers.

In the reporting period, the Group won five new customers or existing customers for CLOUD4RETAIL, eight new customers or new projects with existing customers in the GK AIR segment, and additional new Deutsche Fiskal customers. In two cases, existing customers are switching from an older GK solution to OmniPOS or to a SaaS contract. In the CLOUD4RETAIL segment, two of the five new contracts in total are SaaS contracts. The decision of the Schwarz Group – one of the world's largest retailers – to once again opt for GK Software and the fact that, as a result of this, GK Software will be working on one of the world's largest retail IT projects in this field deserve a special mention. Nevertheless, it has become apparent over the course of the fiscal year that the war in Ukraine and the global uncertainties associated with this have affected the willingness of retailers to make decisions more seriously than we had expected mid-year. This means that some of decisions expected for 2022 have been postponed.

In most cases, the name of the customer is kept secret until the roll-out is completed. The 3 new customers in 2022 come from the food trade, convenience and fashion industries, and geographically from Scandinavia, Mexico and the USA. Some of the new customers will be using several GK solutions. The customer from the convenience industry will also be using the fuel station solution GK Drive. Although the number of new customers lags behind the previous years' numbers, GK has never before been able to finalise deals on such a high number of new installations for the coming years. The total number of deals finalised in 2022 represent up to 81,000 installations in 18,000 stores in the coming years.

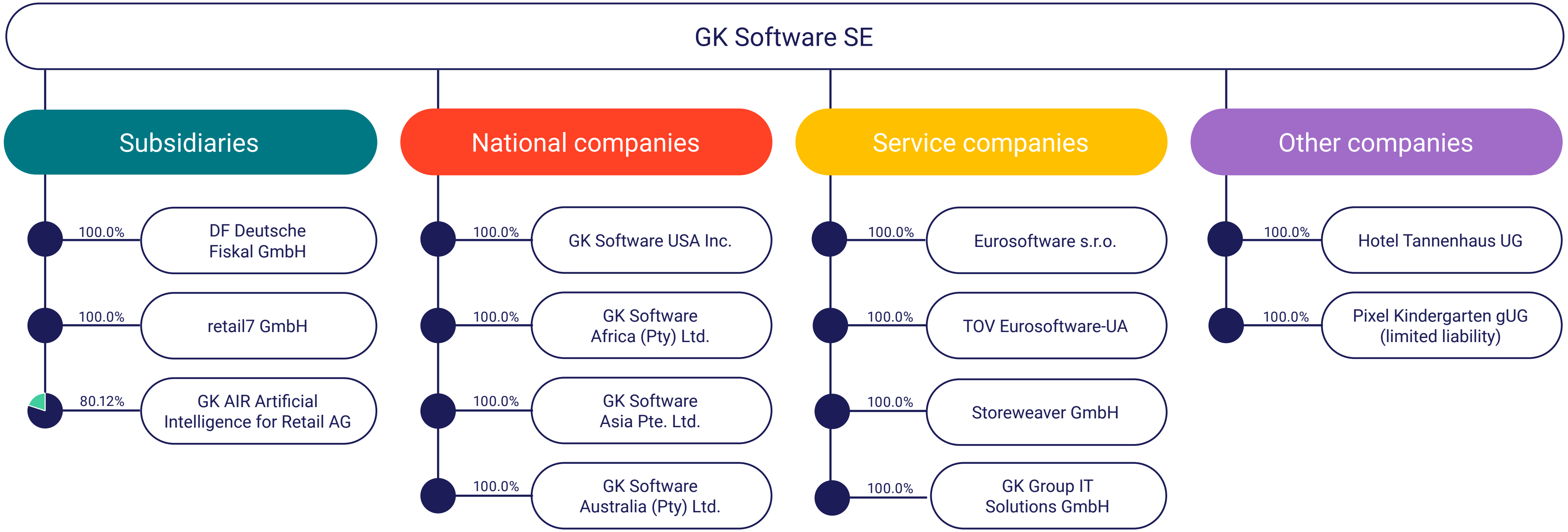
The total number of deals finalised in 2022 represent up to 81,000 installations in 18,000 stores in the coming years.

Besides the new projects, revenue was generated in most of the ongoing projects through the platform or smart extensions or through the sale of other solutions. The fact that we were able to finalise significant deals with several major existing customers for cloud services – the total contract value of which lies in the high double-digit million range for the coming years – deserves a particular mention for this segment. It is also encouraging to see that Deutsche Fiskal was able to considerably increase the number of SaaS contracts for Fiskal Cloud Archiv.

Consolidated Management Report

“2022 was a very successful year for GK and we are optimistic about the future.”

André Hergert
Chief Financial Officer


GK Software SE
Subsidiaries
100.0% DF Deutsche Fiskal GmbH
100.0% retail7 GmbH
80.12% GK AIR Artificial Intelligence for Retail AG
National companies
100.0% GK Software USA Inc.
100.0% GK Software Africa (Pty) Ltd.
100.0% GK Software Asia Pte. Ltd.
100.0% GK Software Australia (Pty) Ltd.
Service companies
100.0% Eurosoftware s.r.o.
100.0% TOV Eurosoftware-UA
100.0% Storeweaver GmbH
100.0% GK Group IT Solutions GmbH
Other companies
100.0% Hotel Tannenhaus UG
100.0% Pixel Kindergarten gUG (limited liability)

Consolidated Management Report

The Company's Business Model

The Group companies can be divided into four groups: Sales-oriented national companies, development-oriented subsidiaries with their own sales activities, companies with service tasks for the Group and other companies.

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

The Group companies can basically be divided into four groups. National companies provide sales and distribution services and support customers in the further development of the standard software platforms used in various international regions. In addition, the company has subsidiaries that are responsible for the development, sales and distribution of special portfolio components of the overall product range of the GK Software Group and have direct market relationships, as well as those that take care of development work within the Group and general services without having relationships with external customers. All subsidiaries are wholly owned by GK Software SE. The sole exception is GK Artificial Intelligence for Retail AG (previously prudsys AG), in which GK Software SE holds more than 80 per cent of the shares. A fourth 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.

GK Software's core solution is our CLOUD4RETAIL platform, which is now marketed outside the European Union by four 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 taking

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.

care of of these activities for CLOUD4RETAIL since 2015. 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. In the 2021 fiscal year, GK Software SE in France was launched as another (legally independent) foreign branch. In addition, **GK Software Asia Pte. Ltd.** in Singapore (back in 2021) and **GK Software Australia (Pty) Ltd.** in Melbourne were established as two further national companies. 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.[1] **OOO GK Software RUS**, located in Russia, is in the process of liquidation at the time of the preparation of this report.
Add-on solutions (so-called 'power apps') for CLOUD4RETAIL are developed by **GK Artificial Intelligence for Retail AG (formerly prudsys AG)** in Chemnitz and **DF Deutsche Fiskal GmbH** in Berlin. **GK Artificial Intelligence for Retail AG**, in which GK Software SE holds more than 80 per cent of the shares, develops the Group's solutions, which are based on the application of artificial intelligence methods and are connected to power apps according to customer requirements via the AIR (Artificial Intelligence for Retail) platform concept.

1 GK Software Asia Pte. Ltd., which has its registered office in Singapore, was registered on 26 November 2021 and started work with its first employee in January 2022. As of 2 April 2022, GK Software Australia (Pty) Ltd. in Melbourne was registered as a new wholly owned subsidiary of GK Software SE. Preparations for starting work are currently in progress.

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. **Plzen**, Czech Republic, for example, has been the Group's second-largest location for more than 20 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.

The previous, externally orientated, business operations of **AWEK GmbH**, which focused on services, were discontinued in the 2022 fiscal year. At the end of 2022, this company was renamed **GK Group IT Solutions GmbH** in order to consolidate IT services within the group and to make them available to the GK Software Group worldwide. These services include operating IT infrastructures and collaboration tools as well as security and software solutions. In this context, GK Group IT Solutions GmbH is also responsible for coordinating cross-site IT infrastructures and applications.

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).

The three-member Supervisory Board at GK Software SE has been led by Dr Philip Reimann since 24 March 2020. The 2022 Annual General Meeting confirmed that Dr Reimann would hold this position until the annual shareholders' meeting in 2026. Thomas Bleier was elected to the Supervisory Board in 2003. The annual shareholders' meeting in 2022 confirmed that his period in office would continue until the annual shareholders' meeting in 2026. 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. In addition, the 2022 Annual General Meeting elected Prof. Dr Alexander Knauer and Prof. Dr Jörg Schröder as replacement candidates in the event that a member of the Supervisory Board should leave before the end of his/her period in office.

Control parameters for the Group

Management of the Group is largely determined by two control parameters: turnover and revenue; two main elements are largely used to determine the latter: 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 that directly served to provide this turnover in order to be able to monitor the extent and effect of third-party services on the achieved turnover.

This system of key performance indicators, which is geared towards earnings capacity, is accompanied by KPIs that 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.

1,168

Employees

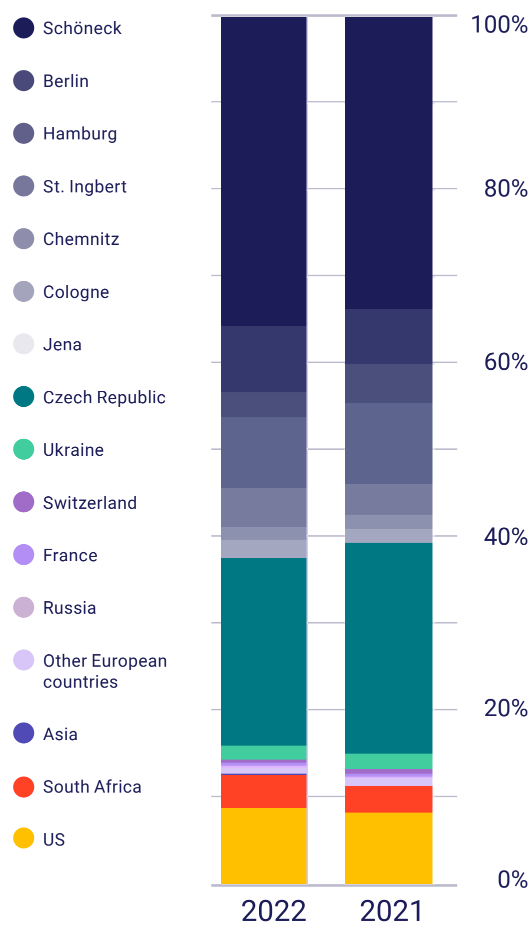
Another major aspect concerns the Group's ability to be able to make use of investment opportunities that arise at very short notice. A central KPI here is the surplus of cash and cash equivalents over interest-bearing liabilities. Depending on the goal of the approach, there are variants for this KPI 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

1,168 people in all were employed within the Group on the reporting date of 31 December 2022 (excluding members of the Management Board and trainees). This means that 46 more people were employed than on the previous year's reporting date (1,122) and 54 more than at the end of the first half of 2022. A significant propor-

Personnel structure of GK Software by location as of 31 December 2022



tion of the Group's employees continues to work at the Schöneck site The Berlin branch of GK Software SE currently has 84 employees working in the sales and marketing, project and partner management and development fields (the figure was 67 in the previous year) and a further five employees at DF Deutsche Fiskal GmbH. The number of people employed at the Czech subsidiary Eurosoftware s.r.o in Plzen declined to 253 (as against 273 in the previous year). 34 Group employees were employed in Hamburg at the end of the year (previous year: 51). The St. Ingbert site had 97 employees at the end of the year (previous year: 104), the Jena site 25 (previous year: 18) and the Cologne site 18 (previous year: 17). There were six employees in Dübendorf, Switzerland, at this time (previous year: five), and there was one employee at GK Software Asia (Pte) Ltd.

One hundred people were working for GK Software in the USA (2021: 90). The South African subsidiary employed 45 people on the reporting date (35 in 2021). The number of people employed at TOV Eurosoftware UA in Lviv has decreased from 21 to 17 since the end of 2021. The branch in France has four employees (previous year: four)

The head office of GK Artificial Intelligence for Retail (previously prudsys AG) in Chemnitz employed 51 people on the reporting date (2021: 41). 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. For example, most of our employees attended training courses at the GK Academy in 2022 (some of them on more than one occasion). New employees undergo extensive and standardised introductory courses, while a permanently adapted training programme is made available to all employees as well. 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 attracting new employees and the aim is to further intensify them in future.

T.04 Change in employee structure

	31.12.2022	31.12.2021	Change in %
Schöneck	418	379	10.3
Berlin	89	72	23.6
Hamburg	34	51	(33.3)
St. Ingbert	97	104	(6.7)
Chemnitz	51	41	24.4
Cologne	18	17	5.9
Jena	25	18	38.9
Czech Republic	253	273	(7.3)
Ukraine	17	21	(19.0)
Switzerland	6	5	20.0
France	4	4	100.0
Russia	1	2	(50.0)
Other European countries	9	10	(10.0)
South Africa	45	35	28.6
Asia	1	0	–
US	100	90	11.1
Total	**1,168**	**1,122**	**4.1**

The GK Software Business Model

GK Software essentially sells software and services to retail companies. Its range of solutions is grouped around the CLOUD4RETAIL core business. Following the structure of this software platform, this can be further differentiated into central process control (GK/Retail portfolio of solutions, including all processes for controlling a retailer's branch processes as well as their integration with the e-commerce activities) and the power apps, which serve to automate and optimise the process landscape of both downstream processes as well as 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[1] 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. Another part of the CLOUD4RETAIL area is the Mobile Consumer Assistant (MCA) range of solutions, 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 portfolio of solutions. Implementation takes place with apps branded to the retailer, which end consumers keep available on their mobile devices.

1 For components of the CLOUD4RETAIL platform see the Products and Services section above.

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. These services, called retail consulting, are provided both when software solutions of GK Software are introduced at new customers and when additional components of the standard platforms are introduced at existing customers. Even during the initial project, but especially afterwards, additional or new requirements (smart or platform extensions) arise to extend the solution. Furthermore, GK Software also offers services for classic on-premises operations that support the customer in the operation of the software.

These main groups are complemented by the power apps. The same service offers as for CLOUD4RETAIL are provided for the power apps, even though their significance is different.

The power apps make it possible to present further process steps that are not directly included in the core part of the branch processes or automate and optimise main processes. 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 **GK Artificial Intelligence for Retail** 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 primarily generates 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 (emailbon.de), which is also sold by GK Software.

GK Academy

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

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.

22.21
Million euro
R&D expenses

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 significant 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 is 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 2.41 million in 2022. 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 19.80 million was spent on this work during the past year.

GK Software spent a total of EUR 22.21 million on research and development work during the 2022 fiscal year, corresponding to about 15 per cent of the Group's sales.

Economic report

General economic and industry-related conditions

Business developments at GK Software are determined by several factors and their effects in different economic regions. The most important determining factors are the general economic conditions, the current situation and the expected business prospects for the retail sector.

With GK Software's business expansion into more and more economic areas, it goes without saying that the number of factors affecting its business have increased, as the situation in some individual markets may move in different directions in spite of global economic trends. However, this provides at least a partial detachment in the Company's general operations from the developments in its original core markets – primarily in Central Europe – without these markets losing their significance for GK Software. The Company is now in a position to be able to routinely compensate for low revenue or a total lack of revenue from licence agreements in Germany, Austria and Switzerland with revenue from other regions.

2022, or at least the first few months of it, was still impacted by the global pandemic, albeit to a significantly lesser extent than the previous year. A return to normality was evident in spring, however. However, the war in Ukraine triggered new challenges, such as rising inflation and global instability from the start of the year. Once again, the company's large share of customers from the food and DIY sectors proved to be a key element of stability.

Despite the challenging situation, global economic performance increased by 3.2 per cent in 2022.[1] However, according to the International Monetary Fund (IMF), emerging and developing countries showed a stronger increase in their economic performance of 3.7 per cent than industrialised countries, which recorded only 2.4 per cent growth. There were also considerable differences between the individual states. The US economy grew by only 1.6 per cent in 2022, while the economy in the euro area grew by 3.1 per cent. Germany's economic output grew by 1.5 per cent in 2022.[2] Inflation had a particular impact on the development of the global economy, rising to 8.8 per cent in 2022. However, the IMF is assuming lower global inflation for 2023 at a rate of 6.5 per cent. [3]

In parallel with the basic economic trends in the markets served directly or through sales partners, the general trends in the retail sector are also an extremely important factor influencing the Company's business. The issue of unified commerce (formerly known as omni-channel retailing) continues to be a major area of focus, because it is exerting a huge influence on retailers' strategic decisions in all markets. Beyond this, the introduction of genuine cloud services based on enterprise POS solutions is gaining further importance for retailers of all sizes. As a result, demand is almost exclusively focused on subscription products (SaaS) in some markets. Long-term issues like demographic developments, new ways of establishing customer loyalty and internationalisation also remain important driving forces and are becoming more and more connected to the mega-trend of unified commerce. GK Software responded to these priorities in the retail sector at an early stage and made significant preparations for the future through CLOUD4RETAIL. In addition to its cloud platform, new solutions such as GK SPOT, GK Engage and GK GO are further enhancing the company's competitive position.

In the 2022 financial year, the licensing business was driven by a single major customer in Germany to a significant extent. This shows that, regardless of the increasingly international nature of the company's business and customer base, developments in Germany, Austria and Switzerland continue to remain very significant for the direct business of GK Software, as this is an internationally leading market in the sector and many existing customers have their headquarters in this region. The German retail sector, Europe's largest single market, experienced very varied trends in 2022 depending on the sector. Overall, the trade sector (excluding motor vehicles, fuel stations, fuels and pharmacies) had a turnover of around EUR 632.0 billion in 2022, a nominal increase of 7.2 per cent.[4] While it was a patchy year for segments such as online retail and food, other areas, such as clothing, shoes, textiles and leather goods recorded a significant increase in turnover of around 27 per cent compared to the previous year.[5] In a scenario published for 2023, the German Retail Association has assumed a nominal increase in turnover of approximately 2 per cent for retail as a whole.[6]

In 2022, the European retail sector as a whole achieved an increase in turnover compared to the previous year.[7] On the other hand, turnover in the United Kingdom fell by around 3 per cent compared to the previous year. While food businesses recorded increasing turnover, the fuel business in the United Kingdom was particularly weak.[8] Similarly, in the USA, a continuous upward trend in retail sales has been observed in recent years, which has

1 https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
2 https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
3 https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
4 https://einzelhandel.de/images/presse/Pressekonferenz/2023/HDE-Pressekonferenz-Charts.pdf
5 https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_039_45212.html#:~:text=WIESBADEN%20%E2%80%93%20Die%20Einzelhandelsunternehmen%20in%20Deutschland,mehr%20umgesetzt%20als%20im%20Vorjahr.
6 https://einzelhandel.de/images/presse/Pressekonferenz/2023/HDE-Pressekonferenz-Charts.pdf
7 https://ec.europa.eu/eurostat/databrowser/view/sts_trtu_a/default/table?lang=de
8 https://www.boersen-zeitung.de/ticker/Grossbritannien-Umsaetze-im-Einzelhandel-ueberraschend-gesunken-e6cc468d-01fd-47cd-b0d4-8d834fb68fd6

caused more movement in the world's largest retail market.[1] At USD 4.86 trillion, retail sales in 2022 exceeded the previous year's high of USD 4.4 trillion.[2]

E-commerce is also continuing its lively development. This area achieved an increase in turnover of around 25 per cent since 2019 but, for the first time, had to face a drop in turnover of 8.8 per cent in 2022 compared to the previous year.[3] However, this was also due to the fact that e-commerce benefited to a disproportionate extent during the coronavirus pandemic and is now returning to a normal growth track. While the share of online retail trade amounts to 18.8 per cent of total retail sales in the US, this figure was only 10.2 per cent in Italy in 2022, for example.[4]It is generally assumed, however, that online retail sales will continue to grow in all developed retail markets.[5]

Turnover in e-commerce fell to around EUR 102.7 billion in 2022, but the bevh (German Association of E-Commerce & Mail-Order Businesses) is nevertheless assuming that the e-commerce segment will see future growth in Germany.[6] GK Software has been preparing its solutions for this movement towards successful unified commerce for years and therefore believes that it is in an excellent position to meet the relevant demands. These unabated developments are triggering huge challenges for the in-store retail sector and the challenges are also being driven by other innovations.

General assessment of the course of business

For the 2022 fiscal year, the Management Board had forecast a slight increase in revenue from turnover and a further slight improvement in the EBIT margin as part of the medium-term forecast until 2023. This outlook was subject to the continued uncertainty of the development of the COVID-19 pandemic. While such disruptions were not reflected in the company's financial figures – despite further impediments to sales activities – the onset of Russia's war against Ukraine saw a number of general economic consequences that had a thoroughly negative impact on GK Software's business activities. GK Software's business nevertheless developed in such a robust manner that the results for the 2022 fiscal year were fully in line with the forecast.

The 2022 fiscal year recorded an increased growth in turnover of 16.2 per cent or EUR 21.21 million as forecast compared to the previous year (EUR 13.29 million or 11.3 per cent) and **adjusted** earnings before interest and taxes on income (EBIT) of EUR 18.69 million (after EUR 13.85 million in the previous year).

The special effects taken into consideration in this context concerned the sale of AWEK microdata GmbH (EUR 3.46 million) in 2021 and a real estate transaction (see the Assets situation section of the report) in the year under review, as well as the preparations for the corporate transaction that reached its first milestone in 2023 with a voluntary public takeover bid from Fujitsu

+16.2%

Revenue growth

ND Solutions AG on 23 March 2023 (both events had a total impact on the EBIT of EUR 1.91 million, of which EUR 1.24 million were due to depreciations and EUR 0.67 million due to other operating expenses). This resulted in an adjusted EBIT margin of 12.3 per cent compared to 10.6 per cent in the previous year. The forecast progress in margin for 2022 was achieved at this operational level.

If the aforementioned effects are also included, the EBIT for 2021 was EUR 17.31 million and EUR 16.78 million for the year under review.

1 http://ycharts.com/indicators/retail_sales
2 https://nrf.com/media-center/press-releases/nrf-forecasts-annual-retail-sales-grow-between-6-per cent-and-8-per cent
3 https://www.bevh.org/presse/pressemitteilungen/details/umsaetze-im-e-commerce-mit-waren-und-dienstleistungen-erneut-ueber-100-milliarden-euro.html
4 https://www.retailresearch.org/online-retail.html
5 https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/
6 https://www.bevh.org/presse/pressemitteilungen/details/umsaetze-im-e-commerce-mit-waren-und-dienstleistungen-erneut-ueber-100-milliarden-euro.html

The earnings before interest, tax, depreciation and amortisation (EBITDA), which were adjusted accordingly, were EUR 25.44 million, compared to EUR 23.33 million in the previous year. Including the special effects, the EBITDA in the previous year was EUR 26.79 million and EUR 24.76 million in the year under review.

Furthermore, if the development is taken into account only for the ongoing business divisions, the adjusted EBIT margin for 2022 was 12.7 per cent compared to 11.3 in the previous year. The discontinued business areas contributed a turnover of EUR 2.45 million with an EBIT of EUR −0.63 million in 2021 and a turnover of EUR 0.60 million with an EBIT of EUR −0.57 million in 2022. This discontinued business area was part of the EMEA business segment.

In our core business, three new customers and the decision of two other existing customers to switch to CLOUD4RETAIL demonstrated that the attractiveness of our solution portfolio remains undiminished even in a difficult environment. Two of these customers also signed long-term SaaS contracts.

In our EMEA market region – Europe, Middle East and Africa including the Deutsche Fiskal and RETAIL7 products – we increased our turnover to EUR 119.35 million, compared to EUR 108.11 million in the previous year. The contribution of the exclusively software as a service products at Deutsche Fiskal and RETAIL7 amounted to EUR 7.14 million compared to EUR 5.63 million in the previous year. Unfortunately, Deutsche Fiskal was prevented from having a more aggressive presence in the market by ongoing regulatory uncertainty. Apart from this, the solution's stability throughout the year was once again extraordinarily impressive.

The Americas market region (which includes both American continents) also took another extremely encouraging step forward. Turnover increased from EUR 22.09 million to the current level of EUR 31.09 million, corresponding to an impressive 40.7 per cent. The earnings contribution of the region also continued to rise.

The APAC (Asia and Pacific) market region is still in development and is currently managed together with the EMEA market region. Market exploration has nevertheless led to a thoroughly encouraging sales pipeline being set up ahead of time. A turnover of EUR 2.36 million (previous year: EUR 1.35 million) was achieved with customers in Australia and New Zealand with whom business relationships existed even before the new market region was established.

In summary, it can be said for the GK Software Group: The targets for 2022 were achieved.

With regard to the individual company GK Software SE, similarly growing revenues and also a slightly increasing EBIT had been expected for 2022 relative to the Group. The turnover revenues could be increased significantly due to the settlement of a large individual project. As a result, EBIT also rose more strongly than initially expected.

Developments in new and existing business

GK Software's customers come from almost all areas of the retail sector and are distributed around the globe. The important market sectors, where the Company is active, are primarily the food retail sector, pharmacy & household goods, fashion & lifestyle. DIY & furniture markets or technology & cars. The products and services are mainly geared towards large and medium-sized enterprises and are particularly suitable for customers with many stores in several countries. In total, GK Software supports several hundred customers of various sizes who either use or are preparing to use solutions from the different areas of the Group.

In the reporting period, five new or existing customers began using CLOUD4RETAIL. In addition to this, there are eight new customers or new projects with existing customers for GK AIR. Two new SaaS contracts for CLOUD4RETAIL have been concluded for new customers acquired in 2022. Sales efforts for Deutsche Fiskal were hindered by the ongoing lack of clarity of the regulatory framework. A solution that unambiguously complies with the regulatory requirements was identified for one significant source of uncertainty, and this is in turn expected to create momentum for 2023 in this area.

As regards existing customers, 2022 was also characterised by extensive new orders, pilot starts and rollouts in several projects and an intense extensions business. Our core solutions were successfully rolled out to additional customers from different trading segments and successfully went live in new countries.

SAP and GK Software stepped up their partnership again in 2022, and some of the new customers in the CLOUD4RETAIL sector are joint customers with SAP.

Explanation of the business results and analysis of the assets, financial and earnings situation of the GK Software SE Group

GK Software expanded its business once again in 2022. Growth in turnover accelerated again based on a turnover of EUR 152.05 million compared to EUR 130.85 million for the previous year, and the forecast was thus met.

If the turnover is considered in terms of the market regions reported for the first time in the last year, the EMEA region[1] had a turnover of EUR 119.35 million, representing an increase of EUR 11.24 million or nearly 10 per cent on the previous year, while growth in the Americas region was significantly stronger with an increase of 40.7 per cent. Turnover here thus grew to EUR 31.09 million (by EUR 9.00 million).

The balance of the development of sales and operating costs (i.e., costs excluding depreciation and amortisation) of EUR −2.03 million led to a decrease in EBITDA from EUR 26.79 million to EUR 24.76 million. At EUR 16.78 million, EBIT was EUR 0.53 million lower than in 2021. Due to the nearly equal financial result (EUR 0.13 million after EUR −0.85 million), earnings before taxes (EBT) were EUR 16.91 million (previous year: EUR 16.45 million). Against this come tax expenses totalling € 5.55 million, resulting in annual net income of € 11.36 million.

18.69
Million euro
Adjusted EBIT

T.05 Total operating revenue

	FY 2022		FY 2021		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Sales	152,054	96.1	130,847	93.7	21,207	16.2
Operating revenues	152,054	96.1	130,847	93.7	21,207	16.2
Other operating earnings	6,166	3.9	8,742	6.3	(2,576)	(29.5)
Total operating revenue	**158,220**	**100.0**	**139,589**	**100.0**	**18,631**	**13.4**

1 In addition to Europe, the Middle East and Africa as indicated by the acronym, the EMEA region also includes the APAC region (Asia and Pacific) until its market launch and organisational formation, as well as the Deutsche Fiskal and RETAIL7 products, which were previously sold exclusively in Europe.

Earnings situation

- **Sales at EUR 152.05 million**
- **EBITDA at EUR 24.76 million**

Total Group sales rose by around 16.2 per cent from EUR 130.85 million to EUR 152.05 million.

The segment reporting was switched to geographically demarcated regions last year. The EMEA (Europe, Middle East and Africa) segment therefore reports all sales from this region plus those from the APAC (Asia and the Pacific) region. We will start to report APAC separately starting from the fiscal year in which the scope of business and organisational establishment are concluded to an extent that justifies its own reporting segment. The second new segment – the Americas – covers all sales generated on the American continents. In addition, there is a third segment that is not based on a regional affiliation but rather records turnover from other business activities that cannot be allocated to the core business.

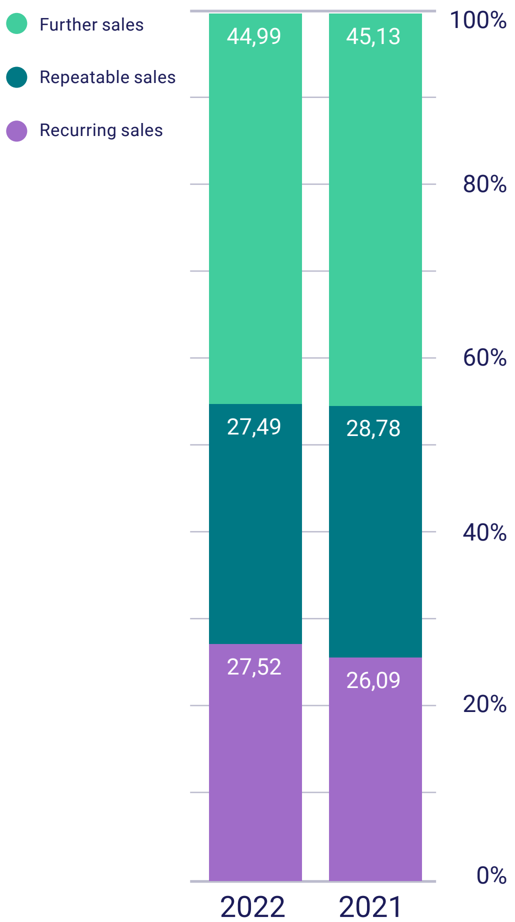
In the past fiscal year, the EMEA segment achieved turnover of EUR 119.35 million (previous year: EUR 108.11 million; +10.4 per cent), thus demonstrating an encouraging dynamic. In absolute terms, this development was carried by our core business with CLOUD4RETAIL, Which accounted for a turnover of EUR 106.43 million (compared to EUR 93.79 million in the previous year.; +13.5 per cent). A turnover of EUR 11.41 million (previous year: EUR 9.90 million; +15.3 per cent) was achieved with power apps – specifically AIR and Deutsche Fiskal) and the new solutions (RETAIL7, GK GO and GK SPOT). As expected, other revenue from discontinued operations or other commodity transactions fell from EUR 4.46 million to EUR 1.48 million – the lion's share being attributable to the discontinued IT services business (sale of AWEK microdata GmbH in May 2021 and discontinuation of the field service business in April 2022), the turnover for which was still EUR 0.37 million in the year under review compared to EUR 3.74 million in the previous year.

Business in the Americas segment was extraordinarily successful. Turnover was EUR 31.09 million (previous year: EUR 22.09 million) and thus 40.7 per cent above the previous year's figure. This development was primarily driven by the CLOUD4RETAIL business, which had a turnover +41.7 per cent higher than the previous year's figure.

In both the EMEA and the Americas regions, the company's development was positively influenced not least by the conclusion of perpetual license contracts for software. Revenue from the granting of these rights is immediately recorded because the rights of use are granted for an unlimited period.

The 'Other business activities' segment includes revenue from turnover in the amount of EUR 1.61 million,

Percentage comparison of sales by sales type 2021–2022



essentially originating from the hotel operations of Tannenhaus UG, which was taken over in 2021. This figure was still at EUR 0.64 million in the previous year.

When considering the composition of the turnover, GK Software achieved a total software-related turnover of EUR 70.68 million (previous year: EUR 60.41 million), of which EUR 51.43 million (previous year: EUR 46.47 million; +10.7 per cent) was attributable to the EMEA region and EUR 19.25 million (previous year: EUR 13.94 million; +38.1 per cent) were attributable to the Americas. Of this, EUR 28.9 million was attributable to standard software solutions in the Group (compared to EUR 22.7 million in the previous year) and EUR 41.8 million was attributable to customer-requested extensions to our standard solutions (previous year: EUR 37.7 million). The software sales for the standard products consist of licensing revenue for rights of software use without time limits (classic licenses, perpetual licences) and time-limited granting of rights (subscriptions). The process of transformation towards software as a service (SaaS) models further increased the proportion of subscriptions compared to the previous year. The Group's revenues from subscriptions, which had been 49.4 per cent (EUR 11.24 million) in the previous year, thus rose to 57.4 per cent (EUR 16.57 million) in the year under review, and are therefore +47.4 per cent higher than the previous year in absolute terms. The cause for this shift is the continued transition from the classic license model of software, with rights of use granted without time limit, to SaaS.

Group-wide revenues from extensions are now EUR 41.80 million (compared to EUR 37.66 million in the previous year); sales from classical software maintenance amount to EUR 25.27 million (previous year: EUR 22.89 million).

Sales amounting to EUR 52.96 million were recorded for introducing the Group's solutions or extensions and their operation and for operational support for the same. This figure was still at EUR 43.96 million in the previous year.

Other sales in the year under review fell from EUR 3.59 million to EUR 3.15 million.

In the **EMEA** region, EUR 22.52 million (2021: EUR 20.04 million) was attributable to granting of rights for standard software. Of this, EUR 15.12 million was attributable to revenues from subscriptions (compared to EUR 10.83 million in the previous year). The combined sales from CLOUD4RETAIL and GK Engage were EUR 5.71 million (2021: EUR 3.34 million). This increase is due to production start-ups of new customers from previous years as well as extensions to roll-outs of existing customers. For Deutsche Fiskal, sales from subscriptions increased from EUR 4.82 million to EUR 6.42 million. This is due to the operating period being extended from nine to 12 months. Unfortunately, a further expansion of the business could not be achieved due to the ongoing lack of regulatory clarity mentioned above. Subscription sales for AIR increased slightly from EUR 2.53 million to EUR 2.69 million. A further EUR 0.31 million (2021: EUR 0.08 million) was attributable to RETAIL7 in the first year of the market trial.

25.27
Million euro
Maintenance

While revenues from the use of standard software with no time limits were EUR 9.21 million in the previous year, a figure of EUR 7.40 million has now been recorded in the course of GK Software's change of business model towards SaaS. As in the previous year, this value was based on a major deal for CLOUD4RETAIL. Nevertheless, the turnover for this type of CLOUD4RETAIL license fell from EUR 8.50 million to EUR 7.13 million. AIR saw an identical trend: In this case, turnover fell from EUR 0.58 million to EUR 0.25 million. The remaining license revenues of EUR 0.02 million (previous year: EUR 0.13 million) were related to micro or third-party solutions.

Software maintenance services arising from classic perpetual-license software sales or platform extensions accounted for around EUR 20.19 million in total turnover (previous year: EUR 19.35 million).

With a turnover of EUR 28.90 million (previous year: EUR 26.44 million), there was growing demand for customised extensions to our standard platforms from customers in the EMEA region. This can be attributed to the customer base, which has been further expanded. In keeping with this, a further increase in turnover from retail consulting was noted. In total, the EMEA region recorded a turnover from retail consulting amounting to EUR 46.28 million (compared to EUR 39.40 million in the previous year). Retail consulting services relate to the integration of GK Software's solutions at new customers as well as the implementation of further standard solutions and customised extensions of the standard platforms. There is also demand on the part of customers for support services relating to the systems' operation.

Other revenues fell from EUR 2.89 million to EUR 1.46 million. This is essentially due to the sale of the IT services business area (AWEK microdata GmbH) in May 2021 and the discontinuation of the remaining business (AWEK GmbH Field Services) in April of this year.

In the **Americas** segment, licensing and operational revenues totalling EUR 6.36 million (compared to EUR 2.71 million in the previous year) were recorded for standard software subscriptions in 2022. Of this EUR 6.36 million, EUR 1.45 million came from subscriptions (previous year: EUR 0.42 million). EUR 1.23 million of this amount was attributable to CLOUD4RETAIL (previous year: EUR 0.35 million) and EUR 0.22 million (previously EUR 0.07 million) to TransAction+. The region achieved a turnover from perpetual licences of EUR 4.91 million (previous year: EUR 2.29 million), of which CLOUD4RETAIL accounted for EUR 2.98 million (previous year: EUR 0.92 million) and TransAction+ for EUR 1.93 million (previous year: EUR 1.37 million). The cause of this development, which is contrary to the general movement toward SaaS, can be found in individual deals.

Turnover revenues for software maintenance, both for standard platforms and for extensions, in the Americas segment increased to EUR 5.08 million from EUR 3.54 million.

As in the EMEA region, the demand in the Americas for customised extensions for GK Software's standard platforms increased further and has now reached EUR 12.89 million (EUR 11.23 million in the previous year). The Americas also saw an increased in sales from retail consulting to EUR 6.67 million (compared to EUR 4.55 million in the previous year).

Other turnover in the Americas segment remained at the low level of previous years and amounted to EUR 0.09 million in the year under review following a previous value of EUR 0.06 million.

Other turnover of EUR 1.61 million was recorded for the company's other business activities – a considerable increase compared to the previous year (EUR 0.64 million). This development is due to the consolidation of the hotel and restaurant business at the half-year point of the previous year and the first-time consolidation of the company kindergarten in Schöneck in 2022. The encouraging growth of the hotel and restaurant business is to be emphasised in this context even as a third-party business.

In total, this results in recurring (contractually fixed) or repeatable (not contractually agreed but – based on experience – highly likely to recur) sales of EUR 83.64 million compared to EUR 71.80 million in the previous year. This corresponds to a 55.0% proportion of the total sales of all segments (previous year: 54.9%).

T.06 Turnover according to segments

EUR K	EMEA FY 2022	EMEA FY 2021	Americas FY 2022	Americas FY 2021	Other business activities[1] FY 2022	Other business activities[1] FY 2021	Consolidations FY 2022	Consolidations FY 2021	Group FY 2022	Group FY 2021
Sales with third parties	**119,355**	**108,114**	**31,090**	**22,092**	**1,609**	**640**	**–**	**–**	**152,054**	**130,847**
Licences and software[2]	**51,426**	**46,473**	**19,253**	**13,938**	**–**	**–**	**–**	**–**	**70,679**	**60,411**
Platform licences	7,398	9,212	4,908	2,292	–	–	–	–	12,306	11,504
Platform-extension licences	10,857	7,546	285	374	–	–	–	–	11,142	7,920
Platform licences from subscription agreements	15,124	10,826	1,451	418	–	–	–	–	16,575	11,244
Smart extension	18,046	18,889	12,609	10,853	–	–	–	–	30,655	29,743
Maintenance	**20,188**	**19,351**	**5,080**	**3,544**	**–**	**–**	**–**	**–**	**25,267**	**22,895**
Software maintenance	20,188	19,351	5,080	3,544	–	–	–	–	25,267	22,895
Retail consulting	**46,284**	**39,402**	**6,671**	**4,554**	**–**	**–**	**–**	**–**	**52,955**	**43,956**
Retail consulting	36,097	27,877	6,561	4,411	–	–	–	–	42,658	32,288
(Cloud) operations support	10,188	11,526	110	142	–	–	–	–	10,297	11,668
Others	**1,457**	**2,888**	**87**	**57**	**1,609**	**640**	**–**	**–**	**3,153**	**3,586**
Sales with the other segments	**5,168**	**2,568**	**–**	**–**	**415**	**149**	**5,583**	**2,717**	**–**	**–**
Depreciations	**6,573**	**7,688**	**986**	**1,051**	**427**	**744**	**–**	**–**	**7,985**	**9,484**
of which impairment in accordance with IAS 36	–	1,642	–	–	–	376	–		–	2,018
Segment EBIT	**13,159**	**14,718**	**4,619**	**2,862**	**(998)**	**(261)**	**(1)**	**(14)**	**16,779**	**17,305**
Assets	**153,487**	**128,428**	**29,305**	**22,801**	**272**	**8,170**	**(16,414)**	**(15,218)**	**166,649**	**144,181**
thereof long term[3]	40,539	33,242	12,690	12,315	28	7,693	(74)	(74)	53,182	53,176
Debts	**60,925**	**45,766**	**23,720**	**20,247**	**1,949**	**9,683**	**(16,340)**	**(15,144)**	**70,253**	**60,553**
Cash and cash equivalents	**36,438**	**42,430**	**1,191**	**4,508**	**25**	**7**	**–**	**–**	**37,654**	**46,945**

1 The "Others" segment contains "real estate held as a financial investment" as well as the Tannenhaus complex.
2 Beginning with the 2020 fiscal year, further subdivisions into Licence Platform, Licence Platform Extension and Smart Extension were introduced.
3 Non-current assets, apart from financial instruments and deferred tax assets

At EUR 6.17 million, other operating earnings were less than those of the previous year (EUR 8.74 million). The reason for this is that the sale of a holding company in the previous year resulted in earnings from deconsolidation. No such event occurred in the year under review. In addition, income from currency differences was € 0.80 million higher than in the previous year. However, the corresponding expenditure item also increased in approximately the same way: Currency exchange rate changes increased by EUR 1.23 million, so these items basically only extend the profit-and-loss statement.

This results in a total operating revenue of € 158.22 million for the fiscal year (after € 139.59 million in the previous year).

The costs of consumables and supplies and for goods and services acquired decreased slightly in the 2022 fiscal year compared to 2021. The consumption of goods diminished from EUR 1.40 million in 2021 by EUR -0.45 million to EUR 0.95 million due to the considerable reduction in demand for hardware on the part of Deutsche Fiskal, whose customers acquired hardware for the hybrid anti-tampering solution in order to ensure the timely introduction of a tax-compliant solution for their business operations. Purchased services are reported at an almost unchanged level. After EUR 12.77 million in the previous year, these amounted to EUR 12.70 million in the year under review. This was affected by the reclassification of research and development services to other operating expenses, which was offset by higher expenses due to business development, including higher expenses for Deutsche Fiskal's cryptography partner due to the extended performance period.

Human resources expenditure now amounted to € 89.56 million after € 78.74 million in the previous year and was thus € 10.82 million higher than in the previous year. In addition to the only slight increase in the number of employees (on 31 December 2021, the average number of employees in the group over the year was 1,086; on 31 December 2022, this was 1,096), this is primarily due to the sharp increase in production costs. For example, the average salary increases in the year under review were 8.44 per cent. In addition, special payments such as compensation for inflation (EUR 1.18 million in total) and increased expenditure on variable salaries (EUR 2.25 million) increased the personnel expenditure.

At EUR 30.25 million, other operating expenses, including derecognition of financial assets, were up EUR 10.36 million on the previous year’s figure of EUR 19.89 million. This development is essentially due to the reclassification of EUR 3.32 million from purchased services to other operating expenses (research and development expenses), which we undertook on the basis of an analysis of purchased services. The corresponding expenditure in the previous year amounted to approximately EUR 2.9 million. Furthermore, this item was affected by exclusively financial types of expenditure (currency losses, derivative valuations), with their balance of change running to a cost increase of EUR 1.31 million. In this respect, it should be noted that there are offsetting items under other operating earnings that correspond to some extent. In addition, costs in the amount of EUR 0.42 million were incurred, which were used to prepare the corporate transaction (voluntary takeover bid from Fujitsu ND Solutions AG).

A total of EUR 5.05 million of the increase in other operating expenses is thus attributable to the special items mentioned above.

The changes in the remaining items arose from the operational business, which is characterised by its growth and general increases in prices. For example, **travel expenses**, which at EUR 5.32 million were EUR 1.95 million higher than in the previous year, have increased significantly, although they are still significantly below the pre-pandemic level. The **software maintenance and operating costs** also increased by EUR 1.12 million. This increase is partially due to the general proliferation of subscription models in software, leading to previous capital expenditure being transformed into operating costs. A further sum of EUR 0.82 million was spent on **human-resources-related payouts** (employee recruitment and voluntary social benefits).

In summary, these developments led to an unadjusted EBITDA of EUR 24.76 million, following a figure of EUR 26.79 million in the previous year. If the one-off factors of fiscal years 2021 and 2022 are taken into account, the EBITDA adjusted for these factors amounted to EUR 25.44 million in the year under review and EUR 23.33 million in the previous year.

Depreciation decreased by EUR 1.50 million from EUR 9.48 million to the current value of EUR 7.98 million. The depreciations for the year under review include the unscheduled depreciations on real estate held for sale in the amount of EUR 1.24 million, which have already been mentioned several times.

In the same vein, the adjusted EBIT in the year under review amounted to EUR 18.69 million (compared to EUR 13.85 million in the previous year).

Without the adjustments, this amounts to an EBIT of EUR 16.78 million compared to EUR 17.31 million in the previous year.

The financial result was almost balanced in the 2022 fiscal year with surplus earnings of EUR 132 K. In addition to the operational effects from the increased portfolio of cash and cash equivalents, as well as the reduced interest-bearing liabilities (see the comments on the financial situation), the year under review was characterized by a special effect from the corrected discount calculation for the convertible bond for the previous years (EUR 1.28 million). In fact, interest of € 1.08 million was paid in the fiscal year.

This results in practically unchanged earnings before income taxes (EBT) of EUR 16.91 million compared to EUR 16.45 million in the previous year.

T.07 Earnings figures

	FY 2022		FY 2021		Change	
	EUR K	in %[1]	EUR K	in %	EUR K	in %
EBITDA	24,764	16.3	26,790	20.5	(2,026)	(7.6)
EBIT	16,779	11.0	17,306	13.2	(527)	(3.0)
EBT	16,911	11.1	16,454	12.6	458	2.8
Group result	11,359	7.5	13,298	10.2	(1,939)	(14.6)

Income taxes of EUR 5.55 million (previous year: EUR 3.16 million) were recorded for this pre-tax result. This results in an annual result of EUR 11.36 million.

Assets situation

The assets situation is also characterised by the favourable development in the business and the simultaneous measures for continued addition financing of the corporate group. The balance-sheet total amounted to EUR 166.65 million as of the reporting date, and was thus EUR 22.47 million higher than the previous year's figure of EUR 144.18 million.

As in the previous year, this development was influenced by the encouraging development in the business and is thus on the capital side. Equity increased by EUR 12.77 million, of which the lion's share of EUR 11.36 million was attributable to business development in the year under review. Short-term debt was reduced by refinancing of the convertible bond with a long-term bank loan, half of which is to be repaid in instalments and the other half on maturity. Long-term debts increased accordingly.

On the asset side, this development was primarily reflected in an increase in cash and cash equivalents as well as securities held as an available reserve. These two items increased by a total of EUR 15.62 million. The portfolio of securities that can be liquidated in the short term for liquidity management amounted to EUR 29.20 million. Cash and cash equivalents decreased by EUR −9.29 million on the reporting date.

1 Margin on turnover

In detail, the major blocks of the balance sheet changed as follows: Non-current assets amounted to EUR 53.18 million and were thus EUR 0.01 million lower than the value on the reporting date of the previous fiscal year. Current assets, excluding liquid funds, were up by € 29.20 million compared with the previous year's figure, and now amount to € 73.26 million. At the same time, cash and cash equivalents decreased by EUR –9.29 million to EUR 37.65 million.

The Group's equity amounted to EUR 96.40 million as of the reporting date; this represents an increase of EUR 12.77 million year on year. Long-term debts amounted to EUR 27.50 million and were thus EUR 11.69 million higher than in the previous year. At the same time, short-term debts fell by EUR 1.99 million to EUR 42.75 million.

This resulted in an equity ratio of 57.8% (58.0% in the previous year).

T.08 Key performance indicators for the assets situation

	31.12.2022		31.12.2021		Change	
	EUR K	in %	EUR K	in %	EUR K	in %
Non-current assets	53,182	31.9	53,176	36.9	6	0.0
Current assets without cash and cash equivalents	73,263	44.0	44,060	30.6	29,203	66.3
Cash and cash equivalents	37,654	22.6	46,945	32.6	(9,291)	(19.8)
Assets	**166,649**	**100.0**	**144,181**	**100.0**	**22,469**	**15.6**
Equity	96,396	57.8	83,628	58.0	12,768	15.3
Long-term liabilities	27,505	16.5	15,814	11.0	11,691	73.9
Current liabilities	42,749	25.7	44,739	31.0	(1,990)	(4.5)
Liabilities	**166,649**	**100.0**	**144,181**	**100.0**	**22,469**	**15.6**

The development in **non-current assets**, the value of which is practically unchanged since the last balance sheet reporting date, consisted of various movements within their components.

The carrying amount of **tangible assets** of EUR 21.30 million is practically unchanged compared to the previous year. This development can be explained as follows: In total, EUR 6.16 million of accruals were recorded, of which EUR 1.49 million were attributable to general office and business equipment (mainly IT hardware). In total, there was a scheduled depreciation of EUR 1.29 million for such assets.

Due to the changes in the working environment resulting from the experience of the pandemic and its persistence, the Management Board started to reconsider its view of the real estate portfolio, both rented and owned, in the course of the fourth quarter of 2022. These considerations led to the view that it seems unlikely that there will be a return to pre-pandemic conditions, with predominantly face-to-face working. In particular, this is due to the needs of the employment market, which expects the option to work remotely, at least in part. Reflecting on our recruitment efforts, it is clear that even a return to majority face-to-face working is not to be expected. Consequently, the Management Board is assuming that there will be a significant reduction in demand for office space. It was therefore decided to reduce the permanently available office capacity and not to expand it further. Rental contracts will therefore be terminated or not renewed in accordance with the expected demand. With regard to owned spaces, the decision was made to dispose of real estate held as a financial investment and to refrain from expanding the office space. This mainly includes stepping away from the Hempelsche Fabrik extension project in Plauen, which was planned based on the assumption that general conditions prior to the pandemic would return. Given the background of outstanding construction costs of around EUR 3.1 million with expected funding of around EUR 1.0 million, disposing of this real estate could save the company outgoing payments of around EUR 2.1 million in total.

This situation explains the developments in the other categories of property, plant and equipment. There were accruals of EUR 3.98 million in assets under construction and EUR 0.69 million in land and buildings. These accruals were offset by scheduled depreciations of EUR 0.73 million. Due to the decision to possibly put it up for sale, the real estate was reclassified as “real estate held for sale” and moved from the fixed assets to current assets. This led to a reduction in the carrying amount for fixed assets in the amount of EUR 3.14 million. The real estate in question was sold for EUR 250 K in the course of the first quarter of 2023. In connection with the sales, we incurred unscheduled depreciation of these properties in the amount of EUR 1.24 million and a provision for expected losses from pending transactions of EUR 0.26 million. The latter item was recorded as other operating expenditure (see comments on the earnings situation).

The carrying amount for **real estate held as a financial investment** in accordance with IAS 40 decreased from EUR 0.22 million to EUR 0 again. This decrease was due to these assets being reclassified as current assets as a consequence of the intended sale, which was also completed in the first quarter of 2023 at a price of EUR 250 K as well.

The carrying amount for **intangible assets** changed by EUR 1.17 million to EUR 22.83 million. Purchases amounting to EUR 0.13 million were made. All these accruals were in the area of third-party software, as they were necessary for internal purposes. This low level represents a continuation of the trend of previous years (EUR 0.22 million in the previous year). The reason for this is that commercial software is increasingly offered in SaaS or similar provision models, so such investments are directly reflected in other operating expenses (see our comments on the earnings situation). Furthermore, the carrying amounts for acquired goodwill and customer relations increased by EUR 0.70 million due to currency-related adjustments. Scheduled depreciations reduced the carrying amounts of intangible assets by EUR 1.99 million.

The carrying amount for **current assets in the context of IFRS16** increased from EUR 7.67 million to EUR 8.84 million. This increase was mainly due to extensions of rental contracts for office space deemed necessary. Accruals of EUR 3.08 million were recorded for this, with scheduled depreciations of EUR 1.73 million.

The **financial investments** and **deferred tax assets** remain at the previous year’s level. Please note that the available tax loss carried forward has been largely used up for deferred tax assets.

Overall, this development led to the described growth in non-current assets.

The following significant movements are to be noted for current assets: The total **current assets due to customer relations** (receivables from deliveries and services as well as contract generated current assets) increased relatively less than the increase in turnover would suggest (EUR 37.41 million after EUR 36.45 million), which is positively remarkable in view of the indicated expansion in business volume. Contract generated current assets increased by EUR 0.69 million and receivables from deliveries and services by EUR 0.27 million. The current assets in connection with **available liquidity** (cash and cash equivalents as well as securities) increased from EUR 46.95 million to EUR 62.57 million. Cash and cash equivalents contributed EUR 37.65 million of this, while securities held as an available financial reserve had a value of EUR 24.92 million. These securities are bearer bonds issued by German companies that are either investment grade or of excellent repute, with a maturity of one or two months. In addition, **other receivables** increased by EUR 3.22 million to EUR 9.77 million. Among the non-financial assets, it was accruals in particular that contributed to this increase with EUR 0.86 million. For financial assets, there were contributions from increases in assets from derivatives in the amount of EUR 0.46 million as well as an increase in other financial assets of EUR 0.62 million, with the retention of securities by US customers representing the key factor in this significant change. In addition, claims for insurance payouts contributed EUR 1.11 million to the increase in **other receivables**.

Long-term debts increased by EUR 11.69 million compared with the reporting date of the previous year, to EUR 27.50 million. A major reason for this was the refinancing of the convertible bond repaid in October 2022 by one of the tranches agreed in the syndicated loan in 2021 and the increase in long-term lease liabilities in the context of IFRS 16. The long-term debts with credit institutions thus increased by EUR 9.21 million to EUR 12.73 million. The tranche drawn down to pay off the convertible bond had a value of EUR 15 million and was valued at EUR 13.75 million on the balance sheet reporting date, of which the long-term component is worth EUR 11.25 million. The long-term leasing and rental liabilities to be reported according to IFRS 16 amount to EUR 6.39 million and are thus EUR 1.06 million above the previous year's level.

On the other hand, the **deferred tax liabilities** increased by EUR 1.16 million to EUR 5.53 million. The key reason for this was that the loss carried forward for GK Software SE for this year was completely used up. This meant there were fewer options for direct offsetting with deferred tax assets (the offsetting amounts fell from EUR 8.23 million to EUR 4.59 million as a result), so that the value of deferred tax liabilities increased despite the decrease in deferred taxes from liabilities (by EUR 2.23 million) and contract generated current assets (by EUR 0.74 million).

On the other hand, **provisions for pensions** are decreasing due to general interest rate developments and are reported at EUR 0.12 million; this is considerably lower than the previous year's figure of EUR 1.77 million.

Short-term debt fell by EUR 1.99 million to EUR 42.75 million, principally as a result of the repayment of the convertible bond in October 2022 and its refinancing, which has already been mentioned. However, there are also opposite movements here that partially compensate for the decrease due to the repayment of the convertible bond (EUR 14.64 million compared to the previous year's balance sheet reporting date; a sum of EUR 15.00 million was paid). The financing of the repayment using funds from the syndicated loan resulted in an increase of EUR 2.03 million in short-term bank liabilities (current account, credit card usage and repayments due within 12 months) due to the scheduled repayment of half of the balance of the repayment funds with the repayments of other existing investment loans.

As a result of the growing SaaS business, the contractual liabilities from deferred liabilities and down payments received increased by EUR 4.13 million. After the Group's tax loss carried forward for this year was largely used up, the income-tax liabilities increased by EUR 3.16 million to EUR 5.55 million.

Other liabilities increased by EUR 2.53 million to EUR 15.80 million. Considerable changes arose from claims for damages by a customer. A further sum of EUR 0.64 million went to liabilities from wage and salary payments, and another EUR 0.68 million on outstanding but expected invoices.

Compared to these changes, the changes in the items for short-term provisions (EUR 0.85 million, the driving factor here being the already-mentioned provision for the imminent loss from the already mentioned real estate transaction), liabilities from deliveries and services (EUR 5.17 million), and in particular the short-term leasing and rental liabilities to be recorded in accordance with IFRS 16 (EUR 2.60 million) are hardly significant and in fact have hardly changed.

Financial situation

The Group's financing activities are undertaken entirely by GK Software SE, which also carries out the key tasks of the investment activities.

Cash and cash equivalents in the Group amounted to EUR 37.65 million on 31 December 2022, EUR 9.29 million lower than on the previous year's reporting date. This decrease is due to the investment of available cash and cash equivalents in short-term securities. This item amounted to EUR 24.92 million, so that the total inventory of cash and cash equivalents in a broader sense amounted to EUR 62.57 million, thereby surpassing the comparable value for the previous year by EUR 15.62 million.

If this development is considered according to the three main sources of the change in cash and cash equivalents, it is evident that the company's **operating activities** had an inflow of EUR 26.21 million in funds (compared to EUR 23.22 million in the previous year), whereas the **investment activities** caused an outflow of EUR 28.13 million of cash and cash equivalents. It should be noted here that the investment of EUR 24.92 million in short-term securities essentially constituted the outflow of funds from investing activities. When funding received is taken into account, the actual disbursements for fixed assets was EUR 4.24 million. **Financing activities** resulted in an outflow of funds of EUR 7.47 million (previous year: EUR 15.49 million) being recorded.

In detail, these developments result from the cash flow in the stricter sense, which amounted to EUR 24.81 million in the year under review (previous year: EUR 22.56 million). However, whereas the change in net working capital reduced the burden on the operating cash flow by EUR 1.57 million in the previous year, the equivalent figure for the year under review was EUR 2.28 million. In view of the growth in business, this fact alone is positively remarkable and a not inconsiderable result of efforts to manage net working capital, and in particular the receivables from deliveries and services as well as contract generated current assets. The burden on the cash flow was reduced by the crediting effect of the EUR 3.66 million increase in liabilities from deliveries and services as well as other liabilities and debts. The tax burden remained at approximately the same level for the two years, with EUR 0.89 million this year (previous year: EUR 0.91 million). Overall, the net cash inflow from operating activities thus amounted to EUR 26.21 million, EUR 2.99 million higher than in the previous year (EUR 23.22 million).

The outflow of cash and cash equivalents due to investment activities in the amount of EUR 28.13 million was influenced by a change in the handling of cash and cash equivalents that are not needed in the short term. Driven by the charges due to so-called ‘custodial fees’ for sight funds held by credit institutions and the extremely positive business development of the GK Group, the Management Board decided with the approval of the Supervisory Board to invest cash and cash equivalents in short-term securities to the extent compatible with the principles of capital maintenance according to which GK Software manages its cash and cash equivalents. In doing so, we are focusing on bearer bonds issued by German companies that are rated as investment grade or have an excellent overall reputation. The maturities of the securities are between 30 and 60 days. The aim of this measure is not to maximise returns but to make these funds available from a strictly risk-averse point of view.

In the reporting year, a total of EUR 24.92 million was spent on these securities. In the view of the Management Board, these securities are very similar in character to cash and cash equivalents, although they cannot be assessed as being equivalents. EUR 6.29 million was invested in the inventory of non-current assets; however, please note our comments on assets under construction with regard to the revaluation of the real estate portfolio. There was a mitigating effect from income from interest in the amount of EUR 0.64 million and negligible payments from disposals of assets, resulting in a net outflow of EUR 28.13 million from investment activities.

In the balance for the year under review, the financing activities were focused on the scheduled repayments of liabilities with credit institutions and leasing liabilities. In addition to payments from leasing and rental contracts in the amount of EUR 2.53 million, outflows of EUR 3.86 million for the repayment of loan debts as well as EUR 1.08 million in interest payments for interest-bearing liabilities and the provision of credit facilities led to outflows of EUR 7.47 million. However, this consideration of the balance for the year obscures the cash flows associated with the repayment of GK Software's convertible bond of 2017. This convertible bond in the amount of EUR 15.00 million was paid of in October 2022 as scheduled. This disbursement was refinanced by drawing down the tranche intended for this purpose in the syndicated loan agreement concluded in 2021, likewise in the amount of EUR 15.00 million.

There was thus a drop of EUR 9.29 million in the inventory of cash and cash equivalents during the fiscal year to EUR 37.65 million. At the same time, the near-cash-equivalent item for securities was newly established in the amount of EUR 24.92 million.

The cash and cash equivalents (balance of cash and cash equivalents and utilised current-account credit lines) decreased accordingly by EUR 9.43 million to EUR 37.46 million. With current-account and credit-card lines as well as currency effects of a total of EUR 0.20 million being used, the Group had unused credit lines of EUR 30.00 million available on the balance sheet reporting date.

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.

EUR 42.75 million in current liabilities will have to be serviced during 2023. These liabilities are offset by cash and cash equivalents of EUR 37.65 million and current liquid assets of a further EUR 73.26 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.

While there has so far been no threatening impact on GK Software's business from the Covid pandemic since 2020 (which can likely be considered to have been overcome except for its 'long-COVID effects' in the commercial sense) as well as the new international crises of the war in Ukraine (since 2022) and macroeconomic stability (inflation), it seems necessary that the Group remain vigilant for the future to the extent that it can. The Management Board believes that it has created the most stable framework possible for the Group. This will prove to be as far as humanly possible sufficient even under the additionally aggravated conditions in the wake of the war in Ukraine.

In the view of the Management Board, the efficiency programme started in 2019 has established a stable foundation for dealing with the situation. We are working continuously on improving control and budgeting processes as well as the possibilities for cost flexibility so we can react quickly and appropriately even in the event of deep cuts. The Management Board believes that the past business years have proven this. The instruments that have been developed help to identify potentially critical impacts and initiate appropriate responses at relatively short notice. Combined with the opportunities for GK Software arising from the crisis that lie in the digitalisation of retail store operations, which is increasingly being regarded as more of a necessity than an option, the Management Board remains confident that GK Software is in a position to overcome this general crisis and to be able to defy the conditions, which have currently been exacerbated once again.

EUR 42.75 million in current liabilities will have to be serviced during 2023. These liabilities are offset by cash and cash equivalents of € 37.65 million and current liquid assets of another € 73.26 million.

Despite this, commercial prudence is required to determine all the possible ways of achieving secure funding, even in the changed crisis situation, and, if possible, adopting these courses.

Explanations of the earnings, financial and assets situations in the individual accounts (German Commercial Code [HGB])

In the 2022 fiscal year, the ***earnings situation under commercial law of GK Software SE*** *as an individual company saw an increase in revenue from a turnover of 33.28 per cent to EUR 130.31 million (2021: EUR 97.77 million), of which with non-affiliated companies in the amount of EUR 118.06 million (previous year: EUR 85.17 million), corresponding to an increase of 38.62 percent. The reason for this above-average increase in turnover compared to the development of the Group is to be found in the revenue recognition, which differs from international accounting under commercial law, for a large conversion project at a customer that was completed at the end of the year. In the year under review, EUR 15.29 million were recorded as turnover from this project, while work in progress and unbilled services decreased by EUR 4.15 million. This project ran for 6 years.*

The ***other operating income*** *decreased by EUR 4.70 million; the previous year included income of EUR 5.46 million from the sale of a subsidiary.*

The ***annual net income under commercial law*** *as an individual company amounted to EUR 17.43 million in the 2022 fiscal year compared to an annual net income of EUR 12.80 million in the previous year. Materials expenditure fell by EUR 5.73 million as a result of the reclassification of purchased research and development services to other operating expenses.*

Personnel expenditure increased by EUR 5.57 million to EUR 54.43 million. In addition to the increase in the number of employees, this increase resulted in particular from the special payment of the inflation premium, higher variable salary payments, and from the average salary increases.

Other operating expenditure increased by EUR 15.96 million to EUR 34.01 million. The key factor for this is the reclassification of EUR 10.30 million of research and development services from purchased services to other operating expenses. Travel expenses this year amounted to EUR 5.68 million (up EUR 1.46 million); IT and software expenditure was EUR 4.15 million (up EUR 1.14 million); legal and consultancy costs were EUR 2.31 million (up EUR 0.14 million). Exchange rate expenditures including derivative valuations amounted to EUR 2.62 million (up EUR 1.38 million). These expenses are offset by an increase of EUR 2.08 million in income from currency effects. General sales expenditure increased by EUR 0.51 million.

T.09 Key performance indicators for the earnings situation of the individual accounts of GK Software SE

		2022	2021	2020
Turnover	EUR K	130,307	97,771	82,968
Change from the previous year	%	33.28	17.84	(1.51)
Operating performance	EUR K	127,093	98,341	82,618
Change from the previous year	%	29.24	19.03	(2.90)
Total operating revenue	EUR K	132,805	108,749	87,881
Change from the previous year	%	22.12	23.75	0.41
Gross profits	EUR K	114,668	84,883	68,044
Margin on turnover	%	88.00	86.82	82.01
EBITDA (= earnings before interest, tax, depreciation and amortisation, as well as merger losses and income from shareholdings)	EUR K	25,999	17,951	6,357
Return on operating performance	%	20.46	18.25	7.69
EBIT (= earnings before interest and tax as well as merger losses and income from shareholdings)	EUR K	22,656	14,758	2,744
Return on operating performance	%	17.83	15.01	3.32
EBT (= earnings before tax as well as merger losses and income from shareholdings)	EUR K	21,718	14,743	1,373
Return on operating performance	%	17.09	14.99	1.66
Annual surplus	EUR K	17,434	12,795	7,232
Return on operating performance	%	13.72	13.01	8.75
Material intensity (= materials expenditure/turnover)		13.92	24.41	23.91
Personnel ratio I (= personnel expenditure/turnover)		41.77	49.97	55.62
Personnel ratio II (= personnel expenditure/operating performance)		42.82	49.68	55.86

*The **assets situation under commercial law of GK Software SE** had fixed assets of EUR 33.29 million compared to EUR 33.15 million.*

With regard to current assets, please see the comments on the financial situation.

Liabilities fell by EUR 9.51 million from EUR 48.86 million to the current value of EUR 39.35 million. The key factor here was the reduction in liabilities with credit institutions and the repayment of the convertible bond, which fell by a total of EUR 3.77 million to EUR 15.75 million. There was also a reduction in liabilities for down payments received on orders from EUR 12.02 million to EUR 5.27 million. While other liabilities increased from EUR 4.04 million to EUR 4.93 million, other liabilities from deliveries and services remained basically constant at an increase of EUR 0.34 million.

Receivables from associated companies (EUR 17.90 million) considerably surpassed liabilities to these companies (EUR 11.51 million) by EUR 6.38 million. In the previous year, receivables from associated companies exceeded liabilities to associated companies by EUR 2.68 million. The increase in receivables results, on the one hand, from current business activities and, on the other hand, from financing the business activities of subsidiaries, as the financing of the Group is carried out centrally via the parent company.

Due to the annual net income, equity has been increased by EUR 17.43 million. This resulted in an equity ratio of 56.0 per cent on the balance sheet date (48.1 per cent in the previous year).

T.10 Key performance indicators for the assets situation

		31.12.2022	31.12.2021	31.12.2020
Share capital	EUR K	2,258	2,258	2,051
Equity	EUR K	71,063	53,629	19,802
Change from the previous year	%	33	171	71
Equity ratio	%	56	48	26
Balance-sheet total	EUR K	126,891	111,412	77,453
Change from the previous year	%	14	44	(3)
Ratio of fixed to total assets (= fixed assets/balance-sheet total)	%	26	30	46
Turnover rate for receivables (turnover/receivables from deliveries and services)	%	8	6	5

*The **financial situation under commercial law of GK Software SE** developed as follows: Fixed assets were practically unchanged at EUR 33.29 million compared to EUR 33.15 million on the balance-sheet reporting date of the previous year.*

Current assets have increased by EUR 14.85 million compared with the previous year and now amount to EUR 89.85 million. This is mainly the result of the decrease in inventory of credit with credit institutions and cash funds by EUR 10.44 million to EUR 25.07 million and the accrual of securities for liquidity management in the amount of EUR 24.92 million.

The inventory of receivables and other assets also increased by EUR 3.60 million to EUR 37.14 million. This relative consistency is due to the similar distribution of sales over the year compared to the previous year, and in particular to the similar significance of December's sales for the year as a whole. On the other hand, inventory assets fell by EUR 3.22 million to the current value of EUR 2.72 million.

The positive business development over recent years has since led to a sharp increase in the degree to which fixed assets are covered by equity. Following the previous value of 161.8 per cent, the coverage ratio is now 213.5 per cent, which can be predominantly attributed to the increase in equity.

In addition to the assets coverage ratio, the other performance indicators for the financial situation

have also seen further improvement. The measured degrees of liquidity and the net working capital ratios all showed better values and indicate that the company's ongoing operations are self-financed.

The Management Board therefore believes that there is sufficient long-term third-party financing available so that sufficient provisions have been made for the next three years, taking into consideration the expected economic development of the company.

In order to safeguard the future financing needs of the company and its Group, the company concluded a syndicated loan agreement with a total of five banks in December 2021. This loan, which has a three-year term and one-year extension option, provides the company with credit facilities totalling EUR 45 million (of which EUR 13.75 million had been used as of the balance sheet reporting date). EUR 15 million were used to service the convertible bond maturing in October 2022.

T.11 Key performance indicators for the financial situation

		2022	2021	2020
Capital turnover rate (= turnover/total capital)		1.0	0.9	1.1
Coverage ratio I (= equity/fixed assets)		213.5	161.8	55.6
Liquidity, first degree (= (cash and cash equivalents + securities)/(short-term liabilities + short-term provisions))		142.5	95.8	7.8
Liquidity, second degree (= (cash and cash equivalents + securities + current receivables)/(short-term liabilities + short-term provisions))		248.4	186.2	88.8
Net working capital ratio I (= current assets/(short-term liabilities + short-term provisions))		265.0	208.8	110.7
Net working capital ratio II (= current assets/short-term liabilities)		349.0	255.1	131.3
Short-term liquidity balance (= (cash and cash equivalents + securities)/short-term liabilities)	EUR K	23,356	5,159	(28,249)

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 result (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.12 Financial performance indicators (Group)

		2022	2021
Gross profits margin on turnover	%	95.1	95.9
Personnel ratio	%	58.9	60.2
EBITDA margin on operating performance	%	16.3	20.5
EBIT margin on operating performance	%	11.0	13.2
Equity ratio	%	57.8	58.0
Investment ratio I	%	31.9	36.9
Net debt	EUR K	(46,816)	(42,431)

The net debt (excess of interest-bearing liabilities over cash and cash equivalents plus short-term securities) refers only to liabilities that are clearly to be allocated to financial liabilities and where the parties have explicitly agreed on a debt interest rate on entering into the liabilities. For the past, the convertible bond repaid in October 2022 is only entered in the balance sheet at the carrying amount of the statement of debt, taking into account the equity character of the conversion option. 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.

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

Opportunities

As in previous years, there are still growth opportunities for the Group both in Germany and abroad. The topics addressed by GK Software's products are on many retailers' agendas for strategic IT projects. To ensure its success at the international level, the Group has references with leading retailers worldwide and is represented with a technically mature product on the market. GK Software has a number of major partners with good networks in the retail sector. In particular, its partnership with SAP is set to facilitate access to new customers in international markets such as the US and Africa. This cooperation is complemented by partnerships with Microsoft and IBM, which further increase the sales reach of GK Software. In addition, partnerships with other hyperscalers such as Amazon AWS, as well as with innovation partners such as Abacus, mySize, and others, ensure that the attractiveness of GK solutions is further increased. For further international expansion, the group can draw on the experience gained with its German and international customers due to the fact that the solutions have already been successfully implemented in approximately 60 countries and can thus be quickly transferred to other foreign customers.

Domestic prospects for growth are still far from being exhausted as well. In addition to gaining further market share in all developed retail markets worldwide, the Group's focus will continue to be on new areas. In addition, small and medium-sized chains that have not been addressed as a matter of primary importance also offer great potential, particularly through the sale of standardised solutions. With the development of GK SPOT, GK Software has brought a cloud-based big-data platform to market readiness that is designed to open up new sales potential. The internationalisation of the activities of Deutsche Fiskal and the market entry of RETAIL7 could also create new or expanded opportunities for acquiring customers.

Over the coming years, a key focal point of the retail trade will continue to be the integration of the stationary business with other channels, such as online shops or mobile apps in cloud environments. In addition, current trends such as Go-style shopping, scan and go, home delivery, mobile payment and social networks are to be integrated into a single platform. Other long-term topics such as integrated and automated processes for inventory optimisation, scheduling and efficient customer management systems will continue to play a key role when it comes to reducing costs and enhancing customer loyalty. For these reasons, the retail trade is likely to step up its investments in solutions that integrate all business processes based on modern cloud technology. Moreover, retailers will face greater pressure on their margins unless they standardise and simplify their processes. The homogenisation of store solutions and the centralisation of data streams therefore remain of high strategic importance for the retail sector. In general, new methods and procedures (e.g., from artificial intelligence) will lead to new approaches and a further-intensified use of information technology.

We have seen how the Covid-19 crisis has further accelerated these trends. After the end of the crisis, there has been no discernible movement back to the previous status quo. Quite to the contrary, customers and potential interested parties have been asking questions relating to the consequences of the crisis with equal intensity. We believe that GK Software will be able to benefit further from this investment behaviour in the

> Over the coming years, a key focal point of the retail trade will continue to be the integration of the stationary business with other channels, such as online shops or mobile apps in cloud environments.

retail sector. Solutions from GK Software – automation and optimisation through digitalisation and the use of artificial intelligence – offer traditional retailers the opportunity to control their branch networks in a centralised manner. This can be in the supply of data for increased consumer self-service, as well as the automation of the handling of goods and money, thereby making it contactless. The solutions create a truly seamless transition to retail processes that are initiated, handled and concluded from the consumer's viewpoint. With its unified commerce possibilities, the open CLOUD4RETAIL platform offers an excellent basis. This is opening up numerous opportunities for GK Software.

Based on this, the corporate transaction will add further opportunities to boost this trend, which could include an accelerated market entry of GK Software in Asia and Japan as well as the market synergies of its future partners' portfolios and their mutually complementary skills and capabilities.

The consolidation process in the software industry with industry solutions for the retail sector already began a number of years ago and is continuing to progress apace. Based on its attractive range of products and sound financial basis, GK Software is aiming to play an active role in this process.

Risks

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. However, risks that cannot be reasonably quantified are also considered. The risks are grouped into risk areas.

The risks are categorised as follows:

T.13 Risk assessment

	Probability of occurrence in %	Amount of damage 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 quarterly 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 change to individual risks.

The risk management scheme and early risk recognition do not consider positive opportunities separately. Opportunities represent positive deviations from identified risks but are also dealt with by strategic corporate management.

Strategic risks

As a software vendor, GK Software operates in a **highly dynamic market** that is subject to ongoing as well as abrupt changes, for example, because of technological advances, changes in companies' IT landscapes, the consolidation of suppliers and buyers, new competitors, new strategies and patterns of behaviour on the part of players on the market. Given this situation, the Group is faced with various strategic risks; the potential for damage from all of these risks together is high.

Group management reporting focuses on significant risks and those that could pose a threat to the company's existence.

Of the risks presented below, the most serious is the risk of **damage to the Group's reputation** due to a single project with a negative outcome. The risks affecting customer behaviour, such as the impact on demand-related behaviour because of **business performance that is perceived as inadequate**or **slowdowns in investments as a result of new market conditions** or **regulatory influences**, are of secondary importance. There is certainly a possibility that feedback effects could develop between the two types of risks mentioned here: Changes in market conditions or regulatory requirements could make projects more complex and thus increase the likelihood of negative project outcomes.

GK Software tries to quantify the impact of the risks on the ongoing fiscal year to the greatest possible extent according to the amount of damage and likelihood of their occurring. In principle, the risks can also be classified in the context of the sequence of risks described above. Nonetheless, the immediate damage is typically comparatively negligible (amounting to several tens of thousands of euros) particularly in the case of the risks that could result in damage to the Group's reputation. However, they could cause indirect damage that is almost impossible to quantify and manage (e.g., negative market sentiment towards GK Software) and that cannot be assigned to a single case of risk that occurred. For this reason, the Group focuses a great deal of attention on adverse project developments of this type in order to keep the risks within a manageable scope. This analysis applies equally to all business segments at GK Software in principle.

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

The first risks to be summarised are those that could result from perceived performance or changes in requirements on the part of those interested in the products and services provided by the company group **(product risks)**. On the one hand, customers might be of the opinion that changes in market requirements are not adequately represented in the portfolio of services offered by the company group. Alternatively, the **products might not correspond to the performance requirements of the target market, or might no longer do so**. In either case, this situation could result in lower demand for the products and services offered by GK Software. Based on the checks carried out by third-party technical analysts, we consider that the risk of this being the case is currently low. Likewise, the analyses of customer satisfaction we have conducted ourselves and the evaluation of our solutions by third-party analysts indicate a rather low risk of this being the case. In order to avoid considerable damage, close customer contact is maintained in particular in the form of joint workshops held several times a year.

However, changes in requirements could lead to longer sales cycles given that the requirements are generally increasing because of the trends towards high integration, digitalisation and automation of business processes. These aspects mean that the investment decisions made by customers are of greater relevance, and that they lead to more intensive and potentially longer decision-making processes and thus to extended sales cycles, which results in a reduced number of sales opportunities that can be realised in a given period **(sales market risks).** Experience shows that the investment cycles in the retail industry are stable in the long term, and investments not made are generally always made at a later date when investment backlogs have been cleared. Therefore the probability of the risk materialising is low, particularly when considered over longer periods.

At the same time, the increased requirements that can actually be identified lead to greater project complexity, which increases the probability that project plans will be met with failure **(production risks).** GK Software counters this risk through the approach it applies when developing, employing, managing and retaining project capacities, so that the probability of this considerable risk occurring can be classified as low. In a tight job market **(human resources and procurement risks)**, developing and retaining employee capacities are particularly important aspects, which we seek to accommodate by creating an attractive working environment with competitive compensation and general measures aimed at retaining staff. However, it should be noted that the general and probably permanent shifts between the use of traditional office workplaces and mobile/home-office working associated with the pandemic have made the situation more challenging in the area of recruitment. As the proximity of the place of residence to the place of work becomes less important, the competitive pressure in the search for qualified workers continues to increase. At the same time, regional differences in the salaries demanded are levelling out because companies in regions with low costs of living and wages increasingly have to compete with those where these are considerably higher. In addition, there has been a considerable increase in inflation; this can also lead to a higher than usual increase in salary adjustments at the request of employees. Another capacity risk for the company could result from the continuation of the war in Ukraine, because GK employs more than 20 qualified IT specialists in Lviv (western Ukraine), and it is not foreseeable how developments will unfold there.

The probability of the aforementioned risks materialising was, as the experience of the last few years has shown, low in the area of personnel risks and with limited potential for damage. However, the topic of personnel risks is treated with special attention by the Management Board because the probability of occurrence tends to increase here.

One significant secondary risk consists of maintaining the functionality that is necessary to meet the complex requirements. These systems comprise all IT systems that can be grouped together as a dedicated risk group (**IT risks**). These risks, with an expected limited amount of damage, increase the prospect that damage to the Group's reputation could occur because the potential scarcity of sales opportunities means that individual projects are of greater significance for GK Software's reputation as a whole. The Group is making significant efforts in the area of IT-related risks, including ongoing maintenance, improvement and monitoring of the IT infrastructure, so the probability of these risks materialising is low so far.

A further group of risks involves **environmental risks**, such as the development of the economy as a whole, trends towards concentration in customer and competitive environments and the development of regulatory conditions **(legal and compliance risks).** Regulatory risks are subject to continuous monitoring of the regulatory areas identified as relevant. On the one hand, this makes it possible to react as quickly as possible to changes that have been identified and, on the other hand, to record new, relevant areas of law in good time, which is why the assessment in this area at Group level is a limited amount of damage and a low probability of occurrence.

A significant risk – and one which cannot be influenced by the company – is how the businesses of GK Software's customers grow as a result of the development of the general economic situation and consumer sentiment **(customer and market-related risks).**

Until the outbreak of the war in Ukraine, development was dominated by the global pandemic and the associated uncertainties for the future. Before it became clear whether, to what extent and for how long the Covid-19 crisis would have an impact on overall social and economic situation, it was overshadowed by the Ukraine war and its effects. The longer this lasts, the greater its effect is likely to be – not only on trends in Europe, but also in the world as a whole. This can be justified above all by the fact that sanctions and counter-sanctions influence the globally interconnected world everywhere. We currently believe it can be said that the immediate impacts of the Covid-19 crisis have been overcome. However, there are long-term and rather subtle effects that could combine with the economic consequences of other factors, but which may no longer be clearly attributable to one event or another. As such, each individual event increases the overall uncertainties of national economies and makes their impact very difficult to assess.

For example, the employment market seems to have changed fundamentally in terms of what it requires of employers in our industry. Regional niches are becoming meaningless, and efforts to attract talent are increasingly aimed at a national environment at a minimum. A direct effect of Russia's war in Ukraine has been to bring international retailers' business with Russia to a halt, at least for the time being. The same has been evident for the company's new business in Russia, most of which was initiated through SAP. Other factors, such as real or artificial energy shortages, a possible resurgence of the euro and financial crises of previous years due to the changed interest environment and its associated uncertainties, are having an influence on the economic development of our customers that is yet to be determined. The Company has absolutely no control over these risks and therefore it is not possible to estimate the probability of these materialising.

Given this climate of general uncertainty, the Management Board is striving to maintain its scope for action by structuring costs as flexibly as possible and only incurring costs where intended.

Moreover, the continuing consolidation of the retail market can result in a reduction in the number of branch networks over the long term, which would mean that the retail sector would have greater purchase power. In general, the retail sector in Germany is subject to strong price competition. For this reason, retail companies are seeking to pass the price pressure caused by this situation on to their suppliers and contractual partners. This also carries over to investments in IT and can have an impact on manufacturers of retail software. However, because GK Software provides strategically important solutions for retail groups and is globally positioned, these risks are also not considered to be a threat to the company, and their probability of occurrence is classified as low.

The consolidation that is occurring on the customer side is continuing to progress. On the competition side, too, we are seeing a progressive shakeout. This concentration is characterized, among other things, by the acquisition of direct competitors of GK Software by globally significant manufacturers of hardware, which thus become universal suppliers for the retail market. This combination could prompt potential customers to obtain all the services they require from these competitors. While the Management Board believes that the previous trend on the market towards procuring hardware and software separately is set to continue, a reversal of this trend and consequent adverse effects on GK Software's sales opportunities cannot be ruled out. As things currently stand, however, there is no sign of any such trend so that the probability of any ensuing risks materialising is low.

The Group's planned expansion likewise involves certain financial risks. The company group primarily forms these relationships on the basis of preliminary work aimed at customer acquisition. This risk increases as a result of the extended sales cycles mentioned above. One of the factors in this is the increase in sales applications that is linked with longer sales cycles. One aspect of particular significance, however, is the need to maintain delivery capabilities when contracts are concluded. This can lead to significant costs due to idle capacity. In addition to these general risks resulting from events on the market, there are also internal organisational risks that arise in relation to the aspect of internationalisation as a result of the operation of the Group's national and international subsidiaries. Adverse developments or threats to the existence of the Group's subsidiaries have direct (contracts to balance results) or indirect (evaluation of finance assets, recoverability of receivables, loss of business activities by the subsidiary) negative impacts on the development of the Group. The Group counters this risk by continually developing its investment controlling measures. In order to reduce the danger from such risks, the efficiency programme initiated by the Company in 2019 provided the basis for ensuring that the probability of such risks occurring is significantly reduced and at a low level.

In the course of the ongoing expansion, the project business must also be scaled to an increasing extent, which is to be accomplished through the involvement of partners. Nonetheless, there are other risks – and particularly quality risks – that arise because of the limited ability to control work in conjunction with partners. To this end, GK Software operates a partner programme with the certification of integration partners. This programme aims to guarantee the quality of project management and is developed on an ongoing basis.

Customer projects at home and abroad, which were described in the analysis of the market and competitive environment and are becoming increasing complex, also present risks to the further development of GK Software that could lead to higher warranty and goodwill provisions – not just for individual projects, but for all projects. This aspect is also important in view of the ever increasing number of SaaS contracts, which also include the operation of the customer's systems, because the company takes on the risk for the smooth operation of the customer's business. However, the Management Board is confident that we have taken the development of the software in a direction that guarantees existing quality standards can be maintained in general. This quality risk in relation to individual projects is managed by means of regular reporting by the responsible project managers to the relevant members of the Group Management Board. A summarised report of the known risks is presented to the Management Board in its meetings, which are typically held monthly. To date, the results of the organisational measures adopted here show that there are only limited risks for the Company in this segment.

GK Software will also continue to expand its products and sales base through activities including targeted acquisitions of companies in view of its planned expansion of its business activities in the coming years.
In doing so, the company group will prepare for and examine acquisitions with the utmost possible diligence. Nonetheless, the risk that an acquisition could have negative impacts on the earnings of GK Software cannot be ruled out.

On the whole, GK Software assesses these risks as strategic risks that could have significant impacts on the company's financial and earnings situation over the long term. At the moment, however, we are not seeing any or only weak indicators that suggest these risks could materialise.

Operational and financial risks

Third parties could accuse GK Software of **infringements against intellectual property rights,** such as patents or copyrights, and make claims for damages or seek to limit the sale of GK Software solutions. The risk is therefore considered high in terms of its potential damage. In order to limit this risk, GK Software reviews whether third-party licensing terms are complied with, starting in the development process, which is why the probability of occurrence is currently classified as low.

Given the **structure of its customer base** and that of its target market, the Group's business is continually characterised by large individual projects with a relatively small number of customers, which means that these business relationships make considerable contributions to our turnover and earnings within the course of a given fiscal year. The Management Board foresees that this will continue to be the case in future as well. If a business partner cancels a project or experiences financial difficulties, this can also have financial impacts for GK Software. However, this risk can be limited by regular payment plans or by agreeing on payments after so-called 'project milestones'. Due to the measures taken, the risks in this area have a low probability of occurrence.

Specialised and standardised contracts are given preference for the sale of GK Software products. As a rule, these contract templates are deviated from at the request of customers and on the basis of the respective individual circumstances. In these cases, there is a risk that the contractual arrangement is to the disadvantage of GK Software (contract risk). This risk is seen as a significant one with a medium probability of occurrence, which is addressed through legal examination on the part of our in-house legal experts.

For the sake of completeness, we should mention the potential that the implementation of the corporate transaction – the acquisition of the majority shareholding in GK Software SE by Fujitsu ND Solution AG – could fail after the acquisition of the majority of shares has actually been completed. By this, we mean risks that could arise from the efforts towards integration. Both parties are attempting to counter this risk by maintaining the autonomy of GK Software to the greatest possible extent, as stipulated in the Business Combination Agreement concluded between the parties. This agreement guarantees that GK Software's successful corporate strategy thus far will be pursued for at least two years.

Receivables from deliveries and services are owed by **customers** of the Group. The maximum credit risk corresponds to the carrying amount of the receivables from deliveries and services. All of the Group's customers are companies. GK Software has set up a receivables-management system in order to address the risk of customers defaulting on payments. Customers' payment behaviour is monitored at short intervals. If there is reason to assume that individual customers' economic situations have changed, further measures are taken in coordination with Management in order to limit any potential loss. A general allowance is made for all pending receivables in order to determine the general risk of defaults for receivables from deliveries and services.

GK Software manages the general **liquidity risk** (cumulative risk from other individual upstream risks) by maintaining appropriate liquid assets and credit lines as well as a rolling weekly liquidity forecast along with assessing forecast and actual payment flows.

We refer to the separate section of the report with respect to the risks involved in the use of financial instruments.

On the whole, GK Software assesses these financial risks as operational risks with a high potential for damage that could have considerable impacts on the Group's financial and earnings situation. At the moment, however, we are not seeing any or only weak indicators that suggest these risks could materialise (low probability of occurrence).

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. The Group's overall risk position has also continued to improve over the course of the 2022 fiscal year, in keeping with the trend since the second half of 2019, and has now improved considerably.

Ukraine war

So far, the impact of the war on the company has been limited. However, it should be noted that the situation continues to be stressful and uncertain for our workers who are affected 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 resources will be built up in other countries in parallel. Although operational activities at the site could continue in 2022, the 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. Due to the measures already initiated, we assume a limited potential for damage. However, we still see the probability of restrictions as very high given the current situation. 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.

While the current complete closure of the Russian market has had only minor direct consequences for the company, it has shut off access to a not inconsiderable market in the longer term and is thus jeopardising the sales investments made in recent years.

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 major individual companies. GK Software provides accounting for the German subsidiaries as part of agency agreements. The larger foreign Group companies each have their own accounting departments, which are responsible for the local accounts of the companies. For the start-ups abroad, external service providers are initially used. 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 information necessary to consolidate or prepare a complete Annual Report is provided by the local units on the basis of instructions issued by the Group. During the preparation of both the individual accounts and consolidated accounts, internal checks are in place under the 'dual control' 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 Czech crowns, Swiss francs, Russian roubles, South African rand, US dollars as well as Canadian dollars and Ukrainian hryvnia. The start-up of the business of the companies in Singapore and Australia will give rise to items in Singapore and Australian dollars in the short term, as they already have to a minor extent. The Group therefore accepts payment obligations arising from work, renting and leasing contracts in all these currencies. GK Software with its Groups therefore not only issued invoices for sales and services in euros on the balance sheet reporting date, but also in Swiss francs, US dollars, Canadian dollars and South African rand. In order to be able to handle the Group's currency risks in a standard manner, GK Software 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, which results in a currency risk for monetary financial instruments. As of 31 December 2022, the Group had foreign-currency receivables amounting to approximately EUR 353 K 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 € 13.94 million were purchased in a currency other than euros. These service invoices were settled mainly by Group companies in Czech crowns, Russian roubles, Ukrainian hryvnia, 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.

The currency and interest rate risk is presented in the Notes on the Consolidated Accounts.

Forecast report

Market environment

Looking at the retail sector as a whole following the record turnover of EUR 631.9 billion in 2022, the German Retail Association (Handelsverband Deutschland, HDE) also expected an increase in turnover of 2 per cent for 2023 (with this being divided into +1.1 per cent in over-the-counter retail and +8.0 per cent in online retail).[1] Despite this positive outlook, uncertainties remain. These risks continue to include all of the issues surrounding the war in Ukraine and its associated global challenges, as well as the waning Covid crisis and delivery problems. Moreover, the disruption of international cooperation and supply chains, as well as the monetary imbalances, can be expected to have a prolonged aftermath even after the war, which is hoped to end soon. Market-research firm GfK is forecasting an increase in economic expectations from consumers in Germany for 2023. This has been increasing since the beginning of the year and has thus climbed to the pre-war level.[2] We are also seeing positive developments in consumers' expected incomes for 2023.[3] In particular, GfK attributes this consumer optimism to the recent slow-down in increases in energy prices. With regard to the economy within the European Union, the EU Commission is expecting weaker development than in 2022. This is mainly due to continued high inflation, which continues to put a strain on income in Europe in 2023. Despite these risks, the EU Commission has placed a positive emphasis on the EU's employment, which is continuing to develop in a very positive manner.[4]

Looking at the individual retail segments, the HDE expects further growth in online retail. The HDE is also forecasting increased readiness to invest in digital solutions in retail.[5] SymphonyAIRetail is expecting the topics of connectivity and artificial intelligence to become increasingly relevant in the retail sector in 2023.[6] 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".[7] As a direct consequence of the COVID-19 pandemic, the EHI assumes that the importance of omni-channel strategies will increase, and that the digitalisation of consumer behaviour will gain more importance in stationary retail.[8] SymphonyAIRetail is also expecting that the omnichannel segment will gain further importance in the future and that artificial intelligence will be an important competitive factor for retail in terms of addressing customers and their needs.[9]

Cloud and dynamic pricing are other areas that are predicted to grow significantly. The EHI study 'Technologietrends im Handel 2023' [Technology Trends in Retail for 2023] shows that artificial intelligence will be the most important technology of the future and that solutions in the areas of pricing and process automation, such as the seamless checkout, scan&go and completely cashless stores will be in particular demand.[10]The EHI expects that retailers will invest more heavily in cloud-based infrastructures in 2023. These investments will primarily be focused in e-commerce, loyalty, marketing services and analytics[11]. The EHI also expects that many retailers will be working harder to personalise the customer journey in future, which will also entail investments. These positive market trends have also been clearly 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 OmniPOS solution.

1 https://einzelhandel.de/images/presse/Pressekonferenz/2023/HDE-Pressekonferenz-Charts.pdf
2 https://www.handelsblatt.com/politik/konjunktur/nachrichten/hde-konsumbarometer-verbraucherstimmung-steigt-erstmals-wieder-auf-vor-kriegsniveau/28962792.html
3 https://www.gfk.com/de/presse/hoffnungsvoller-start-des-konsumklimas-in-das-jahr-2023
4 https://germany.representation.ec.europa.eu/news/wirtschaftsprognose-eu-kommission-rechnet-mit-geringerem-wachstum-und-hoherer-inflation-2022-11-11_de
5 https://einzelhandel.de/images/presse/Pressekonferenz/2023/HDE-Pressekonferenz-Charts.pdf
6 https://logistik-heute.de/news/handelslogistik-das-sind-die-top-retail-trends-fuer-2023-38739.html
7 https://www.ehi.org/de/technologie-trends-on-stage/
8 https://www.ehi.org/de/technologie-trends-on-stage/
9 https://logistik-heute.de/news/handelslogistik-das-sind-die-top-retail-trends-fuer-2023-38739.html
10 https://www.ehi.org/wp-content/uploads/Downloads/Leseproben/EHI-Studie_Technologie_Trends_2023_Leseprobe.pdf
11 https://www.ehi.org/wp-content/uploads/Downloads/Leseproben/EHI-Studie_Technologie_Trends_2023_Leseprobe.pdf

Company outlook

Despite the ongoing global pandemic, the company was able to achieve stronger growth again in 2022 than in the previous year and further improve its earnings. Factors in this included the further progress being made in the Americas and the full use that was made of Deutsche Fiskal in 2022 as a whole – as did the new customers acquired in the previous fiscal year in the area of core solutions.

Given the fact that the war in Ukraine in particular has created massive new uncertainties, all longer-term forecasts are still subject to strong reservations. Nevertheless, the Management Board feels that it is in position to issue a new medium-term forecast until 2025 based on the results achieved in 2022 and with reference to the macroeconomic uncertainties that exist worldwide. We thus expect turnover to grow again considerably by the end of the 2025 fiscal year, ranging between EUR 193 million and EUR 205 million by the end of the forecast period. We expect this growth to occur on the basis of the solutions and products we are currently offering on the market. Further potential could develop as a result of the geographical expansion of our sales regions. However, the positive effects that could result from close cooperation with Fujitsu are not included in this forecast. 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 to see annual gains for the SaaS business for CLOUD4RETAIL (without Deutsche Fiskal) at the level of the last two years, with the share of subscriptions growing continuously but not at a rapid rate. In the Deutsche Fiskal area, we were 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 also initially assuming 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. The constant changes in statutory regulations and the requirements of the BSI remain a permanent challenge. An expansion to other geographical markets is plausible as well.

In the area of EBIT, we are sticking to the target for the EBIT margin of at least 15 per cent based on turnover in the medium-term forecast until 2025. In this context, we are assuming that the EBIT margin will be slightly above 15 per cent by 2025. The related development will also depend on how the factors of personnel costs and recruitment develop, and to what extent and how quickly we will be able to win over customers for our new solutions such as GK SPOT, GK GO and GK Engage. This target is subject to the proviso that the war in Ukraine and the resulting increased risk of inflation do not have a drastic effect on purchasing power and thus retail sales. Having achieved an EBIT margin of 15 per cent, it remains our goal to stay at this level under all circumstances and subsequently to increase it slightly further.

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

We expect turnover to grow again considerably by the end of the 2025 fiscal year, ranging between EUR 193 million and EUR 205 million by the end of the forecast period.

In the area of EBIT, we are sticking to the target of at least 15 per cent based on turnover in the medium-term forecast until 2025. In this context, we are assuming that the EBIT will be slightly above 15 per cent by 2025.

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[1] such as Microsoft,

1 Hyperscalers are large cloud providers. In some cases, this term is used to refer exclusively to the three largest providers (Amazon, Microsoft and Google). However, it is used somewhat more broadly here in reference to the retail sector.

IBM, and AWS, who are hopeful that large numbers of terminals and transactions in the retail sector will yield potential for their cloud offers. Fujitsu's successful offer to the shareholders of GK Software will lead to further opportunities and chances for GK Software.

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 2023

Based on the assumptions and influencing factors described, we expect the GK Software Group to achieve a further increase in revenue from turnover in the low double-digit percentage range and a further improvement in EBIT towards achieving our medium-term target for 2023 (with an EBIT target margin of 15 per cent on turnover). We are referring to the operational results only in this context. On its completion, the aforementioned corporate transaction will incur not inconsiderable one-off costs for GK Software, and these will be a significant burden on the Group's and the Company's annual results for 2023.

GK Software SE continues to be the key provider of turnover for the Group. As a result, the statements for the Group – apart from the impacts of the various accounting rules – apply equally for the individual company. In material and economic terms, we thus expect GK Software SE to have an increase in turnover approaching the double-digit range and an operating EBIT margin on turnover of the order of 15 per cent. The statements regarding the short-term impact on costs relating to the completion of the corporate transaction that we have already made for the Group do of course apply here.

As with those on the medium-term forecast, these statements are still subject to considerable reservation due to the difficulty of assessing the global impact of the war in Ukraine and the flaring up of other potential geopolitical crises (e.g., the China–Taiwan stand-off). Consequently, the actual development may unfortunately still deviate considerably from the estimates contained here.

Information relevant to takeovers in accordance with Section 315a German Commercial Code (HBG)

Information in accordance with Section 315a German Commercial Code (HBG)

1. **Capital structure.** The share capital of GK Software SE as of 31 December 2022 was EUR 2,258,425.00 and is broken down into 2,258,425 no-par ordinary bearer shares with a pro-rated share in the share capital of EUR 1.00 each. Each individual share entitles the holder to one vote in accordance with Section 4 of the articles of association. The issue of 14,600 employee shares from conditional capital V took place after the reporting date, so the number of shares remain unchanged from the previous year.
2. **Shareholders' rights and duties.** The same rights and duties are attached to each share, with the shareholder entitled to property and administration rights. The property rights include the right to a share in profits as well as the right to subscribe to shares in the event of capital increases. Shareholders' proportionate share in the Group's profits is determined by their proportionate share in the share capital. The administration rights include the right to participate in the annual shareholders' meeting of the Group, to speak at the meeting, pose questions and make proposals, as well as exercise the right to vote.
3. **Capital investments.** As of the reporting date, we are aware of the following direct or indirect shareholdings in excess of 10 per cent:
   a. As of 31 December 2022, Mr Rainer Gläss held 532,292 shares (23.57 per cent) either directly or indirectly, of which 464,500 shares were held indirectly via Mountain View Geschäftsführungs-GmbH.
   b. Mr Stephan Kronmüller held 391,257 shares (17.33 per cent) either directly or indirectly, of which 354,508 shares were held indirectly via Kronmüller Vermögensverwaltung GmbH & Co KG.
4. **Composition of the Management Board and modification of the articles of association**. The appointment and dismissal of members of the Management Board are regulated in Sections 84 and 85 Aktiengesetz [German Stock Corporation Act]. Members of the Management Board are appointed by the Supervisory Board for a term of five years at most, and extensions of five years each are permitted – potentially multiple times. According to the articles of association, the number of members on the Management Board is determined by the Supervisory Board; however, the Management Board must have at least two members. The Management Board of GK Software SE currently has two members. The articles of association can only be modified by the annual shareholders' meeting in accordance with the provisions of the Aktiengesetz. Amendments to the articles of association – that is, linguistic changes to the articles of association only – can be determined by the Supervisory Board in accordance with Section 10(8) of the articles of association. Resolutions of the annual shareholders' meeting require a simple majority of votes cast in accordance with Section 15(2) of the articles of association, unless otherwise stipulated by law.
5. **Powers of the Management Board to issue and repurchase shares. Share repurchase programme.** There is conditional capital (conditional capital V EUR 83,500; conditional capital VI EUR 75,000). Conditional capitals II, III and IV, provided that they have not already been used, have expired due to the passage of time. These conditional capital increases are only performed if the bearers of share options exercise of their subscription rights. According to Section 4a Para. 1, 3 and 6 of the articles of association, the Management Board was entitled to grant subscription rights to individual share certificates as part of the share option programme on one or more occasions, provided that the Supervisory Board approves these measures. The share options are exclusively for subscription by members of the GK Software SE Management Board, selected managers and other senior employees at GK Software SE and for subscription by members of the management team and selected managers and other leading employees in companies, which are independently associated firms in a relationship with GK Software SE in the context of Sections 15 and 17 of the German Stock Corporation Act. The decisions taken at the annual shareholders' meeting on 28 June 2012 (conditional capital II), 29 June 2015 (conditional capital III), 29 June 2018 (conditional capital V) and 17 June 2021

(conditional capital VI) empowered the Management Board to issue subscription rights to GK Software SE shares with a term of up to five years provided that each share option grants the right to subscribe to one GK Software SE share. A decision taken at the annual shareholders' meeting on 16 June 2016 empowered the Management Board to issue on one or several occasions option and/or convertible bonds, profit participation certificates or participating bonds made out to the holder or name or a combination of these financial instruments and exclude the subscription rights to these instruments or their combination until 15 June 2021, provided that the Supervisory Board agrees. The convertible bond issued from conditional capital IV was repaid in full in the year under review.

We would refer you to the following summary, which provides an overview of the individual share-option schemes:

T.14 Share options

Date of issue	Issue options	of which forfeited	of which lapsed	of which redeemed	Options remaining	Exercise price	Exercise period	End of exercise period
	Number	Number	Number		Number	EUR	Years	
4.12.2017	16,500	0	10,000	6,500	0	116.69	4 1/4	3.12.2021
Conditional capital III					**0**			
26.11.2018	37,000	10,100	0	14,600	12,300	75.16	4 1/4	28.11.2022
3.8.2020	20,525	2,075	0	0	18,450	68.00	4 1/4	3.8.2024
5.10.2021	23,725	200	0	0	23,525	154.40	5	5.10.2025
Conditional capital V					**54,275**			
12.10.2022	24,425	0	0	0	24,425	108.84	5	12.10.2026
Conditional capital VI					**24,425**			
Total amount					**78,700**			

6. **Share repurchase programme.** The 2018 annual shareholders' meeting on 21 June 2018 empowered the Management Board to acquire its own shares in the Group until 20 June 2023 amounting to up to 10 per cent of the Group's share capital existing at the point at which the resolution was passed in the amount of EUR 1,919,875.00, provided that the Supervisory Board agrees. Together with other own shares that are the property of the Group or can be allocated to the Group in accordance with Sections 71a et seq. AktG [German Stock Corporation Act], the acquired shares may not amount to more than 10 per cent of the share capital at any given time. The authorisation may not be given for the purpose of trading in the Group's own shares. The Management Board may use the shares acquired within the scope of the authorisation for any legal purpose, provided that the Supervisory Board agrees.
7. **Compensation agreements.** There are no compensation agreements for the case of a takeover offer.
8. **Shares with special rights.** There are no owners of shares with special rights that grant controlling powers, as this type of share class does not exist at GK Software SE. Likewise, there is no control of voting rights for shares held by employees for which

the employees do not exercise their rights of control directly.

9. **Change-of-control clause:** The 'Software License and Reseller Agreement' between SAP and GK Software can be terminated by SAP for an important reason, if the majority of shares in GK Software are sold to an entity that is a close competitor of SAP. Members of the Management Board are granted a special right of termination in the event of a fundamental change to the composition of the shareholder structure of GK Software SE.

Corporate Governance Report

Information on separate non-financial report

Non-financial report

The non-financial report is submitted separately and, after being reviewed by the Supervisory Board, will be published on the Group's website at: https://investor.gk-software.com/de/veroeffentlichungen/csr-bericht.

Corporate governance statement (Section 289f, Section 315d German Commercial Code [HBG])

Explanation in accordance with Section 161 AktG [German Stock Corporation Act]

The annual German Corporate Governance code Statement in line with Section 161 AktG [German Stock Corporation Act] was submitted by the Management Board and Supervisory Board and has been published on the Company's homepage at

https://investor.gk-software.com/de/corporate-governance/entsprechenserklaerung.

Relevant information regarding corporate governance practices

The Group does not have any relevant corporate governance practices extending beyond the legal requirements and the requirements we comply with in the German Corporate Governance Code.

Information on ratio of women and diversity approach

The Management Board of GK Software SE consists of two members, including one of the founders. The Supervisory Board consists of three members. This minimum quota for both boards and the first management level below the Management Board was set at 0 per cent and is to be maintained until 2025. Fujitsu has announced in its voluntary offer document to the shareholders of GK Software SE to have at least one woman elected as an independent member of the Company's Supervisory Board.

GK Software employs staff from more than 50 countries. It welcomes all qualified job applicants, regardless of gender, nationality or skin colour, and also fills its management positions within the company according to this overarching principle.

Description of the working methods of the Management Board and Supervisory Board

A regular Supervisory Board meeting is held at least once every quarter. However, the members of the Supervisory Board also maintain close contact with one another outside of the meetings and stay informed about the Group's development and events that could influence this development. In addition to the official, mandatory provision of information to the Supervisory Board, the Supervisory Board and Management Board also take part in informal meetings between their members. The Management Board takes care of the Group's business on a cooperative basis; however, the members of the Management Board are assigned dedicated business areas. The members of the Management Board report on developments in their business areas at the Management Board meetings, which are typically held monthly. In addition to the meetings, the members of the Management Board maintain ongoing contact with one another.

Because of their size, neither of the boards forms any committees. All matters are dealt with jointly.

Final statement by the Management Board in the dependency report pursuant to Section 312 AktG [German Stock Corporation Act]

The report on the relationships with affiliated companies pursuant to Section 312 AktG (dependency report) contains the following final statement of the Management Board for the reporting year of 2022:

'Our Company has received an appropriate consideration for each legal transaction of the legal transactions listed in the report on relations with affiliated companies, in accordance with the circumstances known to us at the time. There were no reportable measures during the reporting period.'

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

Consolidated Accounts

Consolidated Balance Sheet

as of 31 December 2022

T.15 Assets

EUR K	Notes No.	31.12.2022	31.12.2021
Tangible assets	2.1.; 3.1.	21,302	21,087
Rights-of-use assets within the meaning of IFRS16	2.3.; 4.2.2.	8,844	7,665
Real estate held as a financial investment	4.2.3.; 2.2.	0	224
Intangible assets	2.4.; 3.2.; 4.2.4.	22,829	23,999
Financial assets	2.10.; 4.1.	6	6
Deferred tax assets	2.14.2.; 4.2.8.	200	193
Total non-current assets		**53,182**	**53,176**
Real estate held for sale	4.2.5.	2,550	0
Goods	2.8.; 4.2.5.; 5.4.	81	70
Down payments made	2.8.; 4.2.5.; 5.4.	22	1
Receivables from deliveries and services	2.10.; 2.15.6.; 4.1.1.	24,571	24,298
Contract generated current assets	2.15.6.; 3.6.	12,837	12,152
Income-tax claims	4.1.2.	998	997
Receivables from affiliated companies	4.1.2.; 8.4.3.	12	0
Receivables from companies with which a shareholding relationship exists	8.4.3.	61	0
Other receivable and assets	4.1.2.	9,766	6,541
Securities	2.5.; 4.1.2.	24,916	0
Cash and cash equivalents	2.6.; 6.	37,654	46,945
Total current assets		**113,468**	**91,005**
Balance sheet total		**166,649**	**144,181**

T.16 Liabilities

EUR K	Notes No.	31.12.2022	31.12.2021
Subscribed capital	2.9.; 4.3.	2,258	2,258
Capital reserves	2.9.; 4.3.	49,788	49,302
Retained profits	2.9.; 4.3.	31	31
Other reserves	2.9.; 4.3.	(819)	(1,742)
Profit carried forward	5.	**32,912**	19,755
Consolidated surplus before non-controlling shares	5.	11,259	13,157
Equity attributable to GK Software SE stockholders		95,430	82,761
Non-controlling shares		967	867
Total equity		**96,396**	**83,628**
Provisions for pensions	2.13.1.; 4.2.9.	115	1,881
Non-current bank liabilities	4.1.3.	12,725	3,512
Non-current lease liabilities	2.3.; 4.1.4.; 4.2.2.	6,392	5,328
Deferred public-sector subsidies	2.12.; 4.2.10.	2,738	723
Deferred tax liabilities	2.14.2.; 4.2.8.	5,535	4,370
Total non-current liabilities		**27,505**	**15,814**
Current provisions	2.13.; 4.2.11.	847	546
Current bank liabilities	2.	3,029	1,002
Current lease liabilities	2.3.; 4.1.4.; 4.2.2.	2,603	2,457
Trade liabilities	2.10.; 4.1.5.	5,169	5,162
Contractual liabilities	2.15.6.; 4.1.6.	9,754	5,626
Income-tax liabilities	4.1.8.	5,551	2,041
Other current liabilities	4.1.7.	15,797	13,265
convertible bond	4.1.9.	0	14,639
Total current liabilities		**42,749**	**44,739**
Balance sheet total		**166,649**	**144,181**

Consolidated statement of income and accumulated earnings

for the fiscal year from 1 January to 31 December 2022

T.17 Consolidated Statement of Income and Accumulated Earnings

EUR K	Notes No.	FY 2022	FY 2021
Revenue from turnover	2.15.; 5.2.	152,054	130,847
Other earnings	5.3.	6,166	8,742
of which exchange-rate earnings	5.3.	3,403	2,106
Revenue from turnover and other earnings		**158,220**	**139,589**
Materials expenditure	5.4.	(13,646)	(14,168)
Personnel expenditure	5.5.	(89,562)	(78,740)
Depreciation and amortisation on non-financial assets	5.6.	(7,985)	(9,484)
Losses from derecognition of financial assets	3.11.	(89)	(153)
Other expenditure	5.7.	(30,159)	(19,739)
of which exchange-rate expenditure	5.7.	(2,304)	**(1,072)**
Total operating expenses		**(141,441)**	**(122,283)**
Operating results		**16,779**	**17,306**
Financial earnings	5.8.	429	575
Negative interest on bank balances/deposit rates	5.8.	(129)	(148)
Financial expenditure	5.8.	(168)	(1,279)
Financial result		**132**	**(852)**
Earnings before income taxes		**16,911**	**16,454**
Income taxes	2.14.; 5.9.	(5,553)	(3,156)
Consolidated surplus for the period		**11,359**	**13,298**
of which attributable to non-controlling shares		100	141
of which attributable to GK Software SE stockholders		11,259	13,157

T.18 Other results after income taxes

EUR K	Notes No.	FY 2022	FY 2021
Items, which will be reclassified in the consolidated profit and loss statement in future under certain conditions			
Differences in exchange rates from recalculating foreign business operations	1.5.	(89)	48
Deferred taxes from differences in the conversion rates for foreign business operations1	1.5.; 2.14.2.	(77)	(45)
Items, which will not be reclassified in the consolidated profit and loss statement in future			
Actuarial gains/ losses from defined benefit pension plans	2.13.; 4.2.9.	1,541	648
Deferred taxes on actuarial gains/losses from defined benefit pension plans[2]	2.12.; 2.13.2.; 4.2.9.	(452)	141
Overall result		**12,281**	**14,090**
of which attributable to non-controlling shares		100	141
of which attributable to GK Software SE stockholders		12,182	13,949
Earnings per share (EUR/share) from consolidated surplus for the period – undiluted	8.2.	**4.99**	**5.98**
Earnings per share (EUR/share) from consolidated surplus for the period – diluted	8.2.	**4.84**	**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 statement of changes in equity

for the fiscal year from 1 January to 31 December 2022

T.19 Consolidated Statement of Changes in Equity

EUR K	Notes No.	Subscribed capital	Capital reserves	Retained profits	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 1 January 2021		**2,051**	**28,667**	**31**	**(2,534)**	**19,755**	**47,971**	**726**	**48,696**
Share-option scheme	4.3.; 8.1.1.	27	2,315	0	0	0	2,342	0	**2,342**
Convertible bond	4.3.	180	18,320	0	0	0	18,500	0	**18,500**
Allocation based on IAS 19	2.13.1.; 4.2.9.	0	0	0	789	0	789	0	**789**
Allocation based on IAS 21	1.5.	0	0	0	3	0	3	0	**3**
Consolidated surplus for the period	5.	0	0	0	0	13,157	13,157	141	**13,298**
Figures on 31 December 2021		**2,258**	**49,302**	**31**	**(1,742)**	**32,912**	**82,761**	**867**	**83,628**
Share-option scheme	4.3.; 8.1.1.	0	486	0	0	0	486	0	**486**
Allocation based on IAS 19	2.13.1.; 4.2.9.	0	0	0	1,089	0	1,089	0	**1,089**
Allocation based on IAS 21	1.5.	0	0	0	(166)	0	(166)	0	**(166)**
Consolidated surplus for the period	**5.**	0	0	0	0	11,259	11,259	100	**11,359**
Figures on 31 December 2022		**2,258**	**49,788**	**31**	**(819)**	**44,171**	**95,430**	**967**	**96,396**

As of 31 December 2022, the carrying amount of the item "Other reserves" for matters relating to IAS 19 was EUR 371 K (31 December 2021: EUR (718) K; 1 January 2021: EUR (1,508) K) and for matters relating to IAS 21 EUR (1,190) K (31 December 2021: EUR (1,023) K; 1 January 2021: EUR (1,026) K).

For further details, we would refer you to Section 4.3 'Equity'.

Consolidated Cash-Flow Statement

for the fiscal year from 1 January to 31 December 2022

T.20 Cash flows from operating business

EUR K	Notes No.	FY 2022	FY 2021
Cash flow from operating activities			
Surplus for period		11,359	13,298
Income taxes affecting results	5.9.	5,553	3,156
Interest expenditure affecting results[1]		297	1,427
Interest income affecting results		(429)	(575)
EBIT		16,779	**17,306**
Depreciation and amortisation	4.2.	7,985	9,484
EBITDA		24,764	26,790
Share-option scheme (non-cash expenditure)		486	384
Profit/loss from the sale or disposal of tangible assets		(21)	(87)
Reversals of deferred public-sector subsidies		(35)	(40)
Write-downs recognised for receivables (including losses from receivables)		1,186	121
Reversals of impairment losses recognized for receivables		(644)	(92)
Impact on earnings from deconsolidation		0	(3,458)
Net profits from financial tools assessed at their fair value		0	66
Other non-cash earnings and expenditure		(922)	(1,127)
Cash flow from operating business before the change in working capital		**24,813**	**22,556**
Changes in net current assets			
Changes in receivables from deliveries and services and other receivables		(5,064)	(2,469)
Changes in inventories		(32)	106
Changes in trade accounts payable and other liabilities[2]		3,658	1,758
Changes in contractual liabilities		4,128	2,037
Changes in provisions		(406)	138
Cash flow from ongoing business activities before taxes		27,097	24,126
Income taxes paid		(886)	(908)
Cash flow from ongoing business activities		**26,211**	**23,218**

T.21 Cash flows from investment and financing activities, loans and cash and cash equivalents

EUR K	Notes No.	FY 2022	FY 2021
Cash flow from ongoing business activities		**26,211**	**23,218**
Cash flow from investment activities			
Payments for tangible assets and non-current assets		(6,287)	(2,517)
Proceeds from disposals of assets		378	87
Proceeds from the sale of subsidiaries		0	4,544
Payment for other securities	2.5.	(24,916)	0
payments for the acquisition of a company minus any cash and cash equivalents		0	171
Interest payments received		643	139
Funding received		2,050	0
Cash flow from investment activities		**28,131)**	**2,425**
Cash flow from financing activities			
Taking out equity	4.3.	0	20,457
Taking out loans		15,000	0
Interest paid		(1,078)	(755)
Repayment of loans		(3,858)	(1,541)
Repayment of leasing liabilities	2.3.	(2,531)	(2,672)
Repayment of convertible bond		(15,000)	0
Net flow of cash and cash equivalents from financing activities		**(7,468)**	**15,490**
Net cash inflow		**(9,388)**	**41,134**
Cash and cash equivalents at the start of the fiscal year		46,884	5,696
Cash and cash equivalents at the end of the fiscal year		37,456	46,884
Impact of changes in exchange rates on cash and cash equivalents		(40)	54

T.22 Summary of cash and cash equivalents

EUR K	Notes No.	FY 2022	FY 2021
Cash and cash equivalents	2.6.	37,654	46,945
Utilisation of current account credit / credit card and exchange rate effects	4.1.3.	(199)	(61)
Cash and cash equivalents at the end of the fiscal year		**37,456**	**46,884**

1 Previous year's figure adjusted
2 Previous year's figure adjusted

Notes on the Consolidated Accounts

for the 2022 fiscal year

1 Principles of Reporting

1.1 General information

GK Software SE is a European public limited company based in Schöneck, 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, manufacturing, selling and trading software and hardware for POS solutions.

1.2 Compliance with IFRS

The consolidated accounts for GK Software on 31 December 2022 were prepared in line with the accounting standards of the International Accounting Standards Board (IASB) – the International Financial Reporting Standards (IFRS) – to the extent that these have been adopted by the European Union, and the provisions to be applied in line with Section 315e(1) HGB [German Commercial Code]. The Company's consolidated accounts were also prepared, taking into account the Interpretations (IFRIC, SIC) of the International Financial Reporting Standards Interpretations Committee (IFRS IC).

The reporting procedures for the 2022 fiscal year took place exclusively in line with the standards and interpretations that have to be applied and they provide a picture of the Group's assets, financial and earnings situation, which matches the actual circumstances.

The following accounting standards and interpretations were obligatory for the first time for the 2022 fiscal year:

T.23 Newly applied IFRS standards

IFRS	Amendment	Amendment for the financial year from
Annual IFRS improvements (2018 - 2020)	Improvements to IFRS 9, IFRS 16, IFRS 1, IFRS 41	1.1.2022
Annual improvements in IFRS 3, IAS 16, IAS 37 (2018–2021)	Improvement in IFRS 3, IAS 16, IAS 37	1.1.2022

The changes listed above had no effect on the amounts entered for earlier periods, nor did they have any significant influence on the current period nor are they likely to have any influence on future periods.

The International Accounting Standards Board (IASB) has also issued the following standards, interpretations and amendments to existing standards; it is not yet compulsory to apply these on 31 December 2022, nor has their adoption into European law yet been fully completed by the European Union. These standards have not been used in advance and no premature usage is planned in future either. The Group believes that the effects of these new rules on the current or future reporting periods or on foreseeable future transactions will not be significant.

T.24 IFRS standards not applied

IFRS	Amendment	Amendment for the financial year from
IAS 12	Deferred taxes from transactions which give rise to taxable and deductible temporary differences of the same amount when entered for the first time	1.1.2023
IAS 1	Amendment to IAS 1: Details of accounting methods	1.1.2023
IAS 1	Amendment to IAS 1: Classification of liabilities as current or non-current	1.1.2024
IAS 8	Amendments to IAS 8: Definition of assessment uncertainties	1.1.2023
IFRS 17	Insurance Contracts	1.1.2023

The consolidated accounts have been presented in euros. If not indicated otherwise, all the amounts are specified in EUR K. Normal commercial practices of rounding figures up or down have been used. As a result, there may be differences caused by rounding.

The financial year for GK Software SE and all the subsidiaries included in the consolidated accounts corresponds to the calendar year. The consolidated accounts are prepared on the basis of the standard balance sheet and assessment methods used within the Group. The profit and loss statement has been prepared using the total cost method. The balance sheet structure follows the maturity of the assets and debts. Assets and debts are viewed as current, if they are due or are to be sold within one year.

1.3 Consolidated companies and consolidation principles

1.3.1 Consolidated companies

The consolidated companies not only include the parent company, but also 7 German companies and 8 foreign companies.

T.25 Subsidiaries of GK Software SE

Name and headquarters of a subsidiary	Capital share	Equity[1]	Annual results[2]
	%	EUR K	EUR K
Eurosoftware s.r.o. Plzen/Czech Republic	100.0	6,402	1,500
Storeweaver GmbH Dübendorf/Switzerland	100.0	473	106
DF Deutsche Fiskal GmbH Berlin	100.0	(266)	(144)
OOO GK Software RUS Moscow/Russian Federation	100.0	50	(60)
GK Group IT Solutions GmbH Schöneck	100.0	1,694	(36)
Tannenhaus UG Schöneck	100.0	(1,681)	(168)
GK Software USA Inc. Raleigh/USA	100.0	5,511	2,191
GK Software Africa (Pty) Ltd Bryanston / South Africa	100.0	4,341	1,472
TOV Eurosoftware-UA Lviv/Ukraine	100.0	354	112
GK Artificial Intelligence for Retail AG Chemnitz	80.1	3,882	852
R7MA Beteiligungs-GmbH Schöneck	100.0	25	3
RETAIL7 GmbH Berlin	100.0	(503)	(905)
PIXEL Kindertagesstätte gUG (limited liability) Schöneck/Vogtland	100.0	1	0
GK Software Asia (Pte). Ltd. Singapore	100.0	119	14
GK Software Australia (Pty) Ltd., Melbourne	100.0	-14	(18)

1 Equity on 31 December 2022, converted at the exchange rates that applied on the reporting date
2 Annual results of the individual companies according to local accounting regulations for the 2022 fiscal year, converted at average annual exchange rates

The number of affiliated companies has increased with the establishment of GK Software Australia Pty Ltd (1 April 2022) and GK Software Asia (Pte.) Ltd. Ltd.

AWEK GmbH ceased business operations on 30 April 2022. AWEK GmbH has been operating as GK Group IT Solutions GmbH since 19 December 2022. Chemnitz-based prudsys AG was renamed GK Artificial Intelligence for Retail AG in September 2022.

The consolidated accounts include the accounts of the parent company and the companies that it controls. The subsidiaries included are controlled by GK Software SE because it owns the majority of voting rights. GK Software SE can influence the amount of profits at the subsidiaries because of its power of control and is subject to fluctuating profits from its holdings.

A subsidiary is fully consolidated in the consolidated financial statements from the time at which the Company gains control of the subsidiary to the time at which the Company's control ends or until its liquidation, unless it is only of minor importance for providing a view that represents the actual circumstances in terms of the assets, financial and earnings situation.

1.3.2. Shareholdings and cooperative shares

GK Software SE also has a 50 percent holding in Unified Experience UG (limited liability), Lindlar. The entry is made under "Non-current financial assets".

The limited-partnership shares in R7MA GmbH & Co. KG in the amount of EUR 125, which were subscribed to by GK Software SE, are also entered under non-current financial assets. Neither company has business operations.

Cooperative shares relate to shares in the local Volksbank.

1.3.3 Corporate mergers

Capital consolidation for acquired companies takes place at the time of acquisition according to the purchase method. The acquired assets and liabilities are recognised at their fair value. Any remaining positive balance from the purchase price and determined fair values is capitalised as goodwill. A negative balance is immediately entered to affect the results. Ancillary purchase costs are entered as expenditure.

During following consolidation, the hidden reserves and hidden liabilities disclosed during initial consolidation are continued, amortised or cancelled in line with the way that the corresponding assets are treated. The goodwill is checked at least once a year to determine its intrinsic value during the following periods and if any impairment of value has taken place, it is amortised to the lower achievable figure outside the normal schedule.

Expenditure and earnings as well as accounts receivable and debits between consolidated companies are eliminated.

1.4 Segment reporting

In the past fiscal year, the switch from the secondary to the primary reporting structure was completed. Whereas previously the subdivision was by business segment, since last year, reporting has been divided into regions and responsibilities of the sales regions according to the decision-making basis of the Management Board. This is because the Company decided to discontinue the business operations of the IT segment in 2022, whereafter the segment reporting would have only one remaining category and other business activities, and this would not constitute any further information content. At the end of the day, the portfolio now only includes cloud solutions that are suitable for software-as-a-service offerings.

All activities that are not focused on the Group's core services, such as the development and implementation of software, have been consolidated into their own segment: Other business activities. These activities mainly include the operation of the company's own guest house, Hotel Tannenhaus, and the Pixel kindergarten. “Property held as financial investments” is also shown as “Other business activities” and do not constitute a further independent segment needing to be reported. For information on rental and leasing income, we refer you to Section 4.2.3. For information on rental and leasing income, we refer you to Section 4.2.3. “Real estate held as a financial investment”, for information the planned sale in March 2023, we refer you to 4.2.5. “Real estate held for sale” and for information on the discontinuation of operations of AWEK GmbH, Section 5.1 “Discontinued business operation”.

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

The Group sells its products in the CLOUD4RETAIL product range in the form of licences and provides introductory and adjustment services in this regard as well as services related to the maintenance of these products. In terms of regions, a distinction is made between the “Americas” (North, Central and South America) and “EMEA” (Europe, Middle East, Africa and Asia). The Group also sells hardware for store IT solutions to a limited degree, but this is manufactured by third parties. The subdivision of turnover according to fields of work is part of the reporting process.

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

T.26 Turnover according to segments

	EMEA		Americas		Other business activities		Consolidations		Group	
EUR K	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Sales with third parties	**119,355**	**108,114**	**31,090**	**22,092**	**1,609**	**640**	**–**	**–**	**152,054**	**130,847**
Licences and software	**51,426**	**46,473**	**19,253**	**13,938**	**–**	**–**	**–**	**–**	**70,679**	**60,411**
Platform licences	7,398	9,212	4,908	2,292	–	–	–	–	12,306	11,504
Platform-extension licences	10,857	7,546	285	374	–	–	–	–	11,142	7,920
Platform licences from subscription agreements	15,124	10,826	1,451	418	–	–	–	–	16,575	11,244
Smart extension	18,046	18,889	12,609	10,853	–	–	–	–	30,655	29,743
Maintenance	**20,188**	**19,351**	**5,080**	**3,544**	**–**	**–**	**–**	**–**	**25,267**	**22,895**
Software maintenance	20,188	19,351	5,080	3,544	–	–	–	–	25,267	22,895
Retail consulting	**46,284**	**39,402**	**6,671**	**4,554**	**–**	**–**	**–**	**–**	**52,955**	**43,956**
Retail consulting	36,097	27,877	6,561	4,411	–	–	–	–	42,658	32,288
(Cloud) operations support	10,188	11,526	110	142	–	–	–	–	10,297	11,668
Others	**1,457**	**2,888**	**87**	**57**	**1,609**	**640**	**–**	**–**	**3,153**	**3,586**
Sales with the other segments	**5,168**	**2,568**	**–**	**–**	**415**	**149**	**5,583**	**2,717**	**–**	**–**
Depreciations	**6,573**	**7,688**	**986**	**1,051**	**427**	**744**	**–**	**–**	**7,985**	**9,484**
of which impairment in accordance with IAS 36	–	1,642	–	–	–	376	–		–	2,018
Segment EBIT	**13,159**	**14,718**	**4,619**	**2,862**	**(998)**	**(261)**	**(1)**	**(14)**	**16,779**	**17,305**
Assets	**153,487**	**128,428**	**29,305**	**22,801**	**272**	**8,170**	**(16,414)**	**(15,218)**	**166,649**	**144,181**
thereof long term[1]	40,539	33,242	12,690	12,315	28	7,693	(74)	(74)	53,182	53,176
Debts	**60,925**	**45,766**	**23,720**	**20,247**	**1,949**	**9,683**	**(16,340)**	**(15,144)**	**70,253**	**60,553**
Cash and cash equivalents	**36,438**	**42,430**	**1,191**	**4,508**	**25**	**7**	**–**	**–**	**37,654**	**46,945**

Reconciliation (consolidations) eliminates turnover with other segments.

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

The accounting principles for the figures specified in the segment information correspond to those that are used for the consolidated accounts.

The consolidation of the assets and liabilities largely complies with the accounts receivable and payable arising from internal Group funding.

Of the non-current assets, EUR 38,239 K are held within Germany and EUR 14,943 K abroad.

Work based on software servicing contracts, which imitate the normal segment revenues in their outside markets, is charged between the segments. Administrative work is accounted for on the basis of agency agreements. The amount cross-charged corresponds to the original costs of providing the administrative work based on our experience of estimating the time involved, plus a reasonable margin.

Revenue amounting to EUR 74,101 K (previous year: EUR 62,848 K) was generated with customers that are not part of the Group and have their decision-making headquarters located abroad (not in Germany). On the other hand, a revenue of EUR 77,953 K (previous year: EUR 68,000 K) was recorded with customers who have their decision-making headquarters in Germany. Significant revenue with third countries outside the EU amounted to EUR 55,267 K (previous year: EUR 48,102 K)

Revenue with one customer that accounts for more than 10 percent of turnover amounted to EUR 13.456 K in the previous year (10 percent). In 2022, the percentage of turnover was EUR 18,100 K (12 percent).

1.5 Currency conversions

When preparing the local accounts of each individual consolidated company, any business transactions, which are made in other currencies than the Group's functional currency (foreign currencies), were converted using the exchange rates valid on the day of the transaction. Monetary items in a foreign currency are converted using the valid exchange rate on the reporting date for the accounts. The currency conversion differences were entered to affect the results. Non-monetary items were converted using the exchange rate at the time when they were first entered on the balance sheet.

The subsidiaries' functional currency is the local currency in the country where the subsidiary is based. As the subsidiaries perform their business independently from a financial, economic and organisational point of view, the functional currency is identical with the national currency in the firm's country. The functional currency for GK Software SE is the euro.

Converting the accounts of subsidiaries located outside the euro zone, which have been prepared in a foreign currency, takes place according to the modified exchange rate method on the reporting date. The assets and liabilities are converted using the exchange rate on the reporting date, but the revenues and expenditure by means of the average annual exchange rate. The conversion difference, which results from this currency conversion, is entered so as not to affect the results and is shown under "Other reserves" as a separate item in equity (as accumulated exchange rate differences according to IAS 21). At the time when a subsidiary is removed from the consolidated companies, the conversion differences are reversed to affect the results.

2 Accounting Methods

The consolidated accounts have been prepared on the basis of historical purchase and production costs:

wherever IFRS prescribes different assessment concepts, they are used. Special reference is made to them in the following statements on the accounting methods.

Historical purchasing or production costs are generally based on the fair value of the equivalent paid in exchange for the asset. The fair value also represents an upper value limit for any valuation adjustments needing to be made, if regular intrinsic value tests have to be made or they are made because of the points mentioned above.

The fair value is the price, which would be acquired for the sale of an asset between the market participants or paid for the transfer of a debt in an orderly business transaction on the assessment date. This is valid, regardless of whether the price was directly observable or was estimated using an assessment method.

We refer you to Section 3 “Significant Assessment Uncertainties and Discretionary Decisions” regarding the assessment uncertainties when determining fair value.

The main balance sheet and assessment principles are explained below in relation to individual items in the financial statements.

2.1 Tangible assets

Property, plant and equipment is assessed at its historical purchase costs or production costs, reduced by the accumulated scheduled depreciation and accumulated impairment in value, taking into account any possible appreciation in value (if there was any previous impairment in value), These assets are depreciated in a linear and pro rata fashion in line with their economic serviceable life.

The depreciation on buildings is made in a linear fashion over a period of use of 15 – 40 years. Movable fixed assets depreciate in a linear fashion; the period of use varies between three and fourteen years.

The estimated periods of use, the carrying amounts and the depreciation methods are checked on each balance sheet date and, if necessary, the effect of possible changes to the means of assessment is entered prospectively. GK Software also assesses on each reporting date whether there are any indications suggesting that the value of an asset could be impaired.

Fully depreciated property, plant and equipment assets are shown with historical purchasing and production costs and accumulated depreciation until the assets in question are removed from operation. In cases of disposals of assets, the acquisition and manufacturing costs as well as the cumulated depreciation are written off. Earnings from the disposal of assets (proceeds from disposal less residual carrying amounts are reported in the profit-and-loss statement under “Other revenues” or “Other expenditure” as applicable.

2.2 Real estate held as a financial investment

Property held as a financial investment was entered on the balance sheet at ongoing purchase costs according to the purchase cost method, in a manner similar to tangible fixed assets.

GK Software generated lease revenue from the property taken into account and for this reason had to enter this as “property held as a financial investment” according to IAS 40. Lease revenue of EUR 27 K (previous year: EUR 207 K) from operating leasing was collected for the fiscal year.

2.3 Leases

2.3.1. GK as the lessee

The Group rents various office buildings and premises as well as vehicles to a significant extent. The rental contracts normally involve set periods of three to five years, but may also contain extension options.

IFRS 16 replaces the previous differentiation of operating and financial leases by a unified lessee balancing model, according to which lessees are obliged to report all leases on the balance sheet in the form of usage rights and a corresponding leasing liability. The option not to use this approach for low-value and short-term leases was exercised. Assets and debts from leases are entered at their cash value on the first occasion when they are used. Leasing payments are subject to interest at the implicit interest rate that forms the basis for the lease, if this can be determined. Otherwise, discounting takes place using the lessee's incremental borrowing rate. An incremental average borrowing rate of 1.20 percent was used to discount leasing payments for rented office premises and a rate of 2.20 percent for leased vehicles. A review of the interest rate resulted in an adjustment to 3.96 percent from December 2022 for all new contracts for rented office premises and leased vehicles.

The weighted average incremental borrowing rate, which the lessee would have to pay if it had to provide funds, in order to acquire an asset in a comparable economic setting with a comparable value for a comparable term with comparable security in comparable conditions. In order to determine this interest rate, GK Software had relevant quotations sent by banks.

The **leasing liabilities** include the cash value of the lease payments, exclusively as set payments.

When valuing the leasing liability, leasing payments must also be considered to ensure that any use of extension options is sufficiently certain.

The rights of use are amortised in a linear fashion over the term of the underlying leasing or rental contract. If exercising a purchase option is sufficiently certain from the Group's point of view, the amortisation takes place along the usage period of the underlying asset.

2.3.2 GK as the lessor

Income from operating leases for the leased properties that are held as financial investments (see Section 2.2. "Real estate held as a financial investment") are recorded in a linear fashion over the term of the leasing contract in accordance with the contractually agreed payment. The expenditure attributed to these buildings was entered in the profit and loss statement during the period when it was incurred.

2.4 Intangible assets

2.4.1 Intangible assets acquired in return for payment

Intangible assets that have been acquired in return for payment are entered with their ongoing purchasing costs, i.e., minus any accumulated amortisation and impairment of value. The scheduled amortisation expenditure is entered as expenditure in a linear fashion to cover the expected useful serviceable life of between three and seven years.

2.4.2. Capitalised development costs

Costs for research activities are entered as expenditure during the period, in which they are incurred.

An intangible asset that has been developed in-house, which is the result of development work (or the development phase of an internal project), is capitalised if the following evidence can be provided accumulatively:

- The technical feasibility of the completion of the intangible asset exists in order to make it available for use or for sale
- The company intends to complete the intangible asset and use it or sell it
- There is a capability for using or selling the intangible asset
- The method by which the intangible asset is expected to achieve some economic benefits in future is known. GK Software may be able to provide

evidence of the existence of a market for the intangible asset products or the intangible asset in itself or, if it is to be used internally, the usage of the intangible asset.
- Adequate technical, financial or other resources are available to complete the development and be able to use or sell the intangible asset.
- It is possible to reliably determine the expenditure that can be allocated within the framework of developing the intangible asset.

The amount used to capitalise this kind of intangible asset, which has been developed in-house, is the total amount of expenditure that was incurred from the day when the intangible asset cumulatively met the conditions outlined above for the first time. The costs directly attributable to a software product cover the personnel costs for the employees involved in the development work and appropriate parts of the relevant overheads.

If the capitalisation conditions are not met, the development costs are entered to effect net income in the period, in which they are incurred. Any development costs already entered as expenditure are not capitalised during the following period.

Intangible assets that have been created in-house are entered with their ongoing production costs, i.e., minus any accumulated amortisation and impairment of value. Scheduled amortisation starts in the year of capitalisation with the pro rata amount and it uses the linear method over a period of five years as a matter of principle.

2.4.3 Intangible assets acquired as part of a corporate merger

Intangible assets, which have been acquired as part of a company merger, are entered separately from the goodwill and are assessed with their fair value at the time of the acquisition.

During the following periods, intangible assets, which were acquired as part of a company merger, are assessed in the same way as individually acquired intangible assets using their procurement costs minus any accumulated amortisation and any accumulated write-downs.

Customer base

Customer bases were identified and entered in each case in association with the acquisition of AWEK GmbH, DBS, and prudsys AG.

The amortisation is entered according to schedule as expenditure in a linear fashion for the expected period of use.

We normally estimated the period of use of existing customer relationships at between 7 and 10 years. The estimate is derived from the average period of use of the solutions sold by the Group – i.e., 7–15 years, the introductory expenditure for these systems and their flexible extension, but considerable expertise is required to use them. The high reputation of the unit taken over also allows customer relations to be serviced for a longer period, particularly as the employees permanently work with the requests for expansion and changes from these existing customers.

Technology

The acquisition of prudsys AG also involved the purchase of technology, which primarily consists of the in-house developed software. This has been assigned to stocks of industrial property rights and similar rights and is subject to amortisation related to the period of use.

2.5. Securities

Securities are shown at their amortised costs and valued individually. These are business bearer bonds with terms of 1 or 2 months.

2.6. Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits with financial institutions that can be withdrawn at short notice if they have a maturity of up to three months from the date of acquisition and are repayable within 24 hours upon notice without loss of interest.

2.7. Real estate held for sale

Non-current assets are classified as "held for sale" if their carrying amount is realized primarily through a disposal transaction and not through continued use, and if sale is very likely. They are assessed at their carrying amount or lower fair value less disposal costs.

An impairment loss is recognised for initial or subsequent unscheduled depreciations of the asset to fair value less disposal costs. A profit or loss not recognised prior to the date of disposal of the non-current asset is recognised on the date of disposal.

Non-current assets are not depreciated if they are classified as held for sale.

2.8 Inventories

The following assets are entered as assets, if they are:
- set to be used as ancillary or working materials or purchased goods for consumption when producing something or providing a service,
- being produced for this kind of sale or
- kept for sale in normal business procedures.

The assets include stock at the "Tannenhaus" hotel complex.

The inventories are assessed based on their purchase or production costs or a lower net sales value. The purchase or production costs contain all the costs of purchase, processing and workmanship and any other costs that occur in order to transport the inventories to their current location in their current state (IAS 2.10). As a result, the inventories embrace both the individual costs and the attributable overheads (mainly depreciation).

2.9 Equity

The subscribed capital includes the nominal number of ordinary shares issued and made out to the holder (without any nominal amount with a proportional amount of EUR 1 each in the share capital). The firm has not issued any other types of shares.

Any additional costs incurred, which are directly attributable to the issue of new shares or share options, are entered on the balance sheet under equity as a deduction in the issue proceeds, minus taxes.

Any buy-backs of equity instruments are directly deducted from the equity capital. No purchases or sales, issues or withdrawals of equity instruments are entered in the profit and loss statement.

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

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

2.10 Financial liabilities and financial assets

Financial liabilities and financial assets are entered if a Group company becomes a contract party to a financial instrument.

The classification and assessment of the financial liabilities and assets is determined using the business model already used and the structure of the cash flows. A financial liability/financial asset is classified as an "ongoing purchase cost" the first time when it is used, as "fair value with a neutral entry on changes in value under other earnings" or as "fair value with an entry of changes in value on the profit and loss statement".

GK Software did not hold any financial instruments on the balance sheet reporting date, which are classified at their fair value according to IFRS 9 with a neutral entry under changes in value in "Other income".

At GK Software, financial assets measured at amortised cost currently consist of receivables from deliveries and services, cash and cash equivalents, securities and other assets. Liabilities towards banks existed as interest-bearing bank loans, trade accounts payable, leasing liabilities and other current liabilities all existed as ongoing purchase costs.

Financial assets, with the exception of financial assets assessed at their fair value and affecting the results, are checked to see whether they have any possible write-down indications on the balance sheet date. Non-current due dates (longer than 1 year) were taken into account using normal market discount rates.

Consideration is given to any recognisable default risks by making appropriate devaluations. We would refer you to Section 3.1 'Impairment of value for assets'.

Regarding contract-generated current asset, please refer to the notes in Section 3.6. "Intrinsic value of contract assets".

The Group removes a financial liabilities and financial assets from the accounts if the relevant obligation has been settled, cancelled or has lapsed, or the inflow of cash and cash equivalents meets the account receivable, or cannot be recovered.

2.11 Loan capital

General and specific loan capital costs, which accrue directly in conjunction with the acquisition, construction or production of a qualified asset, are capitalised during the period that is necessary to make the asset and prepare for its intended usage or sale. Qualified assets are assets, for which a considerable period of necessary until they have been made for their intended usage or sale.

Earnings generated from the temporary formation of specially received loan capital until its expenditure for qualified assets are deducted from the loan capital costs that could be capitalised.

No loan-capital costs were capitalised in 2022. The non-capitalised loan capital costs were entered as interest expenditure during the period, in which they were incurred.

2.12 Public-sector subsidies

Public sector subsidies are not included in the figures until appropriate collateral exists for them that the Group will meet the conditions attached to the subsidies and the subsidies are also actually granted.

Public sector subsidies must be entered as expenditure according to schedule in the Group's profit and loss statement, particularly during the course of the periods when the Group values the corresponding expenditure, which the public sector subsidies are supposed to compensate for. Public sector subsidies, the most important condition for which is the sale, construction or other kind of purchase of non-current assets, are entered on the balance sheet as accruals and deferrals and are entered on a systematic and reasonable basis so that they affect the results over the term of the relevant asset.

Public sector subsidies, which are granted in order to compensate expenditure or losses that have already been incurred or for the purpose of providing immediate financial support to the Group, for which there will not be any corresponding costs in the future, are entered to affect the net income during the period in which the claim for their entitlement arose.

2.13 Provisions

Provisions are formed if the Group has a current obligation (of a legal or factual nature) from a past event and it is likely that the meeting of the obligation is related to an outflow of resources and a reliable estimate of the amount of the provision is possible.

On the other hand, no provisions are made for items that are in principle sufficiently secure and have only insignificant residual uncertainties due to the amount or timing. These are reported under current liabilities.

Largely secure liabilities of GK Software SE against services already provided by employees in the past, such as employees' untaken leave or working-time credits, are presented as deferred and likewise reported under current liabilities.

The assessed amount of the provision is the best estimated value, which is the result of the remuneration required to settle the current obligation on the reporting date of the accounts. Inherent risks in the obligation and uncertainties must be taken into consideration here. If a provision is assessed on the basis of the flows of funds estimated to meet the obligation, these flows of funds must be discounted if the interest effect plays a major role.

If it can be assumed that parts of or the complete economic benefit required to meet the provision will be repaid by an outside third party, this claim shall be capitalised as an asset if the repayment is as good as certain and its amount can be reliably estimated.

2.13.1 Provisions for pensions

The costs for providing benefits in the case of defined benefit pension plans are determined using the projected unit credit method, where an actuarial assessment is conducted on each balance sheet date. Any new assessments, consisting of actuarial gains and losses, changes, which are the result of the use of the upper asset threshold and the revenues from the plan assets (without any interest on the net debt), are entered directly under "Other income" and directly as "Other reserves" in equity (accumulated actuarial gains and losses according to IAS 19 'Employee benefits'). They are no longer reclassified in the profit and loss statement. Any past service costs are entered as expenditure when the change of plan comes into effect.

The net interest is the result of multiplying the discount rate by the net debt (pension obligation minus the plan assets) or with the net asset value, which in turn arises at the start of the financial year, if the plan assets exceed the pension obligation. The defined benefit costs contain the following elements:

- Past service costs (including current service costs, past service costs to be calculated subsequently and any gains or losses from the change to or reduction of the plan),
- Net interest expenditure or revenues on the net debt or the net asset value,
- A new assessment of the net debt or the net asset value.

The Group reports the first two elements in the profit and loss statement under "Personnel expenditure" and "Financial expenditure" or "Financial revenues". Any gains or losses from plan reductions are entered on the balance sheet as "Past service costs" to be calculated subsequently.

The defined benefit obligation entered in the consolidated accounts represents the current shortfall or excess in cover for the Group's defined benefit pension plans. Any excess cover, which accrues as a result of this calculation, is restricted to the cash value of any future economic benefit, which is available in the form of repayments from the plans or reduced future contributions to the plans.

Payments for defined benefit pension plans are entered as expenditure if the employees have performed the work, which entitles them to the contributions.

2.13.2 Onerous contracts

Current obligations, which arise in conjunction with onerous contracts, are entered as a provision. The existence of an onerous contract is assumed if the Group is a contract partner in an agreement, from which there is an expectation that the unavoidable costs of meeting the agreement will exceed the economic benefits accruing from this contract.

2.13.3 Warranties

Provisions for the expected expenditure arising from warranty obligations according to national purchase contract law shall be assessed at the sale time for the products concerned according to the best estimate of management with regard to the necessary expenditure to meet the Group's obligation.

2.13.4. Provisions in the financial sector

Provisions in the financial sector are entered as soon as the underlying event creates a payment obligation with reasonable certainty and the amount can already be reliably assessed.

2.14 Income tax

The expenditure/earnings on income tax represent the account balance for current tax expenditure and deferred taxes.

Current or deferred taxes are entered as expenditure or earnings in the Group's profit and loss statement, unless they relate to items that were directly entered under "Other income" or under "Equity". In this case, the current or deferred tax is also entered under "Other income" or directly under "Equity". If current or deferred taxes result from the first time that a corporate merger is entered on the balance sheet, the tax effects shall be included in the balance sheet entries of the corporate merger.

2.14.1 Current taxes

The current tax expenditure is determined on the basis of the income that is subject to tax during the year. The income, on which tax is to be paid, is different from the consolidated net income from the Group profit and loss statement, as it excludes expenditure and revenues that will not attract tax in other periods or at any time or can be offset against tax. The Group's liability for current taxes will be calculated on the basis of current tax rates that apply or those that will apply at the expected time of taxation from the point of view of the balance sheet date.

2.14.2 Deferred taxes

Deferred taxes are entered to cover the temporary differences between the carrying amount of assets and liabilities in the consolidated accounts and the relevant tax valuation rates for the purposes of calculating the taxable income, and they are entered on the balance sheet according to the balance-sheet liability method (balance-sheet-oriented method). Deferred tax debts are entered on the balance sheet for all temporary differences in taxes and deferred claims for taxes are entered if it is probable that taxable profits will be available, for which these temporary differences can be used to offset tax payments. These assets and liabilities are not entered if the temporary differences result from goodwill or from the initial entry of other assets and liabilities (except in the case of company mergers), which result from events that do not affect the taxable income or the consolidated net income.

Deferred tax liabilities are formed for temporary differences in tax payments, which arise from shareholdings in subsidiaries, unless the Group can manage the reversal of the temporary differences and it is probable that the temporary difference will not reverse within the foreseeable future.

The carrying amount of the deferred tax claims is checked every year on the balance sheet date and is reduced, if it is no longer probable that sufficient taxable income will be available in order to realise the claim completely or in part. A deferred tax asset is entered for the amount of unused tax losses and unused tax credits, which have been carried forward, if it is probable that a future taxable profit will be available, which can be used against the tax losses and the unused tax credits not yet used.

Deferred tax claims and tax liabilities are determined on the basis of the expected tax rates (and tax laws), which will probably apply at the time when the debt has to be paid or when the asset value is realised. The valuation of deferred tax claims and tax liabilities reflects the tax consequences, which would arise from the manner that the Group is expecting on the balance sheet date in order to settle the liability or realise the asset value.

Deferred tax claims and tax liabilities are balanced out if there is an enforceable right to offset current tax claims with current tax liabilities and if they are related to income taxes that are collected by the same tax office and if the Group intends to settle its current tax claims and tax liabilities on a net basis.

2.15 Revenue from contracts with customers

2.15.1 Realisation of turnover

Turnover revenue is recognised if the power of disposition over definable goods and services passes to the customer, that is to say, if the customer has the ability to largely make use of the benefits arising from the transferred goods or services.

The condition for this is that a contract exists with enforceable rights and obligations and, among other things, the receipt of the counter-performance is probable – taking into consideration the customer's creditworthiness.

The turnover revenue corresponds to the transaction price, which is likely to attribute to GK Software.

If the period between the transfer of the goods or services and the payment time exceeds twelve months and significant benefits have resulted for the customer or for GK Software from the funding, the counter-performance is adjusted by the current value of the money.

If individual sales prices cannot be directly observed, GK Software assesses them appropriately.

Turnover revenue is recognised for each performance obligations, either at a particular time or over a particular period.

2.15.2 Earnings from licences

Turnover recognition takes place at the time the licence is transferred, i.e., at the time the licence is issued, if the promised licence grants the customer the right to use the intellectual property. This takes place at the time when a functioning software solution is handed over to a customer.

The payment of the transaction price is normally due within 30 days. In rare cases, postponed payments may be agreed, but they may not exceed 12 months. No significant funding component is therefore taken into consideration in the transaction price.

2.15.3. Earnings from SaaS contracts

For earnings from ongoing service provision (so-called "continuous obligations") by GK Software arising from software-as-a-service contracts with customers, the revenue is recognised on a pro-rata basis over the term of the subscription. The invoicing for this takes place annually, quarterly or monthly. In some cases, invoices are issued with advance payments (contractual liabilities in accordance with IFRS 15). For example, in the case of an annual contract, 1/12 of the total transaction price is effectively recognised as revenue for each month. In any case, a period-appropriate deferral is guaranteed.

The payment period for services arising from SaaS contracts as well as for other invoices is generally 30 days.

2.15.4 Provision of services

The software service agreements contain both earnings from licence agreements, which are calculated according to time and the consumption of materials, and earnings from contracts, where an agreed item of work is due (fixed price contracts).

The turnover recognition always takes place at the time when the power of disposition passes to the customers. This is normally the time when the agreed service is handed over or when the agreed service is accepted by the customer (confirmation of the working hours provided or acceptance of the item of work).

If the contract contains a fixed hourly rate (calculation according to time and consumption of materials, turnover realised at a specific time), the amount of revenue was entered to reflect the claim that GK Software SE has arising from the service that has been provided. Invoices are generated every month and the payment in return is normally due for settlement 30 days after the receipt of the invoice.

In the case of fixed price contracts, the revenue is entered over a particularly period according to the percentage of completion method based on the actual work that has been performed at the end of the reporting period in relation to the work that needs to be provided overall. This takes place on the basis of the actual working hours in relation to the total number of expected hours.

Estimates about the revenue, costs or the progress made in the order are corrected if the circumstances change. Any increases or reductions in the estimated revenue or costs arising from this are entered under profits or losses in the period when the company managers learnt about the circumstances that provided the reason for the correction (cf. Section 3.6. “Intrinsic value of contract assets”).

In the case of fixed price contracts, the customer pays a set amount according to a payment plan. If the services provided by GK Software exceed the payment amount, a contract-generated current asset is entered. If the payments are higher than the services provided, a contract liability is entered.

2.15.5 Earnings from servicing work

Revenue from maintenance work is charged at the contractually agreed rates or the number of hours that have been agreed in the contract and any costs that have been directly incurred on a monthly basis. The agreed rates are either charged monthly or charged to subsequent periods in the case of advanced payments (contract liabilities according to IFRS 15) and are recognised monthly along the appropriate period.

Invoices are issued monthly and are normally due for settlement 30 days after the receipt of the invoice.

2.15.6 Contractual assets, contractual liabilities and receivables from deliveries and services

If one of the parties to the contract meets its contract obligations with customers, regardless of the relationship between the performance of the work by GK Software and the customer’s payment, a contract asset, a contract liability or an account receivable is entered. Receivables from deliveries and services are entered if the claim for receipt of the counter-performance is no longer subject to any condition.

If the order costs related to an order and incurred by the reporting date plus published gains and minus published losses exceed the partial payments, the excess is entered as a manufacturing order with a credit balance due from the customer (contract asset). In the case of contracts in which the milestone invoices exceed the order costs incurred plus accrued gains and less recognised losses, the excess is entered as a manufacturing order with a debit balance (contract liabilities) in relation to the customer.

Amounts received before the work has been performed are entered as debts in the contract liabilities on the consolidated balance sheet.

With regard to the adjustments to valuations of contract generated current assets and receivables, please refer to the information in Appendix 3.1. “Impairments of assets” and 4.1.9. “Further details on financial assets and financial liabilities”.

2.16. Real estate held for sale

Non-current assets held for sale – real estate held for sale in this document – are assessed in accordance with IFRS 5. Accordingly, the assessment is to be made at either the lower carrying amount or fair value less disposal costs. In this case, the real estate was assessed at the foreseeable sale prices.

The real estate was reclassified as “real estate held for sale” and moved from fixed assets to current assets. The balance sheet is unbalanced without a reduction in the amount of funding received, which is still reported as “Deferred public-sector subsidies”.

3 Significant Assessment Uncertainties and Discretionary Decisions

Assumptions have to be made to a certain degree when preparing the consolidated accounts and estimates are made, which have an effect on the amount and entry of the assets and liabilities on the balance sheet and the earnings and expenditure. The assumptions and estimations largely relate to an assessment of the intrinsic value of intangible assets (including goodwill), the standard definition of the economic serviceable life of property, plant and equipment and intangible assets, the valuation of inventories and accounts receivable related to the intrinsic value of capitalised deferred taxes and the balance sheet entries and assessment of provisions. The assumptions and estimations are based on premises, which in turn are founded on the level of awareness that is available at the current time. Particularly with regard to the expected future development of business, the circumstances, which exist at the time when the net income for the period is prepared, and a realistic assessment of the future development of the global and sector-based business environment form the basis of the estimations. The amounts that have been entered may deviate from the originally expected estimated values as a result of developments in these general conditions, which differ from the assumptions and lie beyond the sphere of influence of management. If actual developments differ from those that are expected, the premises and, if necessary, the carrying amounts of the assets and liabilities that are affected are adjusted accordingly. At the time when the consolidated annual statements were prepared, the assumptions and estimations, on which they were based, were not subject to any major risks; so that it is assumed that no major adjustments of the carrying amounts of the assets and liabilities indicated on the balance sheet will be necessary in the following financial year from a current point of view. However, it should be noted that, as in previous years, the coronavirus situation and the political upheavals associated with the war in Ukraine have led to significant and unforeseeable uncertainties with regard to economic developments. Likewise, the effects of increased inflation can only be assessed to a limited extent.

The following indicates the most important assumptions made about the future and the other major sources of estimation uncertainties on the balance sheet date. A major risk may arise as a result of these and mean that a major adjustment to the assets and liabilities recorded here becomes necessary within the next financial year.

The use of the Group's accounting methods is also subject to various discretionary decisions by management. Significant discretionary decisions are exercised when entering leases on the balance sheet and when impairing the value of financial assets. More detailed information about discretionary decisions can be found in the following paragraphs in the notes on the accounts.

3.1 Impairments of assets

On each reporting date, the Group checks the carrying amounts for property, plant and equipment, usage rights, and intangible assets in order to determine whether there are any indications of the need to write down these assets. If these indications can be recognised, the achievable value of the asset is assessed in order to determine the scope of any possible write-down expenditure.

The achievable amount is the higher amount arising from the fair value minus any sales costs and the value in use of an asset. The amount involving the fair value minus any sales costs describes what could have been generated by selling an asset in a transaction at market conditions between parties willing to reach agreement. When determining the value in use, the estimated future flows of cash are discounted by a normal market interest rate. If it is not possible to estimate the achievable amount for an individual asset, the assets are combined into cash-generating units.

If the estimated achievable amount of an asset (or a unit generating cash and cash equivalents) is less than the carrying amount, the carrying amount of the asset (or unit generating cash and cash equivalents) is reduced to the recoverable amount. The expenditure for the write-down is entered immediately in the accounts.

If the circumstances that led to the impairment of value disappear completely or partly, the carrying amount of the asset (or unit generating cash and cash equivalents) is increased to the latest estimate of the recoverable amount. The increase in the carrying amount is restricted to the value, which would have occurred if no write-down expenditure had been entered for the asset (unit generating cash and cash equivalents) in previous years. Any write-up is directly entered in the accounts to affect net income.

Consideration is given to any recognisable default risks in accounts receivable and other assets by making an appropriate devaluation. Individual value corrections are formed, if the incoming payment for individual accounts receivable items is in doubt. In the case of trade accounts receivable, which are not examined individually, value corrections are formed to a different extent, depending how old the account receivable is. When setting these percentage figures, GK Software takes into account its experience with collecting funds in the past and the current tendencies in the economy (cf. also Section 4.1.9. “Further details on financial assets and financial liabilities”).

Cash, cash equivalents and securities are also subject to the impairment requirements of IFRS 9. No impairment loss was determined.

3.2 Intrinsic value of businesses

The goodwill amounts are checked for their intrinsic value at least once a year or if there are specific reasons for impairment in their value. Checking the intrinsic value of goodwill amounts is conducted at the level of the units generating cash and cash equivalents, to which the goodwill figures are attributed.

The carrying amount of the unit generating cash and cash equivalents is compared with the achievable amount in the first step on the balance sheet reporting date. The achievable amount is defined as the higher amount of the usage value and (if it can be determined reliably) the sale value minus the selling costs. If this amount falls below the carrying amount of the unit, including the assigned goodwill, impairment expenditure for the goodwill is determined in a second step.

When determining the usage value, cash values of the estimated future incoming funds on the basis of a discount interest rate after tax (WACC) are calculated as the pre-tax WACC cannot be directly determined or observed. The pre-tax WACC is derived iteratively from the WACC after tax. The estimates take place within the planning horizon for Group planning for three years in detail and for the subsequent years 4 and 5 in the form of a trend projection and consideration of known specific individual circumstances. As the use of goodwill beyond planning year 5 appears possible and probable, the subsequent period is taken into account in the form of a perpetual annuity when determining the value. For this purpose, uniform growth rates oriented to inflation developments in the relevant currency areas are applied. Planned balance sheets and planned profit and loss statements are prepared for the individual unit generating the cash and cash equivalents and cash flow plans are derived from them.

The series of payments determined in this way are discounted with an interest rate that represents the weighted capital costs before income taxes. Capital market data from a group of comparable companies is used in order to determine the weighted capital costs. Key assumptions for determining the series of payments are the assumptions contained in the corporate planning for the development of turnover revenues and the necessary expenditure. These consist mainly of assumptions for the planned license revenues, product life cycles, growth rates and the target margin on the EBITDA for the revenue side. On the expense side, assumptions about personnel expenses and financing costs are priority applied. Because of the specific business model for the respective unit generating the cash and cash equivalents, specific parameters were used for this unit, which are based on the experience and the analysis of the actual development of the unit generating the cash and cash equivalents in the past. The planning conventions always include planning the balance sheet and the profit and loss statement and, derived from these, planning for the expected flows of cash and cash equivalents.

Any write-down expenditure is directly entered in the profit and loss statement and may not be reversed in the following reporting periods. Regular checks are made on 31 December each year.

With regard to the individual details on the balance sheet on 31 December 2022, please refer to Section 4.2.4. “Intangible assets”.

3.3 Intrinsic value of customer bases

GK Software acquired customer bases as part of the purchase price allocation when acquiring various subsidiaries. With regard to the individual details on values, please refer to Section 4.2.4. “Intangible assets”.

The intrinsic value of customer relationships is the result of a comparison drawn from the past of the underlying turnover from existing customer relationships with the turnover actually achieved and the revenues generated from them on the basis of the business planning underlying the procurement costs that have been entered as part of allocating the purchase price and the expectations for the further development of these key figures. The expected period of use (7 or 10 years) and the amortisation method are checked on each reporting date and all the changes to estimates are taken into consideration prospectively. As soon as there are some signs that the carrying amount of the customer base exceeds the expected influx of funds, the customer base is revalued with this lower figure. Impairment charges, if any, are entered under the item “Depreciation and amortisation”. The achievable amount is the higher amount of the fair value minus any sales costs and the value in use. The value in use is the cash flow reduced to its cash value minus any interest for the unit, which could generate cash and cash equivalents and to which the customer base is assigned.

3.4 Intrinsic value of software and capitalised development costs

Software that is acquired is amortised in a linear fashion over a period of 3 to 7 years. The software acquired through purchased holdings (GK Artificial Intelligence for Retail AG – formerly prudsys AG and valuephone GmbH) is being amortised according to schedule in a linear fashion over a period of 7 years. There was no suggestion of any impairment of value.

The capitalised development costs are amortised in a linear fashion over a period of 5 years. Based on the business planning, there were no suggestion of any impairment of value on the reporting date.

3.5 Intrinsic value of real estate held as a financial investment

As a result of the decision to sell, the corresponding properties from fixed assets were reclassified to current assets as “properties held for sale”.

3.6 Intrinsic value of contractual assets

The intrinsic value of the assets entered on the balance sheet are checked by ongoing project monitoring.

If the outcome of a manufacturing order can be reliably assessed, the revenues and the order costs, which arise in connection with this manufacturing order, are entered according to the percentage of completion of work on the balance sheet date and are shown as a contract asset. The contract asset is determined on the basis of the work actually performed at the end of the reporting period in relation to the total contract asset. This takes place on the basis of the actual working hours in relation to the total number of expected hours. Changes in the contracted work, claims and performance bonuses are included to the extent that their amount can be reliably determined and it is deemed that they will probably be received.

If the outcome of a manufacturing order cannot be reliably assessed, the revenues are only entered according to the amount of order costs that have already been incurred and can probably be recovered. Costs for orders are entered as expenditure during the period, in which they are incurred.

Estimates about the costs of the progress made in the order are corrected if the circumstances change. If it is likely that the total costs for orders will exceed the total revenues from orders, the expected loss is immediately entered as expenditure.

3.7 Uncertainty regarding the income-tax-related items

The estimation and assessment of deferred taxes assets from any losses carried forward assumes that the Group companies concerned will in future once again generate profits which allow for the utilisation of the tax losses carried forward. This is done by planning the economic development of the individual companies in the Group. Deferred tax assets from losses carried forward were entered on the balance sheet in these consolidated accounts at the amounts estimated as recoverable. This decision takes into consideration the increased requirements for substantial information about the recognisability of these deferred tax assets with a loss history in the relevant individual accounts.

The company audit for the period 2018–2021 for GK Software SE started in 2022 and was not yet completed in the auditing period. The back taxes that are more likely than not due as a result of the audit have been taken into account in these accounts.

3.8 Approach and assessment of provisions

By its very nature, the recognition and measurement of provisions involves assessment uncertainties. With regard to the special estimation risks associated with provisions for pensions, please refer to the summary information in Section 4.2.9. “Provisions for pensions”.

3.9 Assessments of fair value and assessment procedures

When determining the fair value of an asset or a debt, the Group takes into account particular features of the asset or the debt (for example, the condition and location of the asset or sales and usage restrictions), if market participants would also take into account these features when setting the price for the acquisition of the particular asset or when transferring the debt on the assessment date. The fair value for assessment purposes and/or the obligation to specify details is determined on this basis in these consolidated accounts as a matter of principle. The following are excluded from this process:

- Share-based payments covered by IFRS 2 Share-Based Payments,
- Assessment standards, which are similar to fair value, but do not correspond to it, e.g. the net sales value in IAS 2 Inventories or the value in use in IAS 36 Impairment of Assets.

The fair value is not always available as a market price. If often has to be determined on the basis of different assessment parameters. Depending on the availability of observable parameters and the significance of these parameters for determining the fair value overall, the fair value is assigned to the stages 1, 2 or 3. The subdivision takes place according to the following proviso:

- The input parameters in stage 1 are listed prices (unadjusted) in active markets for identical assets or debts, which the Company can access on the assessment reporting date.
- The input parameters in stage 2 are different input parameters to the prices listed in stage 1, which are either directly observable for the asset or the debt or can be indirectly derived from other prices.
- The input parameters in stage 3 are parameters that are not observable for the asset or the debt.

3.10 Other assessment uncertainties

Other sources of uncertainty regarding estimates exist with regard to the useful serviceable life of assets, the assessment of the intrinsic value of receivables from deliveries and services, the valuation of stocks and entering leases according to IFRS 16. A term of 5 years is assumed for all unlimited contracts for rented real estate within the meaning of IFRS 16. This corresponds to the experience that rented buildings are used on a long-term basis. As no interest rates were communicated by the lessor for the lease contracts, the incremental borrowing rate was determined by comparing outside examples. It was assumed for this purpose that the two investment classes (vehicles and property) could be entirely funded by loans from our local bank.

We also assume that options from the share option programmes will be exercised when the conditions have been met.

3.11. Reclassifications in the Consolidated Statement of Income and Accumulated Earnings and correction of errors in these consolidated financial statements

In the Consolidated Statement of Income and Accumulated Earnings, expenditure for IT services (e.g., expenditure on cloud services and IT services), which can be clearly assigned to research and development activities, are no longer reported under Material costs (purchased services) but under Other expenditure. The change in the way these figures are shown provides the readers of the report with more information and has no major effects on the assets, financial and earnings situation, or on the key performance indicators for the Company's management system.

The financial result for the year under review in the amount of EUR 132 K includes EUR 1.28 million of interest earnings from other periods. These relate to the correction of the effective interest-rate calculation for the convertible bond for the period 2018 to 2021 in the current accounts. The correction has no impact on key performance indicators for the Company's governance system and it is assumed that it is of no materiality. There were no major effects on significant performance indicators in the Company's management system and it is assumed that this will not have any significant relevance for the circumstances.

4 Notes on the Consolidated Balance Sheet

4.1 Financial assets and financial liabilities

The financial instruments include original and derivative financial instruments.

On the assets side, the original financial instruments largely comprise receivables from deliveries and services, other financial assets, securities, and cash and cash equivalents. On the liabilities side, the original financial instruments largely comprise bank liabilities, liabilities from deliveries and services, and other liabilities. The portfolio of original financial instruments is shown on the balance sheet. The Company is subject to a possible default risk, mainly with receivables from deliveries and services.

Firstly, please find below general information about the financial assets and financial liabilities and then more details about the resulting risk items according to IFRS 9.

4.1.1 Receivables from deliveries and services

The receivables from deliveries and services have a term of less than one year. Due to their short term, it is assumed that the fair value in each case will match the carrying amount.

The trade accounts receivable are all due for payment within one year.

4.1.2 Other accounts receivable and assets

T.27 Other accounts receivable, assets and income tax claims

EUR K	31.12.2022	31.12.2021
Financial assets		
Accounts receivable with associated firms	596	589
Suppliers with debit balances	365	112
Loans paid to third parties	101	112
Accounts receivable from derivatives	1,191	727
Accounts receivable from members of the Management Board	55	39
Securities	24,916	0
Reimbursement claims	1,106	0
Others	1,438	822
Intermediate total	**29,768**	**2,401**
Non-financial assets		
Accounts from asset deferrals	4,393	3,536
Accounts from value-added tax	521	605
Receivables from income-tax claims	998	997
Intermediate total	**5,911**	**5,138**
Total	**35,680**	**7,539**

The marketable securities of EUR 24,916 K (previous year EUR 0 K) are business owner bonds with terms of 1 or 2 months. The securities are entered on the balance sheet at purchasing costs.

With regard to receivables from related companies, please refer to Section 8.4. “Details of Related Parties and Companies”.

The receivables from income-tax claims (non-financial assets) in the amount of EUR 998 K (previous year: EUR 997 K) mainly consist of receivables from corporation tax, plus the solidarity surcharge, and business-tax advance payments.

4.1.3 Short- and long-term bank liabilities

The non-current and current bank liabilities involved all the loans exclusively taken out by GK Software SE.

T.28 Loans

	31.12.2022		31.12.2021	
EUR K	Balance	Thereof short term	Balance	Thereof short term
Syndicated loans	13,750	2,500	0	0
Loan Commerzbank	1,775	300	2,075	300
Loan Sparkasse	0	0	2,183	508
Loan IKB	63	63	188	125
Current account credit and credit card	166	166	69	69
Account balance	**15,754**	**3,029**	**4,514**	**1,002**

The debts existing on the balance-sheet reporting date have been divided into short- and long-term debts in the consolidated accounts (cf. T.36 “Schedule of liabilities” in Section 4.1.9. “Further details on financial assets and financial liabilities”). The current shares therefore match the repayments that are due within one year.

Repayment shares of up to one year for non-current bank liabilities were entered under current bank liabilities.

In addition to this, the short-term bank liabilities also include utilised credit-card limits amounting to EUR 107 K (previous year: EUR 69 K) and a current-account credit lines that were used.

Of the loans cited here, EUR 1,775 K (previous year: EUR 3,937 K) have been secured by real-estate liens.

4.1.4 Liabilities from leases

With regard to further information on leases, please refer to the summary in Section 4.2.2. “Usage rights and expenditure on leases”.

4.1.5 Liabilities from deliveries and services

Trade accounts payable are still due for settlement within one year.

4.1.6 Contractual liabilities

Contractual liabilities include liabilities from advance payments on manufacturing contracts (advance-payments received) of EUR 6,210 K (previous year: EUR 907 K) and advance payments on revenues to be received periodically at later periods (deferred revenue) of EUR 3,544 K (previous year: EUR 4,720 K).

The transaction price that was attributed to performance obligations from manufacturing orders on 31 December 2022 amounted to EUR 14,474 K on the reporting date (previous year: EUR 5,684 K). The Management expects that EUR 12,627 K (previous year: EUR 5,052 K) of the transaction price that was attributed to service obligations, which had not been provided on 31 December 2022, will be entered as revenue in the next reporting period. The remaining EUR 1,847 K (previous year: EUR 633 K) will be recognised in later fiscal years. The amount entered above did not contain any variable service in return that is restricted.

The remaining terms of the deferred liabilities are essentially less than one year.

4.1.7 Other short-term liabilities

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

T.29 Other current liabilities

EUR K	31.12.2022	31.12.2021
Financial liabilities		
Liabilities from wages and salaries	9,710	9,066
Outstanding invoices	2,701	2,026
Other liabilities towards members of staff	1,139	81
Liability for damages	1,374	24
Others	873	2,068
Intermediate total	**15,797**	**13,265**
Non-financial liabilities		
Tax liabilities	5,551	2,041
Intermediate total	**5,551**	**2,041**
Total	**21,347**	**15,306**

4.1.8 Income tax liabilities

T.30 Income tax liabilities

EUR K	31.12.2022	31.12.2021
Income-tax liabilities	5,551	2,041
thereof in Germany	5,083	1,733
thereof in Czech Republic	177	95
thereof in Switzerland	14	7
thereof in USA	0	–
thereof in South Africa	233	200
thereof in Ukraine	11	6
thereof in Russia	30	0
thereof in Singapore	3	–
thereof in Australia	0	–

4.1.9 Further details on financial assets and financial liabilities

T.31 Carrying amounts and the fair value of financial instruments

EUR K	Recognised at amortised cost	Recognised at fair value: On the basis of publicly listed market prices (stage 1) – FVTPL category	Recognised at fair value: On the basis of observable market data (stage 2) – FVTPL category	Recognised at fair value: On the basis of non-observable input factors (stage 3) – FVTPL category	Non-financial assets/liabilities	Carrying amount	Fair value
31.12.2022	**(IFRS 9)**	**(IFRS 9)**	**(IFRS 9)**	**(IFRS 9)**			
Trade accounts receivable	24,571	–	–	–	–	**24,571**	**–**
Other financial assets	28,578	–	1,191	–	4,914	**34,682**	**34,682**
Cash and cash equivalents	37,654	–	–	–	–	**37,654**	**–**
Total financial assets	90,803	–	1,191	–	4,914	**96,907**	**34,682**
Bank liabilities	15,754	–	–	–	–	**15,754**	**15,754**
Leasehold liabilities	–	–	–	–	8,995	**8,995**	**8,995**
Trade accounts payable	5,169	–	–	–	–	**5,169**	**–**
Other financial liabilities	0		234	–	15,562	**15,797**	**–**
Total financial liabilities	**20,923**	**–**	**234**	**–**	**24,557**	**45,714**	**24,749**
31 December 2021	**(IFRS 9)**	**(IFRS 9)**	**(IFRS 9)**	**(IFRS 9)**			
Trade accounts receivable	24,298	–	–	–	–	**24,298**	**–**
Other financial assets	1,674	–	727	–	4,141	**6,541**	**6,541**
Cash and cash equivalents	46,945	–	–	–	–	**46,945**	**–**
Total financial assets	72,917	–	727	–	4,141	**77,785**	**6,541**
Bank liabilities	4,514	–	–	–	–	**4,514**	**4,514**
Leasehold liabilities	0	–	–	–	7,784	**7,784**	**7,784**
Trade accounts payable	5,162	–	–	–	–	**5,162**	**–**
Other financial liabilities	14,721	[1]	–	–	13,184[2]	**27,904**	**–**
Total financial liabilities	**24,397**	**–**	**–**	**–**	**20,968**	**45,366**	**12,299**

No regrouping between the categories took place during the year under review.

1 Previous year's figure adjusted
2 Previous year's figure adjusted

As the financial assets are normally not covered by securities, the maximum default risk corresponds to their gross carrying amount minus value adjustments, therefore leaving the net carrying amount that is shown. Thus, the circumstances at GK Software are consistent with the general case assumed by the IASB. Securities and other risk-mitigating agreements are therefore generally not to be taken into account at this point.

The market value of an interest-capping transaction with a nominal value of EUR 101 K amounts to a total of EUR 7 K on the balance-sheet reporting date (previous year: EUR 0 thousand) – derived from the mid-market price based on bank valuations.

Currency-option transactions amounting to a total nominal value of CZK 324,000 K were reported on 31 December 2022. The purpose of these transactions is to secure payment obligations within the Group until 29 December 2023. No valuation unit was formed. The fair value according to the bank valuation is EUR 1,191 K and is shown under “Other financial assets”.

There is also an interest-rate currency swap to hedge the granting of an intra-group loan with a nominal value of USD 4.55 million. The fair value according to the bank valuation is EUR (234) K and is shown under “Other financial liabilities”.

The Group still has only financial instruments that are valued at amortised cost. The other financial assets of EUR 28,578 K (previous year: EUR 1,674 K) are subject to the general impairment approach of IFRS 9 and are to be classified fully as 12-month credit losses. There were no impairments made because the financial assets are not overdue and there is also no other indication of impairment in value. The credit risk did not increase significantly compared to the previous year.

A simplified approach using industry-specific risks was used to value the accounts receivables. In addition to default rates calculated for the individual maturity bands based on historical experience, forward looking elements based on country-specific default rates (credit default swaps) are also used. The value adjustments relate exclusively to receivables from deliveries and services and, in addition to the expected loss ratios determined according to IFRS 9, also include value adjustments on individual items within the due dates, which are based on individualised valuation information. If there was no longer any expectation that they could be realised, the financial asset was removed from the accounts.

T.32 Default risk for trade accounts receivable and contract assets

		Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
31.12.2022							
Expected loss ratio	%	0.1	0.7	1.4	1.9	34.0	
Receivables from deliveries and services	EUR K	18,867	2,310	1,523	1,670	464	**24,833**
Contract generated current assets	EUR K	12,837	–	–	–	–	**12,837**
Value adjustments	EUR K	34	17	21	32	158	**262**
31 December 2021							
Expected loss ratio	%	0.3	1.0	2.2	3.2	51.7	
Receivables from deliveries and services	EUR K	19,182	3,850	922	263	459	**24,676**
Contract generated current assets	EUR K	12,152	–	–	–	–	**12,152**
Value adjustments	EUR K	71	37	24	8	237	**378**

The value adjustments developed as follows during 2022:

T.33 Changes in impairments on trade accounts receivable

EUR K	2022	2021
Situation at the start of the year	378	482
Value adjustments on accounts receivable	33	122
Liquidation	(149)	(226)
Situation at the end of the year	**262**	**378**

Value adjustments amounting to EUR 262 K, which relate in total to trade receivables, were made at the end of the year.

T.34 Net profits and losses per category of financial instrument

EUR K	Interest revenues (-expenditure / +earnings)		Gains (+) / losses (-) from derecognition		others gains / losses		Total	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets recognised at amortised cost	512	192	(89)	(153)	–	–	423	39
Fair value through profit and loss (FVPL)	–	–	–	–	–	–	–	–
Financial liabilities recognised at amortised cost	(149)	(1,605)	–	–	–	–	(149)	(1,605)
Total	**363**	**(1,413)**	**(89)**	**(153)**	**–**	**–**	**274**	**(1,566)**

Impairments/appreciations in value on financial assets are no longer part of the net income and are shown separately in the total income statement.

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 rates are the result of selected types of funding to enhance the Group's financial latitude. The Group typically accepts additional conditions (so-called "covenants") in addition to the general loan conditions when funding projects with loans that are provided by banks and they relate to general financial figures or other conditions. Failure to meet these additional conditions normally entitles the bank concerned to make the loans in question due for payment in full immediately, regardless of whether the main loan contract obligations are being met and probably can continue to be met or not. The Group handles this risk by monitoring the covenants and communicating with the banks concerned in an appropriate manner.

In order to have some protection against these market risks, the Group uses derivative financial instruments like interest rate caps to provide certain security against increases in the interest rate that is charged. As the Group's exposure to currency risks has increased considerably in absolute terms, larger items of business are being secured by exchange rate hedging mechanisms like currency options to safeguard the value of payments made in the non-functional currency in proportion to the functional currency.

Exchange rate risks: 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. There are also internal service relationships within the Group and currency risks from the resulting cash flows.

The following accounts receivable existed with exchange-rate risks on 31 December 2022:

T.35 Accounts receivable with exchange rate risks

EUR K	31.12.2022	31.12.2021
CHF	227	421
GBP	106	41
CAD	4	18
AUD	–	229

Currency rate fluctuations in conjunction with our original monetary financial instruments did not have any major effects on our annual profits.

Interest risks: The Group is exposed to interest risks, as the Group's companies take out financial resources at fixed and variable interest rates. This takes place by using interest rate caps.

The interest risk on the Group's financial assets and financial liabilities is fully described in the section on managing the liquidity risk.

Credit default risks: We understand a credit default risk to be the risk of a loss for the Group if one contractual party does not meet its contractual obligations. In principle, the Group only maintains business relations with those contractual parties where any deviation from the contractual obligations does not appear to be probable.

The maximum credit risk corresponds to the carrying amount of the trade accounts receivable and other accounts receivable. The default risk regarding trade accounts receivable is limited by the fact that the Company has a broadly spread customer structure. The Company does not generally demand any collateral security for its accounts receivable. Close monitoring takes place by observing the customer's payment behaviour, the market environment and drawing on external sources such as reports from the relevant specialist press. When assessing financial assets subject to the general approach, it is generally assumed that there is no significant increase in credit risk if they are less than 30 days overdue. If this monitoring process gives rise to an assumption that the general economic situation for individual customers (with individual circumstances) has changed, further measures are adopted in agreement with the management team in order to restrict any possible losses. Value adjustments may also occur if customers believe that work has not been completed or is inadequate. In these cases, the Group basically carries out individual value adjustments for precautionary reasons, if there is some expectation that settlements on a goodwill basis – without any recognition of legal grounds – might be necessary. Consideration is given to the general default risk by making an appropriate general value adjustment (cf. Section 3.1. "Impairment of value for assets").

The default risk on liquid funds is slight, as the banks managing the accounts are all members of the German deposit protection scheme or they have an outstanding reputation with corresponding credit ratings. There are certain default risks associated with investments in securities for liquidity management. As these investments are used for liquidity management, securities with a high credit rating and short maturities of 1 or 2 months are preferred.

Overall, the Management Board believes that the value adjustments currently performed have taken into account all the probable risks for the Group to an appropriate degree.

Liquidity risks and due dates for financial obligations: The Group controls the liquidity risks by having available appropriate reserves and credit lines and by monitoring the deviations between forecast and actual cash flows.

The following table shows the remaining contract terms for the Group's financial liabilities. The tables are founded on non-discounted cash flows for financial liabilities (interest and repayments) based on the earliest date on which the Group can be obligated to make payment.

T.36 Schedule of liabilities

EUR K	Weighted average interest rate	Less than 1 month	1 to 5 years	More than 5 years	Total
31.12.2022					
Interest-free	0	21,072	0	0	**21,072**
Variable interest rate	2.6	2,626	12,791	0	**15,416**
Fixed interest rate	1.62	3,014	8,227	275	**11,516**
31.12.2021					
Interest-free	0	18,496	0	0	**18,496**
Variable interest rate	2.66	192	1,910	0	**2,102**
Fixed interest rate	2.42	18,274	8,075	0	**26,349**

We also refer you to the explanations on leasing liabilities in Section 4.2.2. Usage rights and expenditure on leases
In the previous year, GK Software arranged a syndicated loan of EUR 45 million. This replaced the previous current-account credit lines. The agreement for this was concluded on 08.12.2021 between the Company and UniCredit Bank AG as agent. EUR 15 million of this amount was drawn on 17.10.2022 to redeem the convertible bond. The EUR 30 million agreed to secure operating resources were essentially not used.

T.37 Credit lines

EUR K	31.12.2022	31.12.2021
Non-collateralised current account lines	30,000	30,000
of which: taken up	59	–
of which: not taken up	29,941	30,000

4.2 Non-financial assets and liabilities

4.2.1 Tangible assets

T.38 Property, plant and equipment in 2022

EUR K	Real estate and buildings	Operating and business equipment	Assets under construction	Total
Purchasing or production costs				
Figures on 1 January 2022	21,109	15,029	860	**36,998**
Accruals	688	1,492	3,979	**6,159**
Changes caused by exchange rates	0	3	0	**3**
Transfers	161	81	(258)	**(16)**
Reclassifications	(437)	0	(3,141)	**(3,578)**
Disposals	(378)	(3,236)	(162)	**(3,775)**
Figures on 31 December 2022	**21,143**	**13,370**	**1,277**	**35,790**
Accumulated depreciation				
Figures on 1 January 2022	4,386	11,525	0	**15,911**
Accruals	732	1,289	0	**2,021**
Accruals through corporate mergers	5,994	237	501	**6,731**
Reclassifications	(280)	0	(893)	**(1,173)**
Disposals	(221)	(3,223)	0	**(3,444)**
Impairment of value in accordance with IAS 36	280	0	893	**1,173**
Figures on 31 December 2022	4,898	9,591	0	**14,488**
Carrying amounts on 31 December 2022	**16,246**	**3,779**	**1,277**	**21,302**

T.39 Property, plant and equipment in 2021

EUR K	Real estate and buildings	Operating and business equipment	Facilities under construction	Total
Purchasing or production costs				
Figures on 1 January 2021	13,629	15,842	183	**29,653**
Accruals	853	1,453	627	**2,933**
Changes caused by exchange rates	0	(3)	0	**(3)**
Accruals through corporate mergers	0	88	0	**88**
Transfers	633	3	(442)	**194**
Reclassifications	5,994	237	501	**6,731**
Disposals	0	(2,591)	(8)	**(2,598)**
Figures on 31 December 2021	**21,109**	**15,029**	**860**	**36,998**
Accumulated depreciation				
Figures on 1 January 2021	2,756	12,222	0	**14,979**
Accruals	672	1,635	0	**2,307**
Accruals through corporate mergers	0	31	0	**31**
Transfers	0	0	0	**0**
Reclassifications	769	58	0	**827**
Disposals	0	(2,421)	0	**(2,421)**
Impairment of value in accordance with IAS 36	189	0	0	**189**
Figures on 31 December 2021	**4,386**	**11,525**	**0**	**15,911**
Carrying amounts on 31 December 2021	**16,723**	**3,504**	**860**	**21,087**

Some of the plots of land serve as security for liabilities through real-estate liens; for more details, see Section 4.1.3. “Non-current and current bank liabilities”.

4.2.2 Rights of use and liabilities from leases

This following information on leases refer to transactions where the Group is the lessee. Information about leases, where the Group is the lessor, is explained in Section 4.2.3. 'Property held as a financial investment'.

T.40 Usage rights in accordance with IFRS 16 in 2022

EUR K	Real estate and buildings	Operating and business equipment	Total
Purchasing or production costs			
Figures on 1 January 2022	10,736	5,414	**16,150**
Accruals	3,077	1,155	**4,232**
Changes due to exchange rates	57	1	**57**
Disposals	(845)	(18)	**(863)**
Figures on 31 December 2022	**13,026**	**6,552**	**19,577**
Accumulated depreciation			
Figures on 1 January 2022	4,802	3,683	**8,485**
Accruals	1,728	997	**2,726**
Disposals	(472)	(6)	**(478)**
Figures on 31 December 2022	**6,058**	**4,675**	**10,733**
Carrying amounts on 31 December 2022	**6,968**	**1,877**	**8,844**

T.41 Usage rights in accordance with IFRS 16 in 2021

EUR K	Real estate and buildings	Operating and business equipment	Total
Purchasing or production costs			
Figures on 1 January 2021	10,721	4,400	**15,121**
Accruals	171	1,094	**1,265**
Changes due to exchange rates	179	9	**188**
Disposals	(334)	(90)	**(423)**
Figures on 31 December 2021	**10,736**	**5,414**	**16,150**
Accumulated depreciation			
Figures on 1 January 2021	3,291	2,584	**5,875**
Accruals	1,654	1,161	**2,816**
Disposals	(143)	(63)	**(206)**
Figures on 31 December 2021	**4,802**	**3,683**	**8,485**
Carrying amounts on 31 December 2021	**5,934**	**1,731**	**7,665**

T.42 Expenditure on leases

EUR K	31.12.2022	31.12.2021
Depreciation and amortisation	2,395	2,762
Thereof buildings	1,431	1,600
Thereof vehicles	964	1,161
Interest expenditures	104	119
Expenditures for short term and low value contracts not entered on the balance sheet	81	74
Total payments	**2,580**	**2,955**

Financial debts arising from leases amounting to EUR 2,531 K (previous year: EUR 2,672 K) were repaid during the fiscal year and EUR 104 K (previous year: EUR 119 K) in interest was paid for leasing.

The lease liabilities as at 31 December 2022 are recognised as within one year in the amount of EUR 2,603 K (previous year EUR 2,457 K) and shown as non-current liabilities in the amount of EUR 6,392 K (previous year EUR 5,328 K). Future payments of EUR 12,403 K (previous year EUR 10,394 K) are expected from these discounted liabilities within the next 5 years.

During the financial year, the residual terms for the buildings entered in the balance sheet in accordance with IFRS 16 were reviewed. As the intention to continue using these buildings remains unchanged, usage rights and the corresponding expenditure were again assigned a full residual term of 5 years. This did not apply to contracts for longer or shorter periods of use.

4.2.3 Real estate held as a financial investment

Real estate belonging to the GK Software SE portfolio also continued to be rented in 2022. These properties are being rented to a different associated company by means of a rental contract. Please also refer to 8.4.3. "Associated firms". Any developments resulting from this relating to the "property held as a financial investment" can be seen in the summary of fixed assets. The assessment methods remain unchanged. Amortisation takes place in a linear fashion over the assumed usage period. The assumed usage period of the building is 33 years and 7–15 years have been assumed for the fittings.

T.43 Property held as a financial investment in 2022

EUR K	Real estate held as a financial investment
Purchasing or production costs	
Figures on 1 January 2022	665
Accruals	0
Reclassifications	(665)
Figures on 31 December 2022	**0**
Accumulated depreciation	
Figures on 1 January 2022	440
Accruals	13
Reclassifications	(520)
Impairment of value in accordance with IAS 36	67
Figures on 31 December 2022	**0**
Carrying amounts on 31 December 2022	**0**

The reclassification in the reporting year concerns part of the “Campus 2” complex in Schöneck. The two real-estate properties located on it were previously rented out. Due to the decision to sell these properties, they are no longer “real estate held as a financial investment”. As of December 31, 2022, they are reported as “real estate held for sale”, see Section 4.2.5. Real estate held for sale.

T.44 Property held as a financial investment in 2021

EUR K	Real estate held as a financial investment
Purchasing or production costs	
Figures on 1 January 2021	7,662
Accruals	0
Transfers	(6,998)
Disposals	0
Figures on 31 December 2021	**665**
Accumulated depreciation	
Figures on 1 January 2021	897
Accruals	25
Transfers	(858)
Disposals	0
Impairment of value in accordance with IAS 36	376
Figures on 31 December 2021	**440**
Carrying amounts on 31 December 2021	**224**

No significant income is expected from rental and lease income in 2023 due to the planned sale of these properties and their reclassification as “real estate held for sale”.

In the profit and loss statement, rental and leasing income as well as charges passed on amounting to EUR 27 K (previous year: EUR 46 K) and direct operating expenses amounting to EUR 13 K (previous year: EUR 13 K) including amortizations/depreciations are attributable to this real estate. The annually agreed leasing and rental payments from operating leasing amount to EUR 27 K (previous year: EUR 27 K) in fixed monthly payments. Please also refer to 8.4.3. “Associated firms”.

4.2.4 Intangible assets

T.45 Intangible assets in 2022

EUR K	Capitalised develop-ment costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Total
Purchasing or production costs					
Figures on 1 January 2022	**8,819**	**10,525**	**20,032**	**9,195**	**48,572**
Accruals	0	128	0	0	**128**
Changes caused by exchange rates	0	0	584	112	**696**
Transfers	0	16	0	0	**16**
Reclassifications	0	0	0	0	**0**
Disposals	0	(77)	0	0	**(77)**
Figures on 31 December 2022	**8,819**	**10,593**	**20,616**	**9,307**	**49,335**
Accumulated depreciation					
Figures on 1 January 2022	**8,155**	**8,341**	**2,323**	**5,754**	**24,572**
Accruals	166	834	0	986	**1,986**
Accruals through corporate mergers	0	0	0	0	**0**
Disposals	0	(53)	0	0	**(53)**
Figures on 31 December 2022	**8,321**	**9,122**	**2,323**	**6,740**	**26,506**
Carrying amounts on 31 December 2022	**499**	**1,471**	**18,293**	**2,567**	**22,829**

T.46 Intangible assets in 2021

EUR K	Capitalised develop-ment costs	Industrial property rights and similar rights and values	Goodwill	Customer base	Total
Purchasing or production costs					
Figures on 1 January 2022	**8,819**	**11,043**	**18,097**	**9,048**	**47,007**
Accruals	0	222	1,453	0	**1,675**
Changes caused by exchange rates	0	11	726	147	**885**
Transfers	0	(194)	0	0	**(194)**
Reclassifications	0	267	0	0	**267**
Disposals	0	(824)	-244	0	**(1,069)**
Figures on 31 December 2021	**8,819**	**10,525**	**20,032**	**9,195**	**48,572**
Accumulated depreciation					
Figures on 1 January 2021	**7,988**	**7,911**	**870**	**4,826**	**21,595**
Accruals	166	1,224	0	928	**2,318**
Accruals through corporate mergers	0	30	0	0	**30**
Disposals	0	(824	0	0	**(824)**
Impairment of value in accordance with IAS 36	0	0	1,453	0	**1,453**
Figures on 31 December 2021	**8,155**	**8,341**	**2,323**	**5,754**	**24,572**
Carrying amounts on 31 December 2021	**665**	**2,185**	**17,709**	**3,441**	**23,999**

The capitalised development costs (preliminary versions of GK/Retail software) are amortised according to schedule in a linear fashion over an estimated serviceable life of five years.

The following goodwill was entered on the balance sheet in the consolidated accounts of GK Software:

T.47 Goodwill

Company	Year of acquisition	Segment allocation	Initial recognition value	Interest rate (after and before tax)	Growth rate	31.12.2022	31.12.2021
			EUR K	in %	in %	EUR K	EUR K
Solquest GmbH / SQ IT-Services GmbH	2009	EMEA	6,403	8.93 / 11.78	1	5,533	5,533
TransAction+ Products and Services / DBS	2015	Americas	9,838	9.49 / 12.31	2	10,016	9,432
GK AIR (formerly prudsys AG)	2017	EMEA	122	8.93 / 11.84	1	122	122
valuephone GmbH (MCA)	2018	EMEA	2,622	8.93 / 11.78	1	2,622	2,622
Total			**18,985**			**18,293**	**17,709**

The goodwill for Solquest GmbH / SQ IT-Services GmbH results from the acquisition of the operating company of Solquest GmbH by SQ IT-Services GmbH. The accrual of EUR 6,403 K took place in the 2009 fiscal year and the value was adjusted to EUR 5,533 K in the 2013 fiscal year.

The goodwill 'TransAction+ Products and Services' from the takeover of the business segment from DBS Data Business Systems Inc. by GK Software USA is balanced in the individual accounts of GK Software USA. Currency-related changes in value have an effect on its valuation on the balance sheet date. The intrinsic value test is performed in the functional currency of the unit generating the cash and cash equivalents, in USD.

The debts acquired exceeded the identified assets by EUR 2,662 K in association with the acquisition of valuephone, so that goodwill amounting to this sum was entered on the balance sheet on 31 December 2018 for the first time.

The goodwill for Solquest GmbH / SQ IT-Services GmbH and valuephone GmbH relate to the same “CLOUD4RETAIL” cash-generating unit (previously GKRetail) and are tested in a consolidated manner.

The assumptions on which the planning is based (see 3.2. “Intrinsic value of goodwill”) are, by their very nature, subject to risk. For the goodwill SOLQUEST/SQ-IT/Valuephone, an increase to the discount interest rate by one percentage point or a reduction in the cash flow by up to 30 percent would not have any effects on the results of the tests. For the goodwill TAPS, an increase to the pre-tax discount interest rate by one percentage point or a reduction in the cash flow by up to 50 percent compared to plans would not have any effects on the results of the tests. Realistic changes to the parameters would not result in an impairment.

The following customer bases were identified and capitalised as part of the takeovers of companies or parts of firms and within the purchase price allocations that took place:

T.48 Customer bases

Company	Year acquisition	Service life	Book value 31.12.2021	Depreciation	Currency conversions	Carrying amount 31.12.2022
		Years	EUR K	EUR K	EUR K	EUR K
AWEK GmbH	2012	10	**42**	(42)	–	**0**
DBS Data Business Systems Inc.	2015	10	**1,678**	(556)	112	**1,234**
GK AIR (formerly prudsys AG)	2017	10	**958**	(164)	–	**794**
valuephone GmbH	2018	7	**763**	(223)	–	**539**
Total			**3,441**	**(986)**	**112**	**2,567**

The business unit at DBS Data Business Systems was acquired by GK Software USA and is being continued there under the heading of TAPS (Transaction Payment Systems). valuephone GmbH was merged with GK Software SE on 1 January 2019.

4.2.5. Real estate held for sale

Because of the intended sale of two real-estate properties, they were reclassified as "real estate held for sale" and moved from fixed assets to current assets. On the balance-sheet reporting date, taking into account the deferred funding attributable to the properties, the fair value of EUR 2,050 K amounts to EUR 500 K. In the course of the fourth quarter of 2022, the Management Board began to reconsider the real-estate portfolio. A return to face-to-face working, as before the pandemic period, is not expected. It was therefore decided to reduce the permanently available office capacity and not to expand it further. This includes, in particular, stepping away from the Hempelsche Fabrik extension project in Plauen, as well as the properties held as financial investments in accordance with IAS 40. The respective sales contracts were concluded in the first quarter of 2023.

An unscheduled depreciation of EUR 1,240 K was made on the "real estate held for sale". In addition, a provision for expected losses from pending transactions was established in the amount of EUR 257 K.

4.2.6 Inventories

T.49 Inventories

EUR K	31.12.2022	31.12.2021
Goods	81	70
Advance payments on inventories	22	1
Total	**103**	**71**

We refer you to Section 5.4 Materials expenditure with regard to the expenditure incurred in 2022.

4.2.7 Other accounts receivable, assets and income-tax claims

We refer you to Section 4.1.2. Other accounts receivable and assets

4.2.8 Deferred taxes

We refer you to Section 5.9 Income taxes.

4.2.9 Provisions for pensions

GK Software issued pension benefit plans for members of the Management Board and managing directors in the form of performance-related plans.

The pension benefit plans have been organised so that they form life-long, fixed retirement pensions, which will be paid once employees reach the age of 65 or 67 or 68. As this involves fixed pension sums, no adjustments are made in line with the final salary paid or the preceding salaries or the length of services or revenues in the fund. No fixed pension adjustment has been agreed. There are also individual entitlements in case somebody suffers invalidity or a widow's pension is necessary if somebody dies.

The Group is exposed to the following risks through its commitments to pension payments:

Investment risks. The cash value of the defined benefit obligation in the plan is determined by using a discount rate. This is determined on the basis of the profits of high-grade corporate loans with a fixed interest rate. The Group is allocating funds to the different plan assets to cover future payment obligations. As soon as the yields from the plan asset fall below this interest rate, this creates a shortfall in the cash value of the obligation created by the plan.

Risks associated with changes in interest rates. A reduction in the loan interest rate will lead to an increase in the plan liability.

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

The cash value of the defined benefit obligation and the associated current service costs are determined using the projected unit credit method.

The calculations are based on the following assumptions:

T.50 Assumptions for calculating cash values

		FY 2022	FY 2021
Pensionable age (m/f)		65-68	65-68
Discount factor(s) on 1 January	% p.a.	1.31	1.00
Discount factor(s) on 31 December	% p.a.	4.21	1.31
Rate of pension increase	% p.a.	1.50	1.50

The calculations are based on the "2018G Guideline Tables" by Klaus Heubeck.

The assets of the associated plan assets are special pension-fund assets amounting to EUR 2,008 K (previous year: EUR 2,080 K), as well as asset values from contributions to provident funds amounting to EUR 3,398 K (previous year: EUR 2,309 K) and reinsurance policies EUR 164 K (previous year EUR 140 K). In this respect, it is not possible to provide any other information on investment categories.

A reconciled financial statement of the opening and final balances of the cash value of the defined benefit obligations with the reasons for changes provides the following picture:

T.51 Reconciliation account to determine the cash values

EUR K	FY 2022	FY 2021
Figures on 1 January	6,409	6,469
+ Interest expenditure	83	57
+ Working period costs	761	782
+ Working period costs to be additionally calcu-lated	0	318
– Benefits paid out	(48)	-7
+ Actuarial losses (+)/ gains (-)	(2,856)	(395)
of which adjustments based on experience	–	–
of which changes in financial assumptions	(2,856)	(395)
- disposal and deconsolidation of AWEK micro-data GmbH	0	(815)
Figures on 31 December	**4,350**	**6,409**

The development of the plan assets is shown as follows:

T.52 Development of the plan assets

EUR K	FY 2022	FY 2021
Figures on 1 January	4,528	3,739
- disposal and deconsolidation of AWEK micro-data GmbH	0	(396)
+ Expected yields from plan assets	(83)	383
+ Contributions by employer	957	880
– Benefits paid out	0	0
– Effect of the asset ceiling	(1,168)	(78)
Figures on 31 December	**4,234**	**4,528**

This therefore gave rise to a plan deficit of EUR 115 K (previous year: EUR 1,881 K), which was entered as a pensions provision.

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

T.53 Impact on earnings from pension payment obligations

EUR K	2022	2021
Current service costs	761	782
Past service costs	0	318
Net interest expenditure	19	(326)
Liquidation	–	–
Components of the defined benefit costs entered in the profit and loss statement	**780**	**774**
Reassessment of net debt from the defined ben-efit plan		
Gains from plan assets (with the exception of the amounts contained in the net interest)	–	–
Actuarial gains (-) and losses (+) from the change in financial assumptions	(2,709)	(395)
of which adjustments based on experience	0	0
of which changes in financial assumptions	(2,856)	(395)
Effect of the asset ceiling	1,168	(78)
Components in the defined benefit costs entered under “Other income”	(1,541)	(473)

In terms of the ongoing annual expenditure amounting to EUR 780 K (previous year: EUR 774 K), interest rev-enues amounting to EUR 65 K (previous year: EUR 383 K) and interest expenditure amounting to EUR 83 K (previous year: EUR 57 K) were entered under “Interest results” and the remaining expenditure amounting to EUR 761 K (previous year: EUR 1,100 K) was entered as “Expenditure for old-age pensions”.

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

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

T.54 Development of the cash values of defined benefit obligations and plan assets

EUR K	Cash value of the defined benefit obligation	Fair value of the plan assets	Shortfall (–) surplus (+)
FY 2022	4,350	4,234	(115)
FY 2021	6,409	4,528	(1,881)

T.55 Development of the plan liabilities and plan assets based on past experience

EUR K	Liabilities in the plan	Assets in the plan
FY 2022	0	0
FY 2021	10	(11)
FY 2020	20	(23)
FY 2019	29	(404)
FY 2018	16	16
FY 2017	(199)	0

We are assuming that contributions amounting to EUR 957 K (previous year: EUR 957 K) will be paid into the plan during 2023.

The crucial actuarial assumptions, which are used to determine the defined benefit obligation, are the actu-arial interest rate and the pension trend. The sensitivity analyses shown below were carried out on the basis of the possible changes to each assumption on the balance sheet date determined by prudent judgement, although the remaining assumptions remained unchanged in each case.

- If the actuarial interest rate increases [falls] by 0.5 percent, the defined benefit obligation would be increased by EUR 324 K [reduced by EUR 362 K] (previous year: increased by EUR 596 K [reduced by EUR 680 K]).
- If the pension trend increases [falls] by 0.5 percent, the defined benefit obligation would be increased by EUR 264 K [reduced by EUR 145 K]) (previous year: reduced by EUR 473 K [increased by EUR 428 K]).

The aforementioned sensitivity analysis should not represent the actual change in the defined benefit obligation, as it is improbable that any deviations from the assumptions made will occur in isolation, as some of the assumptions are connected to each other.

The cash value of the defined benefit obligation in the aforementioned sensitivity analysis was also determined using the current single premium method on the balance sheet reporting date, i.e., the same method as that used to calculate the defined benefit obligation entered on the consolidated balance sheet.

The promised benefits from the defined benefit pension plans have the following effects on the flows of payments (expected pension payments) for the balance sheet years following the reporting date:

T.56 Benefits from the plan in the following years

EUR K	Value	Previous year
Fiscal year 1	0	7
Fiscal year 2	84	8
Fiscal year 3	121	92
Fiscal year 4	123	129
Fiscal year 5	285	130
Fiscal year 6-10	1,622	1,499

The average weighted term (duration) of the performance-related payment obligation is between 14.46 years and 26.36 years (previous year: 18.2 to 29.45).

4.2.10 Deferred public-sector subsidies

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

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

4.2.11 Provisions

T.57 Provisions

EUR K	Production department	Financial department	Total
Figures on 1 January	67	479	**546**
Amounts used	41	378	**419**
Liquidation	11	17	**27**
Additional funds	0	747	**747**
Figures on 31 December	**15**	**832**	**847**

The provisions in the production department exclusively cover warranties for individual items. The individual risks were analysed and a provision was formed on the basis of this individual analysis. The balance from the financial department includes EUR 467 K from auditor costs for the annual accounts, EUR 322 K provisions for threat loss and EUR 42 K from archiving costs. With the exception of the warranty provision and the archiving costs, a complete outflow of funds is expected in 2023.

We refer you to Section 3.10. “Other assessment uncertainties” with regard to the assessment uncertainty.

4.3 Equity

We refer you to the Statement of changes in the Group’s equity for more information on changes to GK Software's equity up until the 2022 balance-sheet reporting date.

The Company's share capital amounted to EUR 2,258,425.00 on 31 December 2022 (EUR 2,258,425.00 on 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.

Authorised capital. On 17 June 2021, the annual shareholders' meeting passed a resolution authorising the Management Board to increase the Company's share capital, with the Supervisory Board's approval, against cash contributions or assets in kind by up to a total of EUR 1,115,550.00 on one or more occasions until 16 June 2026, whereby shareholders' subscription rights can be excluded.

Contingent capital. There is conditional capital (conditional capital V EUR 83,500; conditional capital VI EUR 75,000). Contingent capital II, III and IV have expired due to the passage of time. These contingent increases are only performed insofar as the owners of the share options make use of their subscription rights.

With regard to the issue of share options and the amount of contingent capital, we refer you to Section 8.1.1. "Share-option scheme" in the notes on the consolidated accounts.

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

Extra charges arising from the issue of shares minus the additional costs for the capital increase are shown in the capital reserves.

Accumulated other earnings from currency exchange differences arising from the conversion of foreign business operations and the actuarial profits/losses from defined benefit schemes are entered under "Other reserves".

5 Notes on the Consolidated Profit and Loss Statement

5.1. Discontinued business operation

Information on the results of the ongoing business operation and the IT Field Services business operation discontinued on 30.04.2022 is provided below.

T.58 Discontinued business operation

EUR K	FY 2022 Discontinued business operation	ongoing business operation	Group	FY 2021 Discontinued business operation	ongoing business operation	Group
Revenue from turnover	599	151,455	**152,054**	2,453	128,394	**130,847**
Other earnings	186	5,980	**6,166**	(122)	8,864	**8,742**
of which exchange-rate earnings	0	3,403	**3,403**	0	2,106	**2,106**
Revenue from turnover and other earnings	**784**	**157,435**	**158,220**	**2,331**	**137,258**	**139,589**
Materials expenditure	(44)	(13,602)	**(13,646)**	(505)	(13,662)	**(14,168)**
Personnel expenditure	(507)	(89,055)	**(89,562)**	(1,309)	(77,431)	**(78,740)**
Depreciation and amortisation on non-financial assets	(424)	(7,561)	**(7,985)**	(497)	(8,986)	**(9,484)**
Losses from derecognition of financial assets	(49)	(40)	**(89)**	(92)	92	**0**
Other expenditure	(328)	(29,831)	**(30,159)**	(554)	(19,337)	**(19,892)**
of which exchange-rate expenditure	0	(2,304)	**(2,304)**	0	0	**0**
Total operating expenses	**(1,352)**	**(140,089)**	**(141,441)**	**(2,958)**	**(119,325)**	**(122,283)**
Operating results	**(568)**	**17,347**	**16,779**	**(627)**	**17,933**	**17,306**
Financial earnings	2	427	**429**	42	532	**575**
Penalty interest on bank balances/deposit fees	0	(129)	**(129)**	0	(148)	**(148)**
Financial expenditure	(50)	(118)	**(168)**	26	(1,305)	**(1,279)**
Financial result	**(47)**	**180**	**132**	**68**	**(921)**	**(852)**
Earnings before income taxes	**(615)**	**17,526**	**16,911**	**(559)**	**17,013**	**16,454**
Income taxes	348	(5,901)	**(5,553)**	272	(3,428)	(3,156)
Consolidated surplus for the period	**(267)**	**11,625**	**11,359**	**(287)**	**13,585**	**13,298**

5.2 Revenue from turnover

The turnover revenues are exclusively the result of the sale of hardware and software and the provision of services for international and national customers. With regard to the breakdown of revenue from turnover, please refer to Section 1.4. “Segment reporting”

Contractual assets amounted to EUR 12,837 K (previous year: EUR 12,152 K) on the balance-sheet reporting date.

In the year under review, EUR 5,626 K reported as contractual liabilities as of 31 December 2021 were included in revenue from turnover. In the previous year, EUR 3,589 K reported as contractual liabilities as of 31 December 2020 were recorded as revenue.

5.3 Other earnings

T.59 Other operating revenues

EUR K	FY 2022	FY 2021
Offset benefits in kind	1,179	1,345
Earnings from reversal of provisions / public sector	875	737
Rent/leases with associated firms	0	207
Earnings from currency differences	2,824	2,024
Appreciation of derivatives	580	82
Reductions in valuation adjustments and payments received on derecognised receivables	335	10
Other onward charges with associated firms	0	80
Earnings from other periods (previous year including insurance earnings)	13	284
Revenue from deconsolidation	0	3,458
Others	359	514
Total	**6,166**	**8,742**

Revenue from deconsolidation in the 2021 fiscal year relates to the discontinued business operation of AWEK microdata GmbH.

The "Reductions in valuation adjustments" refers to the reversal of individual valuation adjustments that are no longer required.

5.4 Materials expenditure

T.60 Materials expenditure

EUR K	FY 2022	FY 2021
Cost of auxiliary materials and supplies	951	1,402
Expenditure on purchased services	12,695	12,766
Total	**13,646**	**14,168**

An analysis of the research and development costs showed a shift in the fiscal year of EUR 3.32 million to Other operating expenses for services received.

5.5 Human-resources expenditure

T.61 Personnel expenditure

EUR K	FY 2022	FY 2021
Wages and salaries	75,202	65,230
Social security contributions	14,360	13,509
of which expenditure on retirement benefits	1,252	1,596
Total	**89,562**	**78,740**

On average, 1,096 people were employed during the 2022 fiscal year (1,086 in the previous year). On the reporting date of 31 December 2022, 1,168 people, not including the Management Board, were employed (1,122 in the previous year).

With 668 staff members (previous year: 608), a large proportion of the Group's employees were employed at GK Software SE on the reporting date of 31 December 2022. The number of people employed at Eurosoftware s.r.o. in Plzen increased to 253 (previous year: 273). 0 employees were employed at the discontinued business operation AWEK GmbH (previous year: 22). 1 person was employed at OOO GK Software RUS (2 in the previous year). 100 people were employed at GK Software USA Inc. (previous year: 90). GK Software Africa Ltd had 45 employees (previous year: 35). TOV Eurosoftware-UA employed 17 people (previous year: 21). 6 people were employed at the Swiss subsidiary, StoreWeaver GmbH (previous year: 5). 37 people were employed at Artificial Intelligence for Retail AG (formerly prudsys AG) (previous year: 35). DF Deutsche Fiskal GmbH has 5 employees (previous year: 5). On the reporting date, 35 people were employed at Tannenhaus UG (previous year 26) and 1 person was employed at GK Software Asia (Pte).

5.6 Amortizations/depreciations

This item covers scheduled depreciation of tangible assets, rights of use from leasing contracts and intangible assets. With regard to the assessment method used, we refer you to Section 3.1. "Impairment of value for assets"

5.7 Other expenditure

T.62 Other operating expenditure

EUR K	FY 2022	FY 2021
Travel expenses	5,320	3,370
Legal and consultancy costs	4,436	4,134
Other operating requirements	1,666	1,202
Currency losses	1,269	740
Impairment of value on derivatives	1,035	250
Value adjustment on receivables	33	122
Sales expenditure	2,651	1,657
Third-party research and development work	3,319	0
Maintenance costs for software	4,197	3,079
Attracting and tying employees	1,370	906
Ancillary costs for business premises	1,329	1,310
Data traffic	668	588
Voluntary social benefits	669	311
Insurance policies and fees	1,083	731
Rent for business premises	132	96
Special expenditure for projects	160	141
Others	820	1,101
Total	**30,159**	**19,739**

The increase in travel costs is due to the increase in travel after the pandemic. An analysis of the research and development costs showed a shift in the fiscal year of EUR 3.32 million to Other operating expenses for services received.

5.8 Financial result

T.63 Financial results

EUR K	FY 2022	FY 2021
Financial earnings	429	575
Negative interest on bank balances/deposit rates	(129)	(148)
Financial expenditure	(168)	(1,279)
Balance	**132**	**(852)**

The year under review is marked by a one-off effect recorded under financial expenses. The previous years' discount calculation for the convertible bond was adjusted by EUR 1.28 million

5.9 Income tax

T.64 Income taxes

EUR K	FY 2022	FY 2021
Current tax liabilities	4,770	2,317
Deferred tax expenditure	783	839
Balance	**5,553**	**3,156**

The losses carried forward for GK Software SE were fully used in the year under review. Deferred tax assets on losses carried forward for other Group companies, insofar as they are not offset against deferred tax liabilities, are not accounted for due to uncertainty regarding their use.

T.65 Income tax rates

Percent	31.12.2022	31.12.2021
Group tax rate (parent company)	30.0	29.4

The change in the Group tax rate compared with the previous year results from the weighted trade-tax collection rate.

The deferred taxes are included in the following balance sheet items:

T.66 Deferred taxes

	31.12.2022		**31.12.2021**	
EUR K	Assets	Liabilities	Assets	Liabilities
Intangible assets	–	3,837	–	3,817
Other assets	34	9	37	17
Usage rights in the sense of IFRS 16	–	2,449	–	2,106
Contract generated current assets	–	472	–	1,208
Receivables and other assets	133	1,272	332	1,159
Pension provisions	1,484	181	1,886	181
Changes in exchange rates	360	24	298	10
Provisions	10	–	16	–
Liabilities	275	1,877	63	4,103
Leasing liabilities in the sense of IFRS 16	2,491	–	2,139	–
Losses carried forward	–	–	3,654	–
Balancing	(4,587)	(4,587)	(8,231)	(8,231)
Total according to the balance sheet	**200**	**5,535**	**193**	**4,370**

Deferred tax claims/liabilities developed as follows:

T.67 Deferred tax claims/liabilities

EUR K	Initial balance	Changes related to the income statement	Changes not related to the income statement	Final balance 31.12.2022	Initial balance	Deconsolidation	Changes related to the income statement	Changes not related to the income statement	Final balance 31.12.2021
Intangible assets	(3,817)	(20)	0	**(3,837)**	(3,694)	(104)	(18)	0	**(3,817)**
other assets	19	6	0	**26**	(94)	0	113	0	**19**
Rights-of-use assets within the meaning of IFRS16	(2,106)	(343)	0	**(2,449)**	(2,571)	35	429	0	**(2,106)**
Contract generated current assets	(1,208)	736	0	**(472)**	(1,883)	50	625	0	**(1,208)**
Receivables and other assets	(827)	(341)	30	**(1,139)**	929	(4)	(1,786)	34	**(827)**
Pension provisions	1,705	50	(452)	**1,303**	903	(52)	995	(141)	**1,705**
Changes in exchange rates IAS 21	288	0	47	**335**	277	0	0	11	**288**
Provisions	16	(6)	0	**10**	12	0	4	0	**16**
Leasing liabilities in the sense of IFRS 16	2,139	352	0	**2,491**	2,590	(36)	(415)	0	**2,139**
Liabilities	(4,040)	2,438	0	**(1,602)**	(3,011)	0	(1,029)	0	**(4,040)**
Losses carried forward	3,654	(3,654)	0	**0**	3,411	0	243	0	**3,654**
Total	**(4,177)**	**(783)**	**(375)**	**(5,334)**	**(3,131)**	**(112)**	**(839)**	**(96)**	**(4,177)**

Tax expenditure for the financial year can be transferred to the profits for the period in the following way:

T.68 Transfer of tax expenditure

EUR K	2022	2021
Pre-tax earnings	16,911	16,454
Anticipated tax expenditure 29.96% (previous year: 29.4%)	5,067	4,837
Tax-rate deviations	(377)	(61)
Tax impact on non-deductible company spending	570	532
Tax impact on tax-free income	32	(1,160)
Tax impact on trade tax additions	70	84
Tax impact on trade tax reductions	(17)	(28)
Impairment on deferred tax assets from losses carried forward	–	–
Not entered losses carried forward	328	150
Use of losses carried forward for which no deferred taxes were previously recognised.		(1,752)
Tax effects from other periods	(319)	55
Permanent differences	–	–
Other tax effects	199	498
Actual tax expenditure	**5,553**	**3,156**

Due to the temporary differences between the assets for the subsidiaries entered on the consolidated accounts and the tax balance figure for the shares held by the parent company in the subsidiaries, no deferred taxes were entered on the balance sheet as no reversal of these temporary differences (e.g. through the sale of these shares) is expected in the foreseeable future. The temporary differences subject to taxation for which no deferred taxes were entered on the balance sheet amount to EUR 792 K.

5.10 Expenditure and earnings from currency conversions

Profits and losses from currency differences were present in the following items in the profit and loss statement:

T.69 Currency conversions

EUR K	2022	2021
Earnings	3,403	2,106
thereof exchange rate	2,824	2,024
thereof derivatives	580	82
expenditures	(2,304)	(1,072)
thereof exchange rate	1,269	740
thereof derivatives	1,035	332
Balance	**1,099**	**1,033**

6. Notes on the Cash Flow Statement

We recognise paid taxes in the cash flow from ongoing business activities. Any interest received is shown in the cash flow from investment activities. Any interest paid is considered in the cash flow from financial activities. Deposits and withdrawals for marketable securities are shown under investment activities.

Other non-cash earnings and expenditure mainly consist of actuarial profits and losses.

The change on the balance sheet to liabilities arising from funding activities resulted from the following circumstances, which affected both cash and non-cash items:

T.70 Explanation of cash and non-cash changes in 2022

	01.01.2022	Changes to cash			Changes related to non-cash	31.12.2022
EUR K		Repayments	Taking out funds	Others		
Non-current liabilities with banks	3,512	(2,925)	12,500		(363)	**12,725**
Non-current lease liabilities	5,328	–	–	–	1,064	**6,392**
Total	**8,840**	**(2,925)**	**12,500**	**–**	**702**	**19,117**
Current liabilities with banks	**1,002**	(933)	2,500	97	363	**3,029**
Current lease liabilities	2,457	–	–	–	147	**2,603**
convertible bond	14,639	(15,000)	–	418	(57)	**–**
Total	**18,098**	**(15,933)**	**2,500**	**515**	**452**	**5,632**
Liabilities from funding activities	**26,938**	**(18,858)**	**15,000**	**515**	**1,154**	**24,749**

T.71 Explanation of cash and non-cash changes in 2021

	1.1.2021	Changes to cash			Changes related to non-cash	31.12.2021
EUR K		Repayments	Taking out funds	Others		
Non-current liabilities with banks	4,446	(551)	–	(383)	–	**3,512**
Non-current leasehold liabilities	6,731	–	–	–	(1,403)	**5,328**
Convertible bond	14,222	–		–	(14,222)	**–**
Total	**25,398**	**(551)**	**–**	**(383)**	**(15,625)**	**8,840**
Current liabilities with banks	5,223	(236)	–	(372)	(3,614)	**1,002**
Convertible bond[1]	–	–	–	–	14,639	**14,639**
Current lease liabilities	2,580	–	–	–	(123)	**2,457**
Total	**7,803**	**(236)**	**–**	**(372)**	**10,903**	**18,098**
Liabilities from funding activities	**33,201**	**(786)**	**–**	**(755)**	**(4,722)**	**26,938**

1 Previous year's figure adjusted, "convertible bond" line

The cash-flow statement includes the following contributions from discontinued operations: The cash inflow from operating activities was reduced by the discontinued operations with -0.32 million euros. There was a further outflow of funds from investment activities amounting to -0.02 million euros. Financing activities reduced the Group's cash flow with -0.20 million euros. This business unit contributed EUR 1.39 million to the inventory of cash and cash equivalents (receivables of the discontinued business unit vis-à-vis GK Software SE as part of the cash-pool agreement).

7. Items Not Entered

7.1 Contingent liabilities

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

Guarantee loans amounting to EUR 316 K (previous year: EUR 207 K) existed for contingent liabilities and were granted by Volksbank Vogtland e.G. (EUR 23 K), Commerzbank (EUR 285 K) and DZ Bank (EUR 8 K). The securities act as normal coverage for renting the business premises in Berlin, Cologne and St. Ingbert. The rental guarantee from the Volksbank is secured by pledging bank credit balances amounting to EUR 11 K (previous year: EUR 11 K). The Management Board does not expect it to be necessary to make use of the guarantee.

7.2 Financial obligations

GK Software SE and its Group companies did not enter into any significant purchase obligations during the year ending 31 December 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

Sales contracts were concluded in the first quarter of 2023 for the properties listed as **"real estate held for sale"** as of 31 December 2022.

In 2023, **GK EUROSOFTWARE RO S.R.L.,** Brasov, Romania, was founded as a further national company.

On March 23, 2023, **Fujitsu ND Solutions AG, Munich,** whose sole shareholder is Fujitsu Limited, a public limited company under the Japanese law with its registered office in Kawasaki, published a voluntary public bid to acquire all no-par bearer shares in GK Software SE. Fujitsu ND Solutions AG is offering EUR 190 in return for each share. The acceptance period ended on 20 April at 24:00. The further acceptance period is expected to end on 9 May at 24:00. In addition to the usual closing conditions, the conditions for a successful offer were defined as the achievement of a minimum acceptance threshold of 55 percent of the share capital as well as approval under foreign-trade law and approval under merger-control law. On 21 April 2023, Fujitsu ND Solutions AG announced that all conditions of the voluntary public takeover offer had been fulfilled.

OOO GK Software RUS, located in Russia, is in the process of liquidation at the time of the preparation of this report. A submission to the Russian court for liquidation and the associated public announcement were made on 9 March 2023. The previous managing director was appointed as liquidator. The liquidation was published in the Official State Journal on 22 March 2023.

8. Other Information

8.1 Share-based remuneration

Share-based payments with compensation through equity instruments to employees and others, who provide comparable services, are assessed at the fair value of the equity instrument on the day that it is granted.

The fair value determined when granting the share-based payments with compensation through equity instruments is entered in linear fashion as expenditure with a corresponding increase in equity over the period until the start of the exercise time (provision for benefits to employees provided in equity) and is based on the Group's expectations with regard to the equity instruments, which will probably be exercisable. The Group must check its estimates regarding the number of equity instruments, which are ready to be exercised, on each reporting date for the accounts. The effects of the changes to the original estimates must be entered to affect the net income, if they exist. The entry takes place in such a way that the total expenditure reflects the change in estimate and leads to a relevant adaptation of the reserve for benefits to employees with compensation through equity instruments.

Share-based payments with compensation through equity instruments to employees and different parties are assessed at the fair value of the goods or services received, unless the fair value cannot be reliably determined. In this case, they are assessed at the fair value of the equity instruments granted at the time when the Company receives the goods or the opposing party provides the services. In the case of share-based payments with cash compensation, a liability is entered for the goods or services obtained and is assessed at the fair value when they accrue. Until the debt is settled, the fair value of the debt is newly determined on each reporting date for the accounts and on the settlement date and all the changes to the fair value are entered to affect the net income.

8.1.1 Share-option scheme

Share option programmes were introduced to supplement the normal remuneration to improve the loyalty and motivation of leading employees and those who provide special services.

According to Section 4a Para. 1, 3 and 6 of the articles of association, the Management Board was entitled to grant subscription rights to individual share certificates as part of the share option programme on one or more occasions, provided that the Supervisory Board approves these measures. The share options are exclusively for subscription by members of the GK Software SE Management Board, selected managers and other senior employees at GK Software SE and for subscription by members of the management team and selected managers and other leading employees in companies, which are independently associated firms in a relationship with GK Software SE in the sense of Sections 15 and 17 of the German Companies Act. The decisions taken at the annual shareholders' meeting on 28 June 2012 (contingent capital II), 29 June 2015 (contingent capital III), 29 June 2018 (contingent capital V) and 17 June 2021 (contingent capital VI) empowered the Management Board to issue subscription rights to GK Software SE shares with a term of up to five years provided that each share option grants the right to subscribe to one GK Software SE share. Contingent capitals II and III have expired due to the passage of time.

The individual conditions are recorded in the following tables.

14,600 options were exercised in the reporting period. The securitisation and issuance of the shares from the converted options took place after the reporting date. As of the balance-sheet reporting date, EUR 1,037 K of liabilities to employees are reported under other liabilities from the payment for exercising these options.

The options exercised during the reporting period involved an average share price of EUR 141 (previous year: EUR 129.94).

T.72 Development of outstanding options that have been exercised and lapsed or forfeited

	Number of options
Options outstanding on 1 January 2021	96,600
Options granted during the course of the 2021 financial year	23,725
Options lost during the reporting period	(4,500)
Options redeemed during the reporting period	(27,325)
Options expiring during the reporting period	(12,200)
Options outstanding on 31 December 2021	**76,300**
Exercisable options on 31 December 2021	**6,000**
Options outstanding on 1 January 2022	76,300
Options granted during the course of the 2022 fiscal year	24,425
Options lost during the reporting period	(1,425)
Options redeemed during the reporting period	(14,600)
Options expiring during the reporting period	(6,000)
Options outstanding on 31 December 2022	**78,700**
Exercisable options on 31 December 2022	**12,300**
Weighted average of options exercised in 2022	141.45

We would refer you to the following summaries to provide an overview of the individual share option programmes.

T.73 Options granted and obstacles to exercising them

Date of issue	Issue options	of which forfeited	of which lapsed	of which redeemed	Options remaining	Exercise price	Exercise period	End of exercise period
	Number	Number	Number		Number	EUR	Years	
4.12.2017	16,500	0	10,000	6,500	0	116.69	4 1/4	3.12.2021
Conditional capital III					**0**			
26.11.2018	37,000	10,100	0	14,600	12,300	75.16	4 1/4	28.11.2022
3.8.2020	20,525	2,075	0	0	18,450	68.00	4 1/4	3.8.2024
5.10.2021	23,725	200	0	0	23,525	154.40	5	5.10.2025
Conditional capital V					**54,275**			
12.10.2022	24,425	0	0	0	24,425	108.84	5	12.10.2026
Conditional capital VI					**24,425**			
Total amount					**78,700**			

T.74 Currency rates, interest rates and volatility

Date of issue	Term from issue date	Stock exchange price on assessment date	Retention period	Risk-free interest rate	Volatility	Shares for Management Board	Total value
	Years	EUR	Years	%	%	Number	EUR K
4.12.2017	4 1/2	116.30	4	(0.47)	32.01	10,000	468
26.11.2018	4 1/2	76.20	4	(0.36)	29.08	10,000	633
3.8.2020	4 1/2	70.00	4	(0.73)	34.71	10,000	393
5.10.2021	5	151.50	4	(0.70)	36.25	10,000	1,011
12.10.2022	5	104.00	4	1.84	37.41	10,000	784

The non-risk interest rate for the SOP programmes released on 5.10.2021 and 12.10.2022 was calculated using the average cost method.

T.75 Distribution of expenditure entered

Date of issue	Fair value/ option	Probable average exercise period on the balance sheet reporting date	Assumed annual dividend per share	Expenditure entered	of which Management Board
	EUR	Months	EUR	EUR K	EUR K
26.11.2018	17.100	4	0.50	106	28
3.8.2020	19.170	25	0.50	87	42
5.10.2021	42.600	45	0.50	250	106
12.10.2022	32.090	57	0.50	43	18
Total amount				**486**	**194**

The process of determining the fair values per option took place on the basis of 10,000,000 simulations using the Monte Carlo procedure. The total value per share option scheme was determined by taking into account each option. This figure must be entered as personnel expenditure on a pro-rata basis for the elapsed qualifying period and assigned to the capital reserves. The exercise price, the exercise hurdle and the exercise period were taken into consideration in the underlying observation.

The volatility was calculated according to IFRS 2 B25(b) in line with an estimated average term of the option rights of 4 ¼ years based on the company's historical share price during the last four or five years on the relevant granting date.

The average weighted residual term for the options is 2.49 years.

8.2 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 consolidated annual surplus for 2022 amounts to EUR 11,359 K (previous year: EUR 13,298 K) As a result, the earnings per share in 2022 amounted to EUR 4.84 diluted and EUR 4.99 undiluted (previous year: EUR 5.66 diluted and EUR 5.98 undiluted).

T.76 Earnings per share for continuing and discontinued operations

EUR	FY 2022	FY 2021
Basic earnings per share / continuing operations	5.19	6.24
Diluted earnings per share / continuing operations	4.96	5.78
Basic earnings per share / discontinued operations	(0.07)	(0.07)
Diluted earnings per share / discontinued operations	(0.07)	(0.06)

T.77 Reconciliation of the results used to determine the earnings per share.

EUR K	FY 2022	FY 2021
Annual results	11,359	13,298
Less the proportion of non-controlling shares	(100)	(141)
Group result (numerator for the undiluted earnings per share)	**11,259**	**13,157**
Annual results	11,359	13,298
Plus interest saved on convertible bonds	0	450
Less the tax drawback due to conversion	0	(131)
Less the proportion of non-controlling shares	(100)	(141)
Adjusted Group result (numerator for the diluted earnings per share)	**11,259**	**13,476**

T.78 Weighted average of shares used as denominator

Number	FY 2022	FY 2021
Weighted average of shares used as the denominator to determine the undiluted earnings per share	2,258,425	2,201,490
Options	45,350	52,575
Convertible bond	0	96,774
Adjustment by fictitious bonus shares due to exchange rate differences	20,529	30,174
Weighted average of the shares and potential shares used as the denominator to determine the diluted earnings per share	**2,324,304**	**2,381,013**

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.

8.3 Details of capital management

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

These goals are monitored by tracking financial indicators (e.g. the equity ratio, capitalisation ratio, surplus of liquid funds over interest-bearing liabilities) for the target corridors. The aim of maintaining adequate capital is supported by investing cash and cash equivalents in a non-risk manner. Derivative financial instruments are only used to the extent that they are needed to hedge actual business deals.

8.4. 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.

8.4.1 Management Board

The following people are members of the Management Board:

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

The members of the Management Board at GK Software SE receive not only a fixed salary, but also a salary component that is dependent on results and is linked to qualitative targets and mainly relates to the development of the business. These qualitative targets are set by the Supervisory Board for the members of the Management Board each year.

The members of the Management Board are granted benefits in kind in addition to fixed remuneration. This includes the provision of company cars, also for private use. In addition, the members of the Management Board are reimbursed for the costs of maintaining residences at the company's various locations. The members of the Management Board are granted pension packages according to their level of seniority.

The overall remuneration (without LTI[1]) of the Management Board for their work in the 2022 fiscal year was EUR 1,961 K (2021: EUR 2,181 K), of which EUR 1,306 K (2021: EUR 1,206 K) was for fixed salary and EUR 655 K (2021: EUR 975 K) was for the variable components.

In addition, payments of EUR 752 K (previous year: EUR 739 K) for active members of the Management Board and EUR 205 K (previous year: EUR 205 K) for two former members of the Management Board were made to old-age pension institutions. These were a reinsured provident fund, a pension fund and a direct insurance.

Forfeitable share provisions (share options) are granted as long-term share-based remuneration. In terms of the organisation of the stock awards, the same general conditions apply to the Management Board as to leading members of staff, please see to Section 8.1.1. "Share-option scheme".

1 LTI: Long-term incentive

As of 31 December 2022, 40,000 share options were held by the members of the Management Board and 2,000 by two former members of the same body. In the year under review, the members of the Management Board were each granted 5,000 shares. The expenditure from the share-based remuneration for the members of the Management Board entered on the basis of the assessment was EUR 194 K (previous year: EUR 159 K).

T.79 Pension provisions for members of the Management Board

EUR K	31.12.2022	31.12.2021
Provisions for pensions	**102**	**1,881**
thereof for board members	102	1,572
thereof for former board members	0	309
Settlement amount of the provision	**4,357**	**6,409**
thereof for board members	3,435	5,065
thereof for former board members	922	1,344
Fair value of net contribution margin	**4,255**	**4,528**
thereof for board members	3,333	3,493
thereof for former board members	922	1,035
Working period costs	**761**	**782**
thereof for board members	535	542
thereof for former board members	227	240

Regarding the form of the pension commitments, please refer to Section 4.2.9. "Provisions for pensions".

Those who are or were members of the Company's Management Board or Supervisory Board during the 2022 fiscal year, directly held the following shareholdings in GK Software on 31 December 2022:

T.80 Shareholdings held by members of the Management Board and the Supervisory Board

Name	Number of shares	in %
Rainer Gläss	67,792	3.00
Herbert Zinn	3,000	0.13
André Hergert	14,198	0.63

Mr Gläss indirectly held a further 464,500 shares through Gläss Vermögenverwaltungs GmbH & Co KG on 31 December 2022.

Other receivables from members of the Management Board amounting to a further EUR 55 K involved various advance payments for purchases, travel expenses and similar items, and were therefore not subject to interest. These accounts receivable can be recovered at any time.

8.4.2 Supervisory Board

The Company's Supervisory Board consists of three members.

- Mr. Dr. Philip Reimann — Hamburg,
  lawyer, tax consultant, specialist lawyer for tax law, managing director of LPJ Bantelmann & Reimann Rechtsanwaltsgesellschaft Steuerberatungsgesellschaft mbH, Chair
- Mr Herbert Zinn — Ebersburg,
  managing partner at SÜBET RHEIN-MAIN Handels- und Beteiligungsgesellschaft mbH und Co.KG and managing partner at HBZ Immobilien-Verwaltungs-GmbH
- Mr Thomas Bleier — Oelsnitz,
  business economist (retired), Deputy Chair

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

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

For the 2022 fiscal year, the members of the Supervisory Board are entitled to a fixed remuneration of EUR 120 K (2021: EUR 120 K) according to the articles of association. This is entered under the current liabilities. There was no entitlement to performance-related remuneration in 2022 or 2021 and there are no provisions for such in the articles of association.

8.4.3 Associated firms

Accounts receivable with associated firms are those that are not included in the consolidated companies. All the business transactions with associated firms involved other related companies in line with the categorisation in IAS 24.19.

T.81 Accounts receivable with associated firms

EUR K	31.12.2022	31.12.2021
Suppliers with debit balances	0	79
Other claims	596	589
Trade accounts receivable	220	228
Total receivables	**816**	**896**
Accounts payables	77	69
Total liabilities	**77**	**69**

The other accounts receivable involved advanced payments made on the contingent purchase price arising from the acquisition of valuephone GmbH, Schöneck, of EUR 586 K.

The trade accounts receivable largely consisted of service relationships with ‘Mountain View Transport GmbH’, Schöneck. These relate to reimbursements on transport services and expenses.

T.82 Expenditure and earnings with associated firms and persons

EUR K	31.12.2022	31.12.2021
Revenue from turnover / earnings	**206**	**289**
thereof provided cars and services	40	66
thereof rent/lease/other	27	207
thereof internal charging	140	16
services received	**273**	**586**
other operating expenditure	**1,319**	**686**
thereof facility management[1]	536	0
thereof transport services	550	633
thereof rent/lease/other	53	53
thereof legal advice	181	0

The other services received are maintenance and canteen services and the transport services are travel services.

8.5 Fees for auditing the consolidated accounts

The auditor and companies attributable to it received the following fees in 2022:

T.83 Auditor's fees

EUR K	GK Software SE	DF Deutsche Fiskal	GK AIR AG
Auditing the annual accounts	370	14	14
Other services	1	0	0
Total	**371**	**14**	**14**

Other services are the confirmation of compliance with credit terms.

8.6 Declaration 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.

8.7 Details of Group affiliation

With the liquidation of GK Software Holding GmbH, GK Software SE has been the senior parent company of the GK Software Group since August 2022.

8.8 Date of approval of the accounts for publication

The Management Board approved these consolidated accounts for forwarding to the Supervisory Board on 26 April 2023. The Supervisory Board has the job of checking the consolidated accounts and stating whether it endorses them or not.

1 Included in Purchased services in the previous year.

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, 26 April 2023

The Management Board

Rainer Gläss
Chief Executive Officer

André Hergert
Chief Financial Officer

The auditor's report reproduced below also includes a "Report on the Audit of Electronic Reproductions of the Consolidated Financial Statements and of the Management Report Prepared for the Purpose of Disclosure Pursuant to Section 317, Paragraph 3b HGB" (ESEF report). The subject matter of the ESEF report (the ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

Independent Auditor's Report

To GK Software SE, Schöneck / Vogtland

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of GK Software SE (formerly GK Software AG), Schöneck / Vogtland, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, the total income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of GK Software SE, which is combined with the management report of the company for the financial year from January 1 to December 31, 2022. We have not audited the Corporate Governance Statement according to § 289a HGB and § 315d HGB in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e, Paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322, Paragraph 3, Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 Recoverability of goodwill

2 Revenue recognition and allocation of revenue to correct periods

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue

2 Audit approach and findings

3 Reference to further information

Hereinafter we present the key audit matters:

1 Recoverability of goodwill

1 Goodwill amounting in total to EUR 18.293 K (representing 11 % of total assets and 18 % of equity) is reported under the “Intangible assets” balance sheet item in GK Software SE (formerly GK Software AG)'s consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the cash-generating unit normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point for future projections. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the cash-generating unit. The impairment test determined that no write-downs were necessary. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the cash-generating unit, the discount rate used, and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing on the parameters used to determine the discount rate applied, and verified the calculation procedure. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amount of the cash-generating unit, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures regarding the impairment test and the balance sheet item “Intangible Assets” are included in the sections “3.2 Goodwill Impairment” and “4.2.4 Intangible Assets” in the notes to the consolidated financial statements.

2 Revenue recognition and allocation of revenue to correct periods

1 Revenue amounting to EUR 152,123 K is reported in the Consolidated Profit and Loss Statement of GK Software SE. The company recognizes revenue from the sale and temporary granting of licenses, the provision of installation services and advice, maintenance and other services. The recognition of revenue from the sale of licenses depends on the existence of a binding contractual arrangement, the transfer of material rights to the buyer and the ability to reliably determine the consideration paid. Proceeds from services are realized as at the date the services are rendered, while maintenance revenue and proceeds from the temporary granting of licenses is realized over the performance period. These various services rendered by the company can be the object of agreements with customers, either individually or in various constellations. In light of the complexity of the customer agreements underpinning revenue recognition, these significant items are subject to particular risk. Against this background, the correct application and deferral of revenues under the Group-wide application of the accounting standard IFRS 15 is considered to be complex and is based in some respects on estimates, assumptions and discretion used by the executive directors, with the result that this matter was of particular importance for our audit.

2 As part of our audit, we assessed, among other things, the correct presentation of revenue in the consolidated financial statements on the basis of the accounting policies applied by GK Software SE (formerly GK Software AG) in relation to the recognition of software revenue in accordance with the relevant IFRSs, in particular IFRS 15. To do so, we particularly first identified the material controls implemented by the Group to ensure the correct identification of contracts and performance obligations and the subsequent recognition of revenue, assessed their appropriateness and tested their effectiveness in preventing and detecting errors. In addition, we particularly have performed detailed revenue recognition reviews of individual significant transactions and other transactions

on a test basis, including, inter alia, reviewing customer contracts, identifying performance obligations and assessing whether these services were rendered over a specified period or at a specified time and what transaction prices were received. Based on our audit procedures, we satisfied ourselves that the estimates and assumptions relating to revenue recognition made by the executive directors were adequately documented and justified.

3 The Company's disclosures on revenue recognition are contained in sections "Accounting and measurement methods" and "2.15 Income from contracts with customers" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Section 289f HGB and Section 315d HGB as a non-substantive audited part of the group management report.

The other information comprises further
- the separate non-financial report to comply with §§ 289b to 289e HGB and §§ 315b to 315c HGB
- all other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report as well as our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other aforementioned information and, in so doing, to consider whether the other information
- is materially inconsistent with the consolidated financial statements, with the content of the audited group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e, Paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements may result from fraud or error and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users taken on the basis of these consolidated financial statements and group management report.

We exercise professional judgment and maintain professional scepticism during the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up

to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e, Paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Audit of Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for the Purpose of Disclosure Pursuant to Section 317, Paragraph 3a HGB

Audit Opinion

Pursuant to Section 317, Paragraph 3a HGB, we have performed an audit with reasonable assurance to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as the "ESEF documents") contained in the file GK Software_SE_KA+KLB_ESEF-2022-12-31.zip and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328, Paragraph 1 HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore covers neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned file and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328, Paragraph 1 HGB regarding the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the preceding “Report on the Audit of the Consolidated Financial Statements and of the Group Management Report”, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the Audit Opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the aforementioned file in accordance with Section 317, Paragraph 3a HGB, taking into account the IDW Auditing Standard: The audit of electronic reproductions of financial statements and management reports prepared for the purpose of disclosure was carried out pursuant to Section 317, Paragraph 3a HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities thereafter are further described in the “Group Auditor's Responsibility for the Audit of the ESEF Documents” section. Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with Section 328, Paragraph 1, Sentence 4, No. 1 HGB and for the mark-up of the consolidated financial statements in accordance with Section 328, Paragraph 1, Sentence 4, No. 2 HGB.

In addition, the company's executive directors are responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328, Paragraph 1 HGB.

The supervisory board is responsible for overseeing the preparation processes of the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328, Paragraph 1 HGB. We exercise professional judgment and maintain professional scepticism during the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328, Paragraph 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those controls.

- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification for that file.
- Assess whether the ESEF documents provide a consistent XHTML reproduction of the audited consolidated financial statements and the audited group management report.
- Assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable at the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 15, 2022. We were engaged by the supervisory board on December 9, 2022. We have been the group auditor of GK Software SE (formerly GK Software AG), Schöneck / Vogtland, without interruption since financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to Any Other Matters - Use of the Auditor's Report

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format - including the versions to be entered in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the "Report on the Audit of Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for the Purpose of Disclosure Pursuant to Section 317, Paragraph 3a HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Thomas Schmid.

Leipzig, 26 April 2023

PricewaterhouseCoopers GmbH Auditing company

Dr. Thomas Schmid
Auditor

ppa. Marcus Engelmann
Auditor

Financial Calendar

28 June 2023
Annual General Meeting 2023

29 August 2023
Interim Report as of 30 June 2023

27 – 29 November 2023
Equity Forum in Frankfurt/M.

28 November 2023
Quarterly Statement as of 30 September 2023

29 April 2024
Annual Report as of 31 December 2023

29 May 2024
Quarterly Statement as of 31 March 2024

20.06.2024
Annual General Meeting 2024

29 August 2024
Interim Report as of 30 June 2024

November 2024
Equity Forum in Frankfurt/M.

28 November 2024
Quarterly Statement as of 30 September 2024

Legal notice

Publisher
GK Software SE
Waldstr. 7
08621 Schöneck
Germany
T: +49 37464 84-0
F: +49 37464 84-15

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

Chair of the Supervisory Board
Dr Philip Reimann

Management Board
Dipl.-Ing. Rainer Gläß, CEO
Dipl.-Kfm. André Hergert, CFO

Chemnitz District Court, Commercial Register No. HRB 31501

VAT ID. DE 141 093 347

Photos
Image archive GK Software SE,

Contact Investor Relations
GK Software SE
Dr. René Schiller
Friedrichstr. 204
10117 Berlin

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

rschiller@gk-software.com

Notes

Note on the Annual Report
The Annual Report is also available as a translation into English. In the event of deviations, the German version shall apply. The Annual 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.